

Infrastructure Financing

December 3, 2025

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www.acwa.com



ACWA Fall Conference
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About Us



IBank is the state of California's only general-purpose financing authority. IBank provides financial assistance to support infrastructure and economic development in California.

Created by the Legislature in 1994

Finance public infrastructure

Finance private development

Create jobs and a strong economy

Improve quality of life for the people of California

Broad authority to issue tax-exempt and taxable revenue bonds

Provide financing to public agencies

Leverage state and federal funds

Green financing



 **Infrastructure State
Revolving Fund
Program**
Direct municipal loans

 **Small Business
Finance Center**
Loan guarantees

 **Expanding Venture
Capital Access**
Fund and direct co-
investments

Mission: To provide financial assistance and support infrastructure and economic development in California.

 **Bond Financing
Program**
IBank and conduit
bonds

 **IBank**
California Infrastructure and
Economic Development Bank

 **Climate
Financing**
Loans and credit
enhancements

Eligible Borrowers



**Infrastructure State
Revolving Fund
Program**

Municipalities



Special
Districts

Cities

Counties

State
Agencies

Joint Powers
Authorities

ELIGIBLE PROJECT TYPES DRAINAGE, WATER SUPPLY, WATER TREATMENT, AND FLOOD CONTROL



Public Infrastructure

Water System Projects:

Water/Wastewater Treatment Plants

Pumps, Conduits, Canals

Storm Water Infrastructure

Recharge Basins

Levees

Dams

Water Use Analysis



Why choose IBank for your infrastructure loans



**Infrastructure State
Revolving Fund
Program**

100% financing

No scoring

No waitlist

Applications
accepted
continuously



90 days

72-hour
reimbursement
(generally)

