

# California Infrastructure & Economic Development Bank [Clean Water & Drinking Water]

The 'AAA' rating reflects the ability of the SWRCB Clean Water and Drinking Water SRF program financial structure to absorb hypothetical pool defaults above Fitch's 'AAA' stress scenario without interrupting bond payments. Aggregate pool credit risk is measured using Fitch's Portfolio Stress Model (PSM). The strength of the program's financial structure is measured using Fitch's Cash Flow Model (CFM).

The combined pledged pool produced a 'AAA' liability stress hurdle of approximately 25% in the PSM, while Fitch's cash flow modelling demonstrates the program can continue to pay bond debt service even with a default tolerance rate of up to 69% in the first four years, and 100% in the middle and last four-year periods. When surplus funds are retained during default periods, the default tolerance rate increases to about 96% in the first four years. In either case, as the default tolerance is above the 'AAA' stress hurdle, this implies a passing result under Fitch's modelling analyses.

## Security

The bonds are secured by pledged clean water state revolving fund (CWSRF) loan repayments, drinking water state revolving fund (DWSRF) loan repayments, and amounts held in certain pledged accounts available under the master trust indenture (MTI).

## Key Rating Drivers

**Portfolio Credit Risk:** The pool consists of about 145 obligors, with the top 10 participants representing approximately 50% of the total portfolio; the largest obligor is about 15% of the portfolio. Obligor security is strong as nearly all obligors are secured by net utility-system revenue pledges. Approximately 90% of the program's portfolio consists of obligors with investment-grade credit quality. These preceding pool characteristics translate to an implied pool quality as calculated by Fitch's PSM of 'A-'.

**Finance Structure:** Fitch's cash flow modelling demonstrates that program resources are sufficient to withstand hypothetical pool defaults above Fitch's 'AAA' liability rating stress hurdle, as derived using the PSM, without interrupting bond payments. Fitch assumes a lower recovery (70%) on the non-traditional pledges in the pool. With the remaining recoveries at the standard 90% per Fitch criteria, this leads to a weighted average recovery of 89% used in the CFM. The program's financial structure is sound, supported by a projected minimum annual debt service coverage (DSC) of about 1.6x.

**Program Management:** The program is managed by the SWRCB. Program management adheres to a formal underwriting policy that includes, among other things, minimum coverage requirements for obligors. There have been no pledged loan payment defaults in the CWSRF or DWSRF programs.

### New Issue

\$144,100,000 Clean Water and Drinking Water State Revolving Fund Revenue Refunding Bonds, Series 2026 AAA

### Sale Date

March 5 via competitive bid

### Outstanding Debt

[Issuer Ratings Information](#)

### Rating Outlook

Stable

### Applicable Criteria

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (January 2025)

State Revolving Fund and Municipal Finance Pool Program Rating Criteria (February 2025)

### Related Research

[Fitch Rates California Infrastructure Economic and Development Bank's 2026 SRF Rev Ref Bonds 'AAA' \(February 2026\)](#)

### Analysts

Vicky Raso  
+1 646 582 3649  
[vicky.raso@fitchratings.com](mailto:vicky.raso@fitchratings.com)

Kristen Reifsnyder  
+1 646 582 3448  
[kristen.reifsnyder@fitchratings.com](mailto:kristen.reifsnyder@fitchratings.com)

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Significant deterioration in aggregate borrower credit quality or material increases in program leverage resulting in the program's inability to pass Fitch's 'AAA' liability rating stress hurdle.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- The ratings are at the highest level on Fitch's scale and cannot be upgraded.

## Credit Profile

The bonds are issued by the IBank on behalf of the SWRCB. Through its CWSRF and DWSRF programs, the SWRCB provides below-market financing to borrowers for eligible clean water and drinking water projects. Funds and assets of the CWSRF and the DWSRF programs are cross-collateralized, providing common security for any bonds issued, or outstanding, under the MTI. Therefore, Fitch combines the programs in its modelling analyses.

The program continues to grow as the total pledged loans have more than doubled since 2021. Growth was particularly strong in 2022 when a greater amount was received in federal capitalization grants from the Bipartisan Infrastructure Law. SWRCB's long-term leverage strategy has also led to growth in the program. Projected cash flows are expected to have a minimum annual debt service coverage (DSC) of 1.6x. Additionally, the program asset strength ratio is 2.2x.

