

Research Update:

California State Water Resources Control Board Series 2026 Revolving Fund Revenue Bonds Rated 'AAA'; Outlook Stable

February 19, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the [California Infrastructure & Economic Development Bank](#) (IBank)'s approximately \$144.1 million series 2026 clean water state revolving fund (SRF) revenue bonds, issued for the [California State Water Resources Control Board](#).
- We also affirmed our 'AAA' long-term rating on IBank's clean water and drinking water SRF revenue bonds outstanding.
- The outlook is stable.

Rationale

Security

Payment of debt service is secured through specific assets, which include revenue derived from loan repayments designated as pledged obligations (to differentiate from other obligations within the SRF program) by the California State Water Resources Control Board (State Water Board), for which IBank acts as a conduit issuer, plus prepayments and restricted assets of each SRF program (clean water and drinking water). The clean water and drinking water programs are cross-collateralized. The bond proceeds will be used to refund all or a portion of the series 2016 bonds.

Credit highlights

The 'AAA' long-term rating reflects our view of the SRF's credit strengths, including overcollateralization provided by pledged revenue and ample reserves, mostly strong financial policies, and financial support from multiple levels of government. The clean water SRF and drinking water SRF make loans predominantly to local California governments to finance water pollution control and safe drinking water projects. The programs receive annual financial support

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from the federal government through capitalization grants under the Clean Water Act and the Safe Drinking Water Act, respectively, along with state and local revenue.

The rating also reflects our view of the following factors:

- The program's extremely strong market position, given that it was established by state statute and receives ongoing support from both the state and federal government;
- An extremely strong loss coverage score (LCS), which is capable of withstanding S&P Global Ratings' loss coverage scenario, based on the credit quality of the asset pool and consolidated cash flows, run at our 'AAA' category stress level;
- Healthy operating performance with no defaults in the program's history; and
- Strong-to-adequate financial management policies and conditions, including a formal credit review of all loans annually and an intended use plan that is updated annually.

Rating above the sovereign

Because we view securitizations backed by pools of public sector assets as highly sensitive to national risk, we cap the rating on the securitization at two notches above the sovereign. However, we apply no specific sovereign default stress given the strength of our rating on the U.S.

Outlook

The stable outlook reflects our expectation that the loan portfolio's credit quality will be generally stable and any delinquencies in repayments will be manageable and absorbed by reserves or excess loan repayments for debt service.

Downside scenario

Although unlikely, we could take a negative rating action if there were program defaults, management's policies weaken, or the program leverages significantly (which also leads to an inability to absorb a level of defaults that we consider consistent with the current rating level).

Credit Opinion

Enterprise Risk Profile: Extremely Strong

We view the enterprise risk profile of the program as extremely strong. This is due to a combination of the low industry risk profile for municipal pools, and the program's market position, which we consider extremely strong. The State Water Board administers California's SRF program, and receives financial support from multiple levels of government, including federal capitalization grants and state matching funds. The State Water Board is authorized by state statute to manage both the drinking water and wastewater SRF programs.

Financial Risk Profile: Extremely Strong

We view the program's financial risk profile as extremely strong, based on a combination of the loss coverage score (LCS), historical operating performance, and our view of management's policies.

The program's extremely strong LCS reflects the ability of program cash flows and reserves to cover a high level of defaults, followed by less than 100% recovery. While there is no formal debt service reserve, the program achieves the highest rating category under our stress scenarios due to its ongoing loan repayments and account balances in other pledged funds, which totaled approximately \$236 million in the restricted asset funds as of June 30, 2025.

Operating performance is healthy, with no defaulted loans in the history of the program due to the high credit quality of the pool and proactive management that consistently manages the performance of all pledged loans and maintains a well-established credit origination and monitoring policy.

The State Water Board can issue additional parity bonds if it certifies that the pledged loan repayment schedule provides at least 1.05x debt service coverage (DSC) in each year on existing and proposed debt. Pledged loan repayment revenue accumulates in restricted funds under the indenture, where it is used to pay debt service and certain other expenses. The accumulated funds can also be used to acquire additional pledged loans and redeem bonds. The SRF can release excess funds if the 1.05x coverage test is met. If the SRF accumulates cash in the restricted asset fund account, this balance can be used to absorb future losses, if needed. The excess DSC also provides additional loss absorption, if needed.

Credit Snapshot

- Program description: The California State Water Board was established by statute in 1967 to preserve, enhance and restore the quality of California's water resources and drinking water for the protection of public health and safety. The board consists of five full-time salaried members, each filling a different specialty position and appointed to four-year terms by the governor. IBank is authorized to issue bonds on behalf of the State Water Board, which can be loaned to eligible entities to finance project costs.
- Flow of funds: Debt service payments from the borrowers will be placed in either the clean water debt service fund or the drinking water debt service fund by the trustee. From these funds, the amounts will be transferred to the make necessary debt service payments to bondholders. If the funds are insufficient to meet the debt service obligations of the bonds, the trustee will first draw on available funds from restricted asset funds and bond proceed funds that include excess pledged loan repayment balances to avoid a default on the interest and principal payments of the bonds.
- Summary statistics: As of June 30, 2025, there was \$6.2 billion in loans outstanding for about 298 projects. There are about 150 borrowers in the pledged pool, with most borrowers having more than one loan. Although there is some concentration in the pool, with approximately 49% of the pledged amount split among 10 borrowers, the single largest borrower (Sacramento Regional County Sanitation District) represents about 15% of borrowed funds, and the next-largest borrower (San Francisco Public Utilities Commission) about 8%.

Ratings List

New Issue Ratings

US\$144,140,000 California Infrastructure & Economic Development Bank, California, Clean Water and Drinking Water State Revolving Fund Refunding Revenue Bonds, (California State Water Resources Control Board), Series 2026, dated: Date of Delivery, due: October 1, 2035

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| Long Term Rating | AAA/Stable |
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Ratings Affirmed

Water & Sewer

Ratings List

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| California Infrastructure & Econ Dev Bnk, CA State Revolving Fund Clean Water and Drinking Water Program | AAA/Stable |
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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