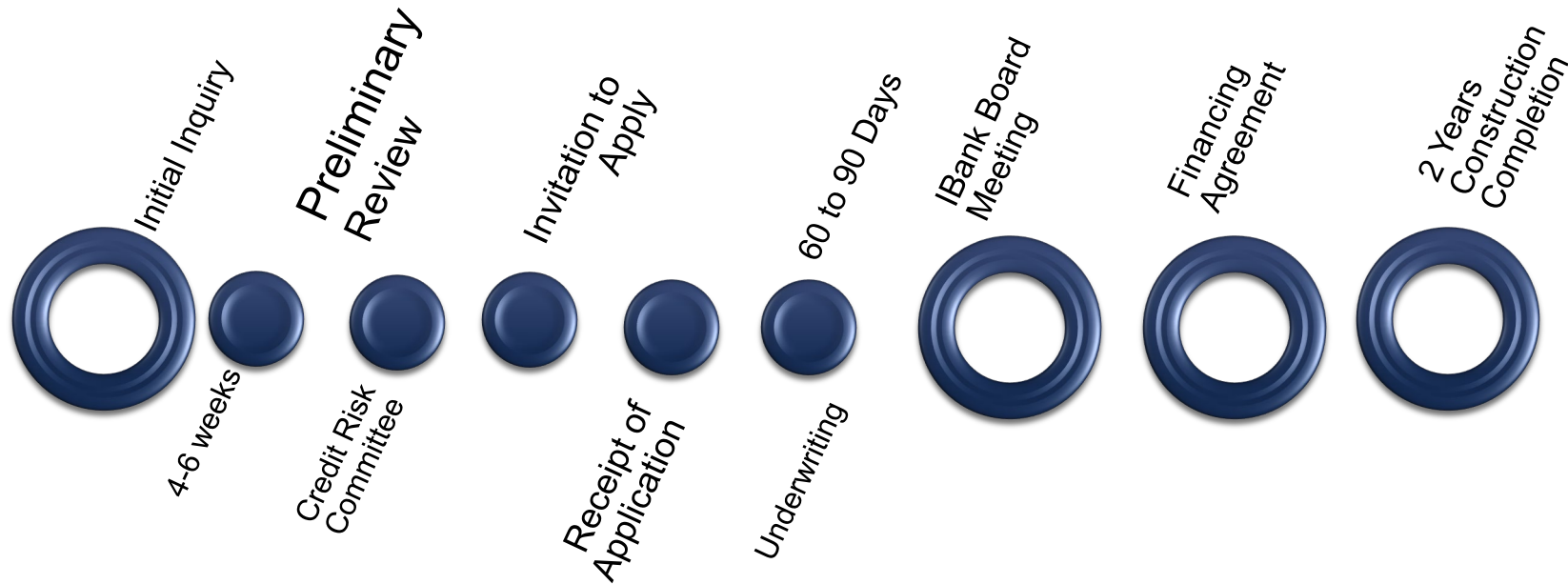
Technical
assistance

***Repayment
Methods:**

**Enterprise
Funds**

**General
Funds**

Project Planning & Timelines



Types of Projects

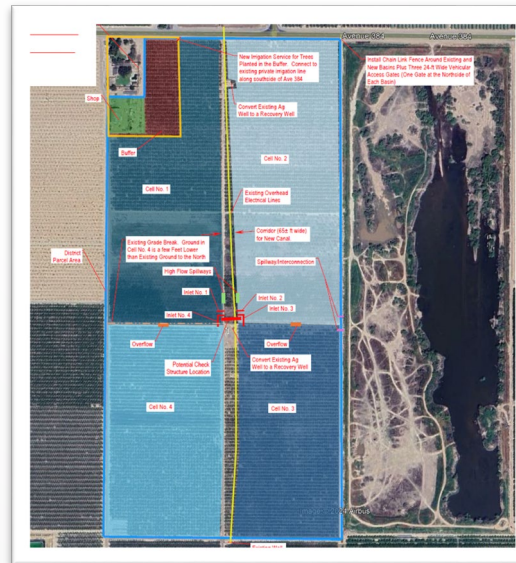
Watsonville Phase IV Project

\$6 million
3.93% / 25 years



Alta Irrigation London West Pond Recharge Project

\$8.6 million
4.45% / 25 years



Alta Irrigation Traver North Pond Project

\$4.4 million
4.26% / 20 years



Recent ISRF Projects Funded by IBank

City of Santa Cruz



Santa Cruz
Wastewater Treatment
Facility Headworks
Rehabilitation
\$26 million
4.10%/30 years

County of Sacramento



SB1383 Compliance
\$35 million
4.37%/30 years

Las Gallinas Valley Sanitary District

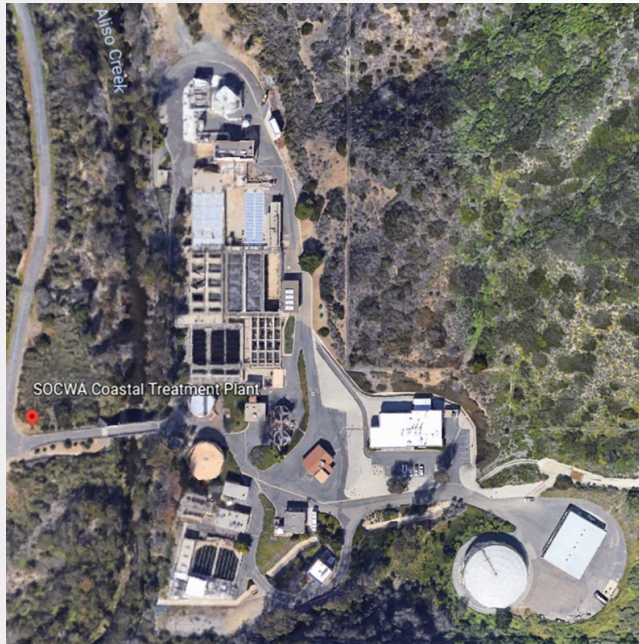


Wastewater Plant Upgrades
\$12 million
3.45%/20 years

Continued ISRF Projects Funded

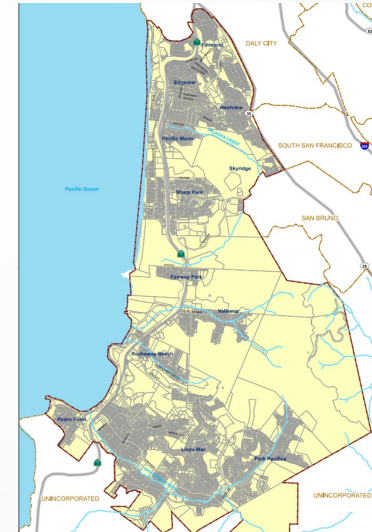
Laguna Beach Project

- Sewage Collection and Treatment
- \$7,500,000 / 2.50% / 30 years



Pacifica Project

- Disinfection System Replacement
- \$21,000,000 / 4.36% / 30 years



Contact Us

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Lisa Hong, Section Manager

Division of Financial Assistance, State Water Resources Control Board

FUNDING OPTIONS FOR WATER PROJECTS



AGENDA

- Funding Programs Overview
- Eligibility
- Funding Availability
- Application Process
- Contacts & Resources

TYPES OF FUNDING PROGRAMS AVAILABLE

Low-Interest Loans

- Drinking Water State Revolving Fund
1.9% current interest, 30-year term
- Clean Water State Revolving Fund
1.7% current interest, 30-year term

Grants

- Water recycling
- Emerging Contaminants (PFAS, Manganese, 1 2 3 TCP, etc.)
- Stormwater
- Failing / At-risk water systems
- Small disadvantaged community wastewater

Grant max varies.

