



# Water System Revenue Bonds, Series 2026

# Wastewater System Revenue Bonds, Series 2026

Finance/Administration Committee

March 24, 2026

Robert Hannay, Treasury Manager

# Water System Plan of Finance

- Water System Revenue Bonds issued in an amount not to exceed \$800 million to:
  - Fund \$355 million in capital improvement projects on a reimbursement basis
  - Refund \$400 million of callable 2010B Build America Bonds (BAB) for de-risking
- Issued as two series: 2026A Bonds and 2026B Bonds
- Bond issuance is consistent with Board adopted budget and approved financing plan for Fiscal Year 2026

# Wastewater System Plan of Finance

- Wastewater System Revenue Bonds issued in an amount not to exceed \$200 million to:
  - Fund \$40 million in capital improvement projects on a reimbursement basis
  - Refund \$150 million of callable 2010B BABs for de-risking
- Issued as two series: 2026A Bonds and 2026B Bonds
- Bond issuance is consistent with Board adopted budget and approved financing plan for Fiscal Year 2026

# New Money to be Issued as Green Bonds

- Water and Wastewater systems new money bonds will be labeled “Green Bonds”
  - Water, Series 2026A providing \$355 million in capital improvement program (CIP) funding
  - Wastewater, Series 2026A providing \$40 million in CIP funding
- “Guidance for Issuing Green Bonds” adopted by the Board in March 2022
  - First adopted in 2015
- Proceeds from issues will be used for environmentally beneficial projects
  - Projects are funded on a reimbursement basis

# Refundings for De-Risking

- Water, Series 2026B
  - Refund \$400 million of callable Water Series 2010B BABs
- Wastewater, Series 2026B
  - Refund \$150 million of callable Wastewater Series 2010B BABs
- BABs callable under the extraordinary optional redemption provisions
- Net present value savings threshold is at least \$0 for de-risking

# Build America Bonds (BABs)

- Issued under the American Recovery and Reinvestment Act of 2009
  - Taxable municipal bonds that provided Federal tax credits or subsidies for local government issuers
  - District's BABs were issued with Federal subsidy equal to 35% of the interest payments
- Congress began to reduce the BABs subsidy through a process called "sequestration" in 2013
  - Reductions have ranged from 5.7% to 8.7% of the subsidy payment
  - Possibility that subsidy could be further reduced or eliminated in future years
- BABs generally issued with an extraordinary optional redemption ("EOR") feature which is less costly than the make-whole optional redemption
  - Available for use if an "Extraordinary Event" results in a material adverse change to the Federal tax code or the cash subsidy payment to be reduced or eliminated under certain circumstances
  - To utilize the EOR, the District's proposed resolutions make a determination that an "Extraordinary Event" has occurred

# Next Steps for the Authorization of the 2026 Water System Bonds

- Board considers authorizing and approving the issuance of the Water System Revenue Bonds, Series 2026
  - Issued in one or more series
- Aggregate principal amount not to exceed \$800 million
- True interest cost not to exceed 5.75%
- Make determination of Extraordinary Event pursuant to the BABs
- Negotiated sale
- Board considers approving execution of bond documents at its March 24, 2026 meeting
- Debt service costs are expected to remain within budgeted estimates

# Next Steps for the Authorization of the 2026 Wastewater System Bonds

- Board considers authorizing and approving the issuance of the Wastewater System Revenue Bonds, Series 2026
  - To be issued in one or more series
- Aggregate principal amount not to exceed \$200 million
- True interest cost not to exceed 5.75%
- Make determination of Extraordinary Event pursuant to the BABs
- Negotiated sale
- Board considers approving execution of bond documents at its March 24, 2026 meeting
- Debt service costs are expected to remain within budgeted estimates

# Questions?



Flowing  
into the  
Future



# March 10, 2026 Board Retreat Follow-up

Finance/Administration Committee  
March 24, 2026

Rischa S. Cole, Secretary of the District

# Board Retreat Objectives



## Key Takeaway

*The Board developed a list of “Board norms,” or agreements and asked staff to draft for the Board to consider adopting and including in the Governance Manual.*

# Draft Board “Norms” or Agreements

- *Ensure every voice is heard* before decisions are made.
- *Focus on issues*, not individuals.
- *Provide constructive feedback*, even when there is disagreement.
- *Be succinct and focused* when contributing to the discussion.
- *Commit to truth and accuracy* in discussions.
- *Listen with trust and respect* to the expertise staff bring.
- *Direct concerns to the General Manager*, not staff.
- *No surprises* – raise concerns openly and constructively.
- *No personal attacks*.

# Next Steps

- Finance/Administration Committee provide feedback on draft agreements
- Incorporate Committee feedback, previous housekeeping edits, and Board requested updates into Governance Manual
- Present draft Governance Manual at the April 28, 2026 Finance/Administration Committee meeting
- Present Governance Manual at the May 12, 2026 Board meeting for consideration and adoption

**Questions?**



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