Implied pool quality has improved in recent years as a large portion of the obligors are rated. The percentage of investment-grade obligors is estimated at about 90%.

The medians cited within this report are based on similar 'AAA' rated municipal finance pools, which primarily consist of SRFs, and are further described in Fitch's most recent peer report. The medians are for comparative purposes only; the primary driver for an assigned rating is Fitch's model results, as described below.

### Above-Average Obligor Diversity, Sound Credit Quality

Overall credit quality is slightly stronger than other SRFs rated by Fitch, as reflected by a 'AAA' PSM liability stress hurdle of 25% versus Fitch's 'AAA' median level of 30% (lower hurdles are indicative of higher credit quality). The program's PSM results have been relatively stable over recent years.

The combined pool is composed of 145 obligors. In aggregate, the top 10 obligors represent 49.9% of the pool versus Fitch's 'AAA' median level of 56.7%. Sacramento Regional County Sanitation District (IDR rated 'A+'), San Francisco Public Utilities Commission (sewer revenue bonds not rated by Fitch but assessed to be of very strong credit quality), and the city of San Diego (sewer bonds rated 'AA') are the three largest participants, accounting for approximately 14.9%, 8.1%, and 6.0% of the pool, respectively. The remaining seven of the top 10 obligors range from 2.1% to 4.0% of the pool. Based on the characteristics described above, Fitch views the pool as having slightly above-average diversity in comparison to similar 'AAA' rated programs.

The estimated pool weighted average rating is 'A-' compared to the median of 'BBB' for similar 'AAA' rated programs. About 90% of the portfolio is considered investment grade (IG) compared to Fitch's 'AAA' median of about 77% (IG obligors measured by publicly available ratings of the borrower's security and lien). The underlying loan security is robust with nearly all loans secured by water and/or wastewater system revenue pledges.

### Robust Financial Structure

Pursuant to the MTI, the CWSRF and DWSRF programs use a cash-flow based program structure, wherein program bonds are primarily protected from losses by overcollateralization, or annual loan repayments made in excess of bond debt service. The minimum annual debt service coverage of 1.6x is in line with Fitch's 'AAA' median.

As an additional measure of financial strength, Fitch calculates the program asset strength ratio (PASR). The PASR, an asset-to-liability ratio, includes total scheduled repayments plus any additional pledged funds divided by total scheduled bond debt service. The program's PASR is 2.2x, which is slightly stronger than Fitch's 2024 'AAA' median PASR of 2.1x. The PASR has improved from 1.7x in 2021, attributable to a significant increase in the program's loan repayments.

Cash-flow modelling demonstrates that the program can continue to pay bond debt service even with hypothetical pool defaults of 69% in the first four years, and 100% in the middle and last four-year periods. The lower breakeven result in the first four years is driven by the assumed release of surplus funds from the lien of the MTI following satisfaction of the 1.05x coverage requirement. When surplus funds are retained during default periods, the default

tolerance rate increases to about 96% in the first four years. In either case, this is in excess of the 'AAA' stress hurdle, which implies a passing result under Fitch's modelling analyses.

The default tolerance rate factors in a weighted average recovery rate of 89% for the overall portfolio. Fitch adjusted the recovery of the pledges that are considered to be of lower strength, including special assessments/TIF securities. Lower recoveries were assumed to be 70%. The remaining participants were applied the standard 90% recovery under Fitch's criteria. These preceding assumptions led to the aforementioned 89%.

### **Strong Program Management and Underwriting**

The IBank's CWSRF bonds are jointly coordinated by the IBank, SWRCB, and State Treasurer's Office. General program management, including loan underwriting and monitoring, is the responsibility of the SWRCB. The SWRCB has managed the CWSRF program for over 30 years. Monitoring includes requiring participants to submit audits annually for at least the first five years of the loan, review of bankruptcy filings, review of water-related news and press releases. There are currently no delinquent borrowers, and no pledged borrower has ever defaulted on its loan obligations.