Most grants are first-come-first serve.





KEY BENEFITS OF FINANCING

Low Interest Rates for Loans

SRF offers low interest rates, making projects more financially feasible for rate payers.

Long-term Financing

30-year financing term, particularly beneficial for larger capital projects.

Access

Open to agencies that don't have easy access to the market. Credit rating not needed.

Grants to Reduce Project Cost

Grant for certain project types. Grants are typically first-come-first-serve.



EXAMPLES OF FUNDED PROJECTS

Drinking Water SRF Low Interest Loan

- Tahoe City Public Utilities District – West Lake Tahoe Regional Water Treatment Plant
- City of Antioch – Antioch Brackish Water Desalination Project
- City of Santa Cruz – Newell Creek Pipeline Replacement

Emerging Contaminants Grant

- City of Anaheim – Groundwater Treatment Plant (PFAS)
- Santa Clarita Valley Water Agency – PFAS treatment

Clean Water SRF Loan & Water Recycling Grant

- City of Woodland – Spring Lake Recycled Water Project
- West Bay Sanitary District – Bayfront Recycled Water Facility
- Carpinteria Valley Water District – Carpinteria Advanced Purification Project



ELIGIBILITY CRITERIA

Applicants

Cities, Counties, Districts, Joint Powers Authorities, State Agencies, Non-Profits, and Private Entities

Common Project Types

- Treatment upgrades/rehabilitation
- Pipeline replacement
- New wells
- Advance treatment
- Water recycling pipelines

Costs

- Construction financing (able to reimburse for planning and design)
- Cannot pay for O&M

FUNDING AVAILABILITY



- \$300 million annually
- \$50 million max per project
- 1.9% current interest rate, 30-year term



Proposition 4 Grant

- \$380 million total; \$150 million this year
- Requires an emergency regulation to administer
- \$15 million max per project
- \$15 million max per phase for large-scale projects



- \$600 million annually
- \$50 million max per project
- 1.7% current interest rate, 30-year term

EMERGING CONTAMINANTS GRANT



Eligible projects

- Address contaminants on EPA's Contaminant Candidate Lists
- PFAS, 1,2,3-TCP, manganese, 1,4-dioxane, etc.
- Not eligible: hexavalent chromium, nitrate, arsenic, and other contaminants with a national drinking water standard

\$238 million available for Emerging Contaminants

- \$25 million per water system, up to 50% project cost.

\$276 million available for small or disadvantaged communities.

- No grant maximum for DAC systems and/or systems serving a population under 25,000.



APPLICATION PROCESS

One Application for any Drinking Water project

- We will figure out the best funding source for your project type.
- Submit application: www.faast.waterboards.ca.gov

Assigned Project Manager

A project manager will be assigned to help you through the funding process, after a General application package is submitted.

Application Selection

- Loans are prioritized annually. Priority projects are put on the annual Fundable List.
- Most grants are first-come-first-serve. Complete grants applications are put on the annual Fundable List.

IMPORTANT DEADLINES AND REQUIREMENTS



Deadlines

- Loan applications due Dec 31.
- Need complete application to get on the Fundable List.
- SRF loans are more stable; grants are time sensitive.

Funding Requirements

- SRFs & Emerging Containmentment grant – federal funding requirements (include Build America, Buy America)
- Water recycling grant – state requirements

See Intended Use Plans for requirements & guidelines for various funding sources.



CONTACTS AND RESOURCES

Online Resources

Lots of info on our websites! Search for State Water Board + the funding of your interest.

Reach out to us!

- DWSRF Loan: DrinkingWaterSRF@waterboards.ca.gov
- Emerging Contaminants Grant: DFA-EC-PFAS-Funding@waterboards.ca.gov
- Water Recycling Grant: wrfp@waterboards.ca.gov
- CWSRF Loan: CleanWaterSRF@waterboards.ca.gov

Contact me:

Lisa.hong@waterboards.ca.gov

Municipal Bonds Overview

ACWA 2025 Fall Conference

Presentation by Urban Futures, Inc.



- **Method of Sale**

- Public Offering or Direct Placement

- **Size and Timing of Financing**

- How much, when, and for what are financing proceeds needed, how firm are project costs, what can the repayment source support?

