



**ACTION SUMMARY**

**Regular Meeting of the Board of Directors  
East Bay Municipal Utility District  
Tuesday, March 22, 2022**

<b><u>Agenda Item</u></b>	<b><u>Motion</u></b>	<b><u>Action</u></b>
1.	<b>057-22</b>	Approved the Regular Meeting Minutes of March 8, 2022.
3.	<b>058-22</b>	Awarded a contract to the lowest responsive/responsible bidder, Mountain Cascade, Inc., in an amount not to exceed \$6,677,500 for construction of the Mokelumne Aqueduct No. 2 Relining Phase 1 under Specification 2176.
4.	<b>059-22</b>	Authorized an agreement beginning on or after March 22, 2022 with Environmental Systems Research Institute, Inc. (ESRI) for one year with four options to renew for additional one-year periods for a total amount, including option years, not to exceed \$580,000 for services under its ESRI Enterprise Advantage Program in support of its ArcGIS system.
5.	<b>060-22</b>	Authorized an interim agreement among the Dublin San Ramon Services District (DSRSD)/East Bay Municipal Utility District (EBMUD) Recycled Water Authority (DERWA), DSRSD, and EBMUD to facilitate future negotiations regarding the potential reallocation among DERWA member agencies of capital and program costs, facility capacity rights, and recycled water supply, to provide for development and implementation of demand management measures, and for other purposes.
6.	<b>061-22</b>	Authorized an amendment to the agreement previously authorized under Board Motion No. 170-20 with Trussell Technologies, Inc. to increase the agreement amount by \$1,165,759 to a total amount not to exceed \$2,208,536 for the East Bayshore recycled water quality improvement pilot testing.
7.	<b>062-22</b>	Approved the February 2022 Monthly Investment Transactions Report.
9.	<b>063-22</b>	Approved the updated Guidance for Issuing Green Bonds.

<b><u>Agenda Item</u></b>	<b><u>Resolution</u></b>	<b><u>Action</u></b>
8.	<b>35278-22</b>	Adopting Revised Policy 1.13, Customer Identity Theft Prevention Program; and Revised Policy 4.21, Land and Conservation/Mitigation Credit Sales – Use of Funds.

DATED: March 23, 2022

Rischa S. Cole, Secretary of the District

/RSC



**AGENDA NO.** 9.  
**MEETING DATE** March 22, 2022

**TITLE** UPDATE TO GUIDANCE FOR ISSUING GREEN BONDS

<b>TYPE</b>	<input type="checkbox"/> Construction	<input type="checkbox"/> General Services	<input type="checkbox"/> Materials & Supplies	<input type="checkbox"/> Professional Services
	<input type="checkbox"/> CEQA	<input type="checkbox"/> Grants	<input type="checkbox"/> Water Supply Assessment	<input checked="" type="checkbox"/> OTHER
<b>ACTION</b>	<input checked="" type="checkbox"/> MOTION	<input type="checkbox"/> RESOLUTION	<input type="checkbox"/> ORDINANCE	

**RECOMMENDED ACTION**

Approve the updated Guidance for Issuing Green Bonds.

**SUMMARY**


The District is planning to issue new revenue bonds in Fiscal Year 2022 (FY22) for the Water and Wastewater systems. In its issuance of previous green bonds, the District relied on its own Guidance for Issuing Green Bonds, which was approved under Board Motion No. 074-15. The District has issued green bonds using this guidance for three Water System revenue bond issuances since 2015. This upcoming financing would be the first time Wastewater System revenue bonds will be issued using the green bonds label. In preparing for these bond sales, staff reviewed the existing guidance and recommends updating the guidance to be consistent with the latest Board-approved policies and new and updated frameworks released since 2015. This item was presented at the March 22, 2022 Finance/Administration Committee meeting.

**DISCUSSION**

Green bonds differ from traditional bonds in that the proceeds are intended to be used for environmentally beneficial projects. Any kind of bond can be labeled as a green bond without it affecting the underlying characteristics of the bond, including the source of repayment or the legal security. What qualifies as a project eligible for green bond funding is dependent on the issuer’s definition of green projects or whether they are using a framework or set of standards developed by an external party. One set of voluntary standards known as the Green Bond Principles was published by a finance industry organization in 2014, which the District used when drafting its original 2015 guidance.

