

Update to Guidance for Issuing Green Bonds

Finance/Administration Committee

March 22, 2022

Green Bonds Label



NEW ISSUE — BOOK ENTRY ONLY

Ratings: S&P: “AAA”
Moody’s: “Aa1”
See “RATINGS” herein.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants in the documents pertaining to the Series 2019A Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Series 2019A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the Series 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Co-Bond Counsel is also of the opinion that, under existing law, interest on the Series 2019A Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.



\$161,820,000

**EAST BAY MUNICIPAL UTILITY DISTRICT
(Alameda and Contra Costa Counties, California)
WATER SYSTEM REVENUE BONDS, SERIES 2019A
(GREEN BONDS)** ←

Dated: Date of Delivery

Due: June 1, as shown on inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The East Bay Municipal Utility District (the “District”) is issuing its Water System Revenue Bonds, Series 2019A (Green Bonds) (the “Series 2019A Bonds”) pursuant to a Water System Subordinated Revenue Bond Indenture, dated as of April 1, 1990, by and between the District and First

Green Bonds Introduction



- Proceeds from green bonds are intended to be used for environmentally beneficial projects
- Definition of “green” projects depends on the issuer and the standards they choose
- Since 2015, the District has used its own Guidance for Issuing Green Bonds
- Original guidance based on best available market knowledge and experience at that time

Developments Since 2015



- In addition to green bonds, there are now similar or related bonds focused on Environmental, Social and Governance (ESG) factors
- Several frameworks for green bonds and ESG-related bonds have been proposed, but none are adopted by regulatory or rule-making agencies
- “Social Bonds” have grown to be the largest source of ESG bonds, primarily driven by large issuance of affordable housing bonds, often by states
- \$38 billion in green and social bonds were issued in 2021, representing about 8% of all municipal bonds

Choices for Labeling Green Bonds



- Vendors now offer paid verification services for green bonds
- Costs are estimated at \$20,000 or more per series
- District reviewed costs and benefits of self-labeling compared to external verification
- Consensus was to continue to self-label bonds, with improved reporting and guidance
- Self-labeling remains most common method, particularly for water and wastewater utilities, which investors view favorably for ESG investing

Recommended Revised Guidance



- To improve reporting, staff recommends updating the Guidance for Issuing Green Bonds document
- Changes include new language from District Policies, and improved alignment with other green bond and sustainable development frameworks
- Staff expects to make further improvements to the District's offering documents, in consultation with external advisors

Next Step



- Board consideration to approve the updated Guidance for Issuing Green Bonds document