- **Flow of Funds**

- **Debt Payment Structure**

- Level, escalating payments, or wrap-around debt service
- Term of financing

- **Debt Service Reserve Fund**

- Legal maximum is the lesser of: 100% of maximum annual debt service, 125% of average annual debt service or 10% of original principal amount

- **Prepayment Options/Call Features**

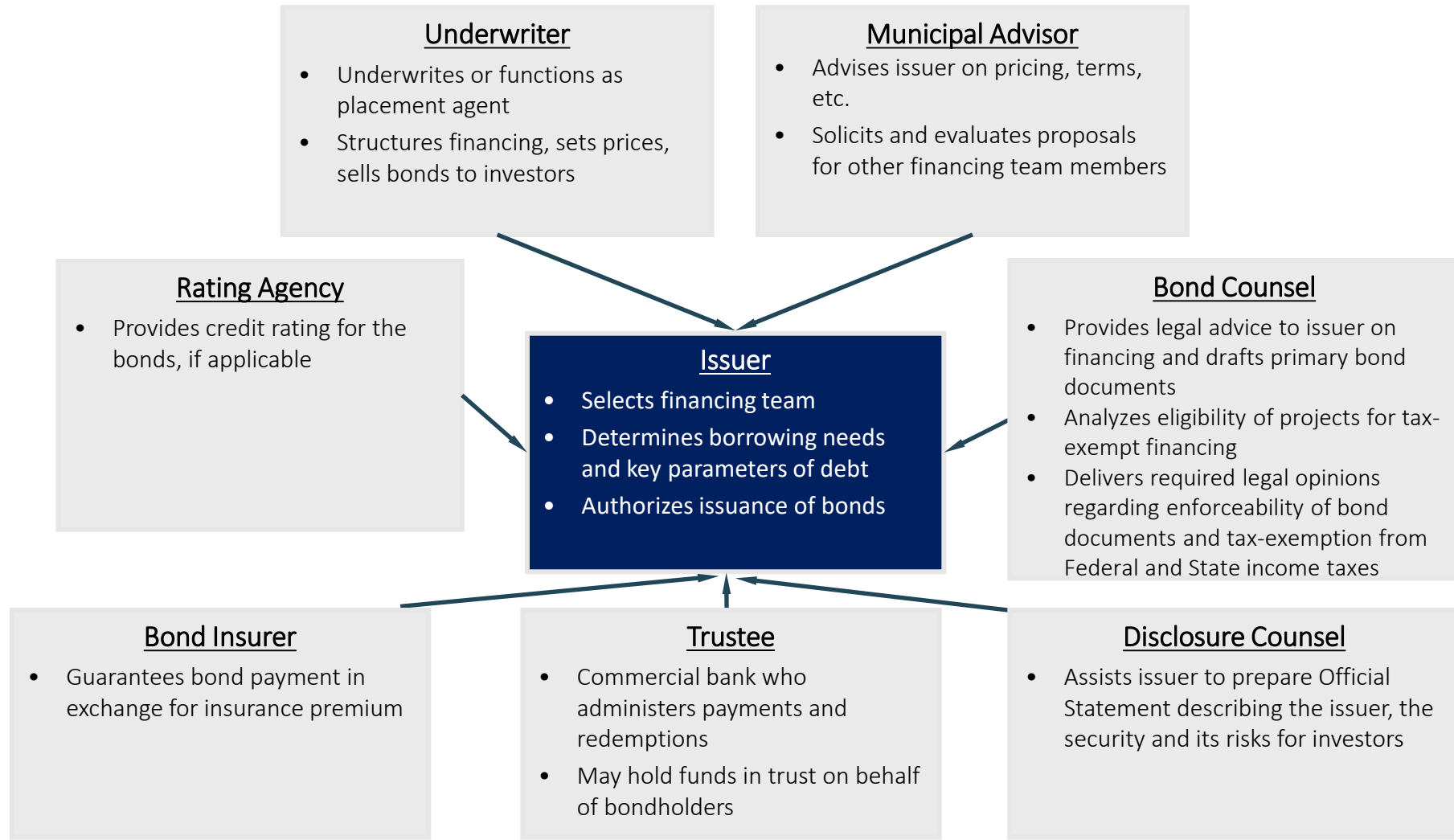
- **California Constitutional Debt limit**

- No cities, counties or school districts can enter into debt exceeding annual revenue without a 2/3rds voter approval
- Exceptions
 - Long term leases are not long term “debt” if subject to abatement if asset not available for use and occupancy
 - **Special “enterprise” funds, such as water or sewer enterprise**
 - “Obligation imposed by law”, such as pension liability

- **Federal Tax Law Limitations**

- Basic premise: federal government can’t tax local government functions – but *can* limit what’s eligible for tax-exemption
 - Uncle Sam wants to limit lost income to the federal Treasury
- Because investors don’t pay tax on most municipal bond interest, they’re willing to accept lower interest rates
 - For example, a 3.65% tax-exempt yield = 5.62% taxable yield for investor in 35% tax bracket
 - California bonds provide *double* tax-exemption for California investors
- Arbitrage restrictions – no “printing press”
 - Limits investment earnings on bond proceeds, “reasonable expectations” on use of funds