Since 2015, there have been many developments in this market. In addition to green bonds, there are now several similar or related types of bonds with a focus on Environmental, Social and Governance (ESG) factors. Among the developments in ESG investing are:

- Several voluntary standards or frameworks for green bonds have been proposed. None of the frameworks have been proposed or adopted by regulatory or rule-making agencies, so there is still no regulated standard for the term “green bonds.”

<b>Funds Available:</b> N/A	<b>Budget Coding:</b> N/A	<b>Contract Equity Forms?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Originating Department</b>	<b>Department Director or Manager</b>	<b>Approved</b>
Finance	Sophia D. Skoda	 General Manager
<b>Attachment(s):</b> Update to Guidance for Issuing Green Bonds		

- Other types of ESG bonds or financing methods have been developed, including social bonds (proceeds from which are intended to be used for socially beneficial projects, such as affordable housing) and sustainability bonds (which typically have both environmental and social benefits).
- Vendors now offer paid verification for ESG-related bonds, often called second-party or third-party verification. The process for verification includes sharing information with the vendor about the projects that will be financed and then receiving an opinion from the vendor about whether those projects qualify under a certain set of standards. Costs are estimated at \$20,000 or more per bond series for verification.

Along with the above changes, the market for ESG bonds continues to grow. Green and social municipal bonds issued in 2021 totaled more than \$38 billion, a year-over-year increase of approximately 50 percent according to data from Bloomberg. This was about 8 percent of all municipal bonds issued in 2021. Bonds issued for water and wastewater systems are the third largest type of ESG bonds, with state bonds issued for single-family or multi-family housing as the top two categories.

In issuing green bonds, the District may choose to self-label or hire an external verifier to designate its bonds as “green.” The District recently discussed the costs and benefits of using an external verifier with its underwriters. Consensus was to continue to self-label the bonds with a moderate increase in the amount of information provided about the projects being funded by the bonds to better align with current green bond disclosure practices. Reasons not to use an external verifier include the lack of a single accepted standard for green bonds in addition to cost. Self-labeling remains the largest portion of the overall green bonds market, with one market survey indicating that more than 60 percent of new green bonds are self-labeled. Further, as a municipal water and wastewater utility with robust sustainability policies, some investors would consider the District’s bonds as part of their ESG investment strategy.

The District will continue to self-label the FY22 bonds, based on investor and underwriter feedback and staff’s analysis of the relative costs and benefits of using external verification compared to self-labeling. To best do this, staff recommends updating the Guidance for Issuing Green Bonds document (Attachment 1). This revision includes updates and changes to align the document with current market practices, including specific references to other green bond or sustainable development frameworks that have been established since 2015. Staff is also working with its external advisors to increase the amount of information available in offering documents about the projects funded by the bonds. These two actions will improve the District’s green bonds practices and continue to support the District’s position as an active green bond issuer.

## **SUSTAINABILITY**

### **Economic**

Self-labeling is the most economically sustainable option for the District due to the added issuance costs involved with hiring a third-party verifier.

### **Environmental**

The proposed Guidance for Issuing Green Bonds is consistent with, and references, the District’s Policy 7.05 – Sustainability and Resilience.

**ALTERNATIVE**

**Do not approve the proposed updates to the Guidance for Issuing Green Bonds document.** This alternative is not recommended because the District's guidance document has not been updated since 2015. The proposed updates will modernize the guidance and support efficient and effective bond sales expected to be completed by the end of FY22.



## Guidance for Issuing Green Bonds

This Guidance for Issuing Green Bonds is the framework the District will use when issuing bonds labeled as green bonds. As adopted by the District's Board of Directors in Policy 7.05 Sustainability and Resilience, it is the policy of the District to, "Provide reliable, high-quality drinking water and wastewater service through sustainable and resilient planning, design, and construction, operations, maintenance, rehabilitation, and disposal activities that manage long-term economic, environmental, and human resource benefits." Sustainability is defined in Policy 7.05 as, "practices that support environmental, economic, and social needs in a responsible manner to meet the needs of tomorrow. This triple bottom line approach seeks to minimize waste; conserve water, energy, and natural resources; promote long-term economic viability; and promote the safety and well-being of the District's employees, communities, and customers." Resilience is defined as, "the ability to prepare and plan for, absorb, recover from, and adapt to adverse events."