Management maintains a formal underwriting process involving review of a borrower's loan documentation and financial audits. Qualifications for CWSRF and DWSRF financing include: a dedicated repayment source for annual repayments, demonstrated sufficient net utility system revenues to cover 100%-125% of annual debt service, (generally) parity pledge of additional debt, up to 20- to 40-year loan term (as allowed by EPA), borrowers limited to 20% or less of pledged pool concentration, and consent requirement from the SWRCB for prepayment of obligations.

In addition to issuing CWSRF and DWSRF bonds on behalf of the SWRCB, the IBank administers the Infrastructure State Revolving Fund (revenue bonds 'AAA'/Stable).

## Historical Program Metrics

	2024 'AAA' Median <sup>a</sup>	Series 2026	Series 2025	CA IEDB 2025-01	Series 2024	Series 2023
Revolving Fund Type	-	CWSRF/DWSRF	CWSRF/DWSRF	CWSRF/DWSRF	CWSRF/DWSRF	CWSRF/DWSRF
Purpose	-	Refunding	Financing	Surveillance	Financing	Financing
Total New Issuance (\$ Mil.)	-	144.1	557.3	NA	262.3	560.2
Fitch Rating	-	AAA	AAA	AAA	AAA	AAA
Rating Date	-	2/19/2026	11/14/2025	1/27/2025	2/6/2024	12/14/2022
<b>Fitch Default Tolerance Test (%)</b>						
Minimum Default Tolerance Rate	100	69.3	68.3	100.0	88.4	84.0
Less: Fitch PSM Stress Hurdle <sup>b</sup>	29.7	24.5	24.9	24.9	23.1	32.0
Net Rating Stress Cushion	70.3	44.8	43.4	75.1	65.3	52.0
<b>Financial Structure (\$ Mil.)</b>						
Total Outstanding Program Bonds	467	2,016	2,033	1,579	1,671	1,527
<b>Program Assets (\$ Mil.)</b>						
Total Pledged Revenues Excluding Reserves	1,641	6,618	6,618	5,385	5,806	5,670
Total Pledged Revenues Including Reserves	1,687	6,805	6,805	5,529	5,976	5,866
Debt Service Reserve Fund Balance	3	0	0	0	0	0
<b>Program Liabilities (\$ Mil.)</b>						
Total Debt Service	719	3,042	3,066	2,308	2,498	2,304
<b>Financial Ratios</b>						
Projected Minimum Annual DSC (x)	1.6	1.6	1.6	1.7	1.7	1.6
Program Asset Strength Ratio (x)	2.1	2.2	2.2	2.4	2.4	2.5
DSRF as % of Bonds Outstanding	0.3	0.0	0.0	0.0	0.0	0.0
<b>Portfolio Summary</b>						
No. of Borrowers	172	145	146	145	146	166
Implied WA Pool Rating (PSM)	BBB	A-	A-	A-	A/A-	BBB
WA Life (Years)	17.3	25.3	25.6	25.1	25.5	25.9
% Investment Grade	77.4	89.6	89.6	88.6	90.6	76.5
Top 10 Concentration (%)	56.7	49.9	49.8	49.0	49.3	45.2
Largest Single Borrower (%)	17.5	14.9	14.9	16.7	16.4	16.0
Largest Borrower Composite Rating	AA-	A+	A+	A+	A+	A+
<b>Security Pledge Distribution (%)</b>						
Pledge 1	-	Utility Revenues (96.2)	Utility Revenues (96.2)	Utility Revenues (95.4)	Utility Revenues (95.1)	Utility Revenues (98.5)
Pledge 2	-	Other (3.8)	Other (3.8)	GO and Utility (2.5)	GO and Utility (2.6)	Other (1)
Pledge 3	-	-	-	Other (2.1)	Other (2.3)	GO and Utility (0.4)
Pledge 4	-	-	-	-	-	-

<sup>a</sup> Based on data collected for Fitch's peer review (through Dec. 2024). <sup>b</sup> PSM changes on March 4, 2021 and on Sept. 22, 2021 may result in differences in liability stress hurdles before and after these dates. See Fitch's related criteria for details. WA - Weighted average.  
Source: Fitch and California - IEDB SRF's Revolving Fund.

## SOLICITATION &amp; PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

## DISCLAIMER &amp; DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2026 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.