- Public offering to multiple “lenders”
- Underwriter sells bonds to investors through a negotiated sale and commits to underwriting unsold bonds (rates are locked in on day of bond sale)
- Bonds are sold with varying maturities
- Typically, up to 30-year fixed rate term with optional redemption after no-call period (7-10 years)
- Required offering document (Official Statement) and continuing disclosure
- Required Board authorization of financing terms (maximum principal amount, maximum interest rate, term, maximum underwriter’s discount)

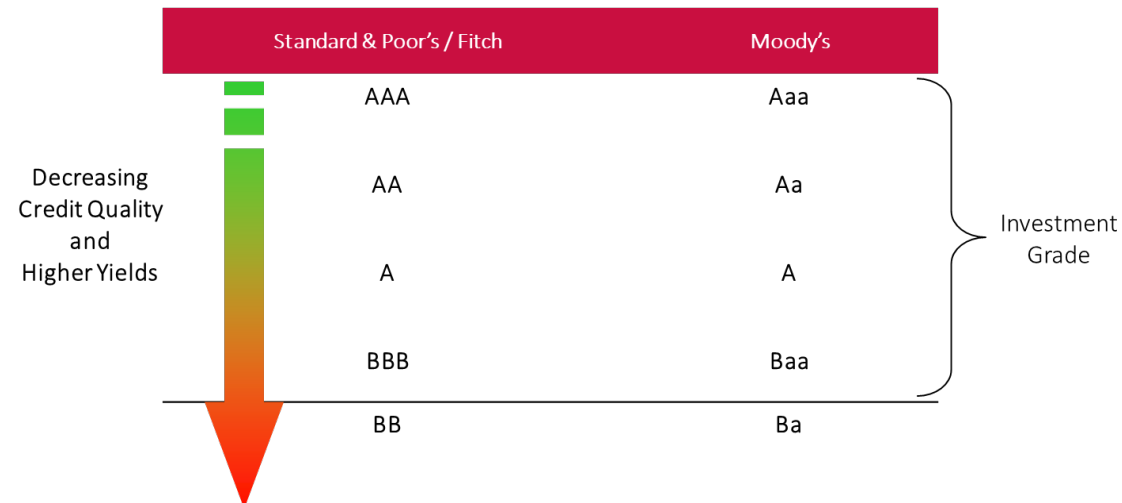


Bond issuance process typically takes 3-4 months from beginning to end:

- **Kick-Off** – Organize team, develop timeline and interested parties (or “distribution”) list
- **Prepare Financing Documents** – Legal documents describing security and parameters for the bonds and disclosure document for investors (“Preliminary Official Statement”)
- **Approvals** – Board/Council approvals for financing parameters and financing documents
- **Ratings and Insurance** – Credit review process and credit enhancement
- **Selling the Bonds** – Establish bond structure, post Preliminary Official Statement, market bonds to investors, set interest rates, and finalize numbers
- **Closing** – Legal documents executed, and bond proceeds wired
- **Post-Closing** – Make timely debt payments, provide ongoing disclosure, tax compliance (keep good records)

- **Resolution** - Authorizes issuance of the bonds, approves financing terms and related financing documents, as well as appoints various parties to serve in specific capacities
 - Not-to-Exceed Parameters: Par, True Interest Cost, Underwriter's Discount, Final Maturity
 - Good Faith Estimates (at time of Resolution approval): True Interest Cost, Finance Charges, Amount of Proceeds Received, Total Payment Amount
- **Indenture of Trust** – Details legal structure of security: payment and redemption provisions, definition and pledge of revenues, rights and duties of the Trustee, remedies upon payment default
- **Installment Sale Agreement**— Agreement under which Financing Authority (issuer) agrees to provide for financing and refinancing of the improvements, and the borrower agrees to purchase the improvements through semi-annual installment payments to be made from pledged revenues
- **Official Statement (Preliminary and Final)** – Offering document that describes the issuer, issuer's tax base and economy, the security, and potential risks of the bond financing
 - Preliminary Official Statement is distributed to investor community approximately one week before bond sale in substantially complete form except for the pricing details
 - “Due Diligence” call will be conducted between the underwriter and issuer prior to its release to verify that the document is complete and accurate
 - Final Official Statement is completed after pricing and fills in final pricing results
- **Bond Purchase Agreement** – Contract between the issuer and Underwriter signed on date of pricing; puts forth the terms and conditions of the bond sale and structure (i.e., interest rates, principal amounts, underwriter's discount)
- **Continuing Disclosure Agreement** – Issuer covenants to provide certain financial and operating data to bond holders on an annual basis