The District's commitment to the triple bottom line (in this instance, long-term economic viability) can be underscored by promoting the development of the green bond market through the responsible use of green bonds to finance its qualifying capital projects. This Guidance offers criteria that the District will use to evaluate projects for green bond funding that demonstrate a meaningful, quantifiable commitment to sustainability and resilience.

Green bonds are part of a broader trend to incorporate environmental, social and governance (ESG) factors into investment decisions. The market for ESG investments continues to evolve and there are multiple proposed standards or frameworks related to ESG investing or sustainable development, including the following:

- Green Bond Principles from the International Capital Market Association
- Sustainable Development Goals from the United Nations
- Climate Bonds Taxonomy from the Climate Bonds Initiative

As of the date of this Guidance, there is no single green bond standard mandated by a regulatory body nor universally accepted by investors. Accordingly, since 2015, the District has implemented its own set of green bond criteria, presented in the first column in the table on the following page. Projects identified as eligible for green bond funding by the District will be anticipated to further one or more of these criteria. Where relevant, the table on the following page also maps the District's criteria to principles, targets or green bond categories identified by the above-referenced frameworks in order to provide additional transparency to investors and the public. The mapping is shown only for additional context and no representation is made that the projects that fall under the District's criteria will necessarily fit the mapped criteria from other frameworks.

In selecting projects for green bond financing, District staff will focus on the projects that best meet the District's criteria and exclude those that appear marginal or that have unresolved sustainability issues.

Offering statements should provide project information and identify the most relevant criteria the project is expected to satisfy. Additionally, if debt is issued to prefund projects, the District will produce annual transparency reports on the use of proceeds of the green bonds. When debt is issued to reimburse the District for existing projects or capital expenses, no further reporting on use of proceeds is necessary. This Guidance can also be used, if appropriate, for refunding bonds, if information on the original projects funded by the bonds is sufficiently detailed for the evaluation criteria to be effectively used.

**Board Approval: Board Motion No. 063-22 on March 22, 2022**

Supersedes version approved under Board Motion No. 074-15 on April 28, 2015.

**EBMUD Green Bond Criteria**  
and Mapping to Other Frameworks

<b>EBMUD Green Bond Criteria</b>	<b>Green Bond Principles from the International Capital Market Association</b>	<b>Sustainable Development Goals from the United Nations</b>	<b>Climate Bonds Taxonomy from the Climate Bonds Initiative</b>
<b>Maintain water quality</b>	Sustainable water and wastewater management	Target 6.1 - Safe and affordable drinking water	Water treatment [includes wastewater treatment facilities]
<b>Improve water use efficiency, including conservation through reduced water loss</b>	Sustainable water and wastewater management	Target 6.4 – Increase water-use efficiency	Water monitoring; Drought defence
<b>Improve biodiversity and ecosystem quality</b>	Terrestrial and aquatic biodiversity; Environmentally sustainable management of living natural resources and land use	Target 6.6 – Protect and restore water-related ecosystems	Ecological restoration / management
<b>Protect against flooding</b>	Sustainable water and wastewater management	Target 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards	Water monitoring; Flood defence; Water storage
<b>Reduce pollution</b>	Pollution prevention and control	Target 6.3 – Improve water quality	Water treatment [includes wastewater treatment facilities]
<b>Improve resilience (adaptation) to climate change</b>	Climate change adaptation	Target 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards	Water storage
<b>Reduce the combustion of fossil fuels</b>	Energy efficiency; Pollution prevention and control	Target 9.4 – Upgrade infrastructure	Depends on asset or project, e.g. Solar, Bio-Energy, or Transmission & Distribution
<b>Reduce greenhouse gas emissions</b>	Energy efficiency; Pollution prevention and control	Target 9.4 – Upgrade infrastructure	Depends on asset or project, e.g. Solar, Bio-Energy, or Transmission & Distribution
<b>Implement “reduce, reuse, recycle” practices in preference to raw materials</b>	Circular economy adapted products, production technologies and processes	Target 12.5 – Substantially reduce waste generation through prevention, reduction, recycling and reuse	Material Reuse; Material Recycling
<b>Adhere to sustainable purchasing guidelines</b>	Circular economy adapted products, production technologies and processes	Target 12.7 – Promote public procurement practices that are sustainable	N/A

Note: This table references quoted material from the source frameworks and as such, British English spelling and grammar conventions are left unchanged from the source texts.