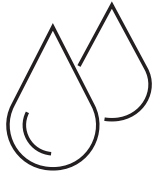
- Investors will accept lower interest rates on their bond purchases if they feel the bonds are a safer investment; a credit rating helps investors to determine the “safety” of the investment.
- Rating Agencies (Standard & Poor’s, Moody’s, Fitch, KBRA)
 - Analyze credit quality of bonds and assign rating
- Purpose of Ratings
 - Assess issuer’s ability to make payments through maturity
- Rating Timing
 - Initially determined prior to debt issuance
 - Continuously reviewed to help investors determine value
 - May be amended over time to reflect changes in the credit quality of the debt





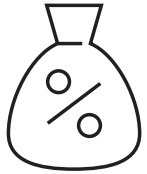
- **Economic Fundamentals**

- Demographics; trends related to the customer base; and how crucial the utility's principal customers are to operating revenues.



- **Industry Risk**

- The external environment in which municipal utilities operate, including cyclical, competitive risk, and growth environment.



- **Market Position**

- The relative affordability of utility rates given the income indicators and relative poverty of the service area, as well as comparability of rates with those of peers in the region or state.



- **Operational Management Assessment**

- The effectiveness of utility management in ensuring that there is alignment of operational, environmental, strategic, and financial goals to support the system's success.



- **All-in Coverage**

- The current financial condition of the utility, and projected scenarios for the next one to three fiscal years. The focus is on total financial capacity versus total revenue requirements.



- **Liquidity and Reserves**

- Incorporates all lawfully available cash reserves and external working capital or liquidity sources, including bank lines in force within the life of any short-term obligations.



- **Debt and Liabilities**

- The absolute measure of the utility's indebtedness and the capacity to incur and support additional debt.



- **Financial Management Assessment**

- Evaluation of ongoing management practices and policies that can be supportive of financial performance and continuity, as well as internal controls and reporting.

- Focus on implementation of proactive financial management policies and practices
 - Formally adopted reserve, investment, debt management, and liquidity policies
 - Financial forecasting
 - Financial reporting and transparency
- Demonstrate strong management of assets
- Rate study and demonstrated willingness of governing body to increase rates
- Timely audits and continuing disclosure reports
- Mitigation strategies for natural disasters and cyberattacks
- Start crafting your credit story
 - Make sure you know your strengths
 - Be able to address your challenges

- Municipal agencies can also purchase bond insurance to lower interest rates on their bonds
- Bond insurance guarantees repayment of bonds to investors
- Bonds are sold with rating of the insurer (“AA”) instead of or in addition to the underlying rating of the bonds
- Bond insurers (BAM or AGM) review credit and decide whether or not to bid
- May be used on select maturities or entire financing
- Premium is paid at the time of bond closing from bond proceeds





- **Par Amount**

- Principal or face amount of borrowing

- **Coupon**

- Rate at which interest is paid

- Fixed rate: set at time of pricing

- Variable rate: may be reset daily, weekly, monthly, etc.

- Interest is usually paid semi-annually

- **Yield**

- Market return

- Varies over time

- **Price**

- Present value of future cash flows

- Price moves inversely to yield

- **Maturity**

- Date at which principal is repaid

- Serial bond: principal is due on a particular date

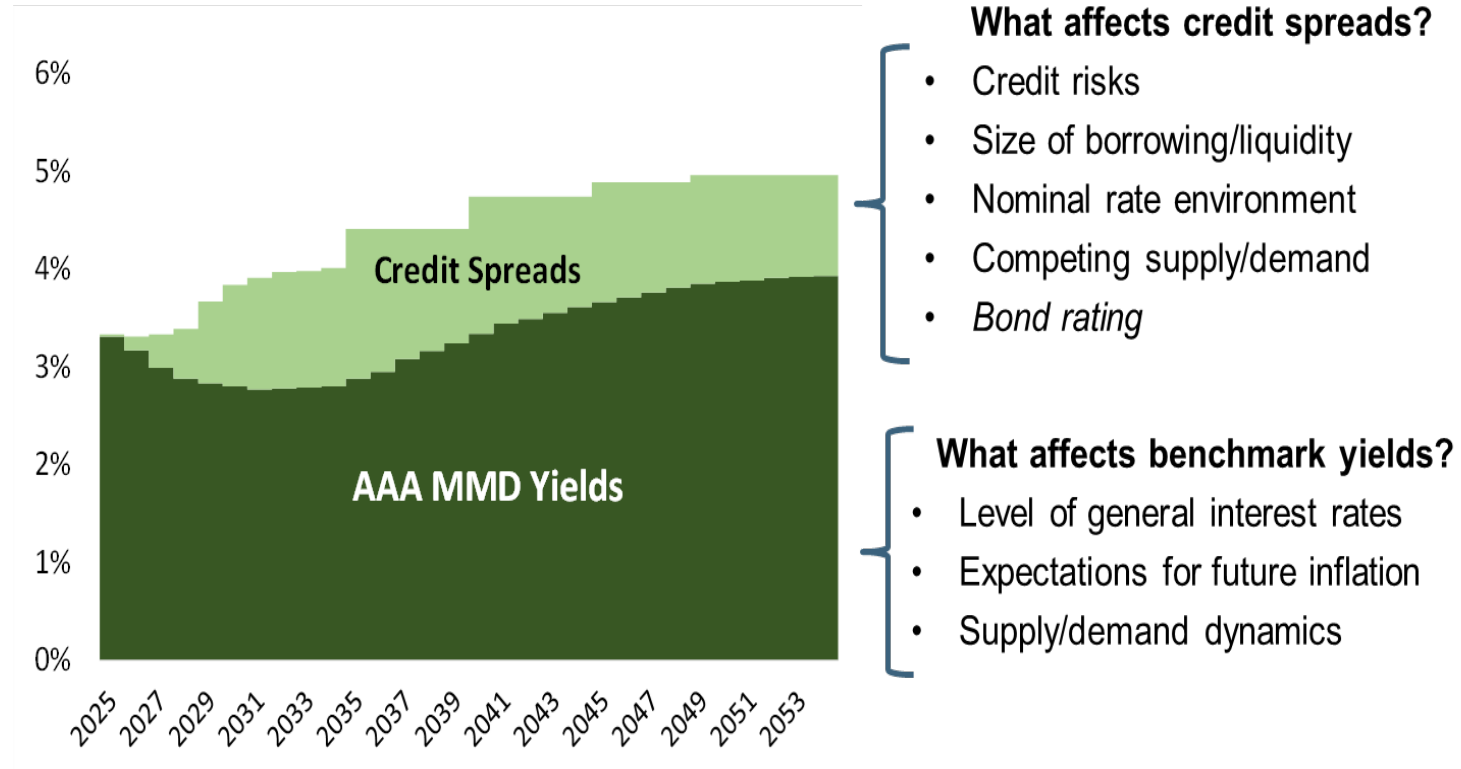
- Term bond: principal is amortized over several years; has sinking funds

- **Call Features**

- Allow bonds to be retired before scheduled maturity

- Specify period of call protection and prepayment penalty (if any)

Bump	Lower yield, higher dollar price.	Cut	Higher yield, lower dollar price.
Cheap	Yields higher (dollar price lower) than reasonable for specific credit.	Rich	Opposite of cheap. Yields lower (dollar price higher) than reasonable for specific credit.
Rally	Decreasing yields in market.	Selling Off	Opposite of rally. Increasing yields in market.
Tightening	Delta of spreads diminishing between credit categories.	Widening	Opposite of tightening. Delta of spreads increasing between credit categories
MMD	Thomson Reuters Municipal Market Data. A daily, generic, “AAA” rated general obligation benchmark yield curve for tax-exempt trading.	Spreads	Delta between different categories or between an index and specific bond yield. Most often quoted as spread to “AAA” MMD index.
Over-Subscribed	Number of orders exceeds the bonds available for a certain maturity	Inventory	Underwriter takes in unsold bonds



What Credit Spread Factors are in Your Control?

Limited/No Control

Security

- Revenue
- General Obligation
- Lease Revenue

Name Recognition

- Headline risk
- Larger is better

Market Factors

- Supply and Demand
- Geopolitical news

Other

- Transaction size
- Length of maturity
- State tax code

Ability to Control

Pricing Strategy

- Start at high rate or low rate?
- Re-pricing opportunity?
- More of an art than a science

Marketing Plan

- Number of investors solicited
- Length of time of marketing
- Type of investors

Financial Covenants

- Debt Service Coverage
- Additional Debt Test

Other

- Investor relations program
- Structure (Couponing)

- **Preparation for closing** – typically one to two weeks after bond pricing
 - Closing Index – summarizes all documents needed to be finalized and executed prior to closing and source
 - Tax Certificate – commemorates use of proceeds, flow of funds, arbitrage yield, and post-issuance compliance with tax laws
 - Legal Opinions and Certificates – bond and disclosure counsel, underwriter’s counsel, issuer counsel; 10(b)(5) certificates (“no material omission or misstatement of fact”)
 - Closing Memo – Provides wire instructions for delivery of bond proceeds and any other contribution of cash or securities required at closing
 - Costs of Issuance – All bond financing-related invoices should be forwarded to the municipal advisor for payment by the bond trustee at the time of closing
- **Closing** – on the morning of closing, the underwriters wire bond proceeds to the trustee in exchange for bonds; issuer can access project funds thereafter
- **Post-Closing** – Issuer has ongoing responsibility for timely debt payments plus:
 - Continuing Disclosure and CDIAC Reporting
 - Arbitrage Rebate Calculations
 - Tax Compliance (keep good records)
 - Monitor for refinancing opportunities

Qualifying Conditions of a Direct Placement

- Generally sold to a single or limited number of accredited investors and qualified institutional buyers
- Offering must not be made through any form of general solicitation or advertising
- Underwriter acts as Placement Agent on the transaction
- Purchaser must have access to issuer information

Direct Purchases structured more like a commercial loan than a security

- Specific rate secured for specific maturity rather than varying serial/term rates through life of borrowing for public offerings
- Term of borrowing shorter than public offering (15-20 years) but typically more flexible prepayment terms
- No underlying ratings necessary
- No Preliminary Official Statement (“POS”)/Official Statement (“OS”)
- Limited transferability and secondary market trading

	Public Offering	Direct Placement
Investor(s)	Offer of Securities to the General Public	Direct Placement to One or Limited Number of Investors
Documentation	Legal Documents; Official Statement; Continuing Disclosure Required	Legal Documents; Abbreviated Continuing Disclosure Required
Pricing and Interest Rate Risk	Rate Set on Day of Pricing; Interest Rate Risk up to Sale Date	Rate Lock (Typically 30-60 Days)
Other	Issuance Costs Typically Higher (Disclosure, Rating, Insurance, UW Discount, etc.) Less flexible prepayment terms	Typically Higher Yields Less Staff time More flexible prepayment terms
Estimated Timing	Approximately 90-120 Days	Approximately 60-90 Days

Conflicts of Interest and Other Matters Requiring Disclosures. Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. (UFI) and its associated persons.

The following are potential conflicts of interest to be considered.

- UFI represents that in connection with the issuance of municipal securities, UFI may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, UFI hereby discloses, that such contingent and/or transactional compensation may present a potential conflict of interest regarding UFI's ability to provide unbiased advice to enter into such transaction. The contingent fee arrangement creates an incentive for UFI to recommend unnecessary financings or financings that are disadvantageous to the client, or to advise the client to increase the size of the issue. This potential conflict of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the client.
- UFI fees under this potential agreement may be based on hourly fees of UFI's personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest because it could create an incentive for UFI to recommend alternatives that would result in more hours worked. This conflict of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to its clients.
- UFI's fees under this potential agreement, may be a fixed amount established at the outset of the Agreement. The amount is usually based upon an analysis by the client and UFI of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by UFI. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, UFI may suffer a loss. Thus, UFI may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the client.
- The fee paid to UFI increases the cost of investment to client. The increased cost occurs from compensating UFI for municipal advisory services provided.
- UFI serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another UFI client. For example, UFI serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, UFI could potentially face a conflict of interest arising from these competing client interests. UFI fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with its clients.
- UFI does not have any affiliate that provides any advice, service, or product to or on behalf of the client that is directly or indirectly related to the municipal advisory activities to be performed by UFI;
- UFI has not made any payments directly or indirectly to obtain or retain its clients municipal advisory business;
- UFI has not received any payments from third parties to enlist UFI's recommendation to its clients of its services, any municipal securities transaction or any municipal finance product;
- UFI has not engaged in any fee-splitting arrangements involving UFI and any provider of investments or services to its clients;
- UFI does not have any legal or disciplinary event that is material to its clients evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- UFI does not act as principal in any of the transaction(s) related to this Agreement.
- Randall Merritt, a Managing Principal, previously worked at Raymond James & Associates, Inc. from December 2015 until December 2023. UFI's relationships with Raymond James and all other investment banks are conducted in an arm's length manner, and any recommendations are independent of any prior employment or other relationships.
- Gabrielle Dawson, an Associate previously worked at Morgan Stanley from June 2022 until December 2023. UFI's relationships with Morgan Stanley and all other investment banks are conducted in an arm's length manner, and any recommendations are independent of any prior employment or other relationships.

Legal Events and Disciplinary History. UFI does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The agency may electronically access UFI's the most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html. There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.



Water Infrastructure & Innovation Act

- Application Process
 - Letter of Interest
 - Invitation to Apply
 - Agency Rating
 - Negotiate, Finalize, and Execute Agreements
- Interest Rate
 - Based on U.S. Treasury



Water Infrastructure & Innovation Act

- **Benefits**
 - Fund up to 49% of project costs.
 - Interest only on loan draw.
 - Some flexibility in repayment (deferral)
 - Up to 35 years

Financing Considerations

- Adopt a Debt Policy
- Alignment with Long-Term Financial Plan
 - Understand Costs and Schedule
- Terms of Financing Options
 - Flexibility
 - Structure
- Use of Interim Financing
- Fit with Other Agency Debt
- Cost of Issuance/Management of Debt

