



FRAMEWORK FOR GREEN BONDS

Dated as of January 13, 2022

I. Background

Five-years into the Great Depression in 1934, the residents of western Alameda County voted to establish a regional park system and fund it with the levy of property taxes for the express purpose of acquiring surplus watershed and other lands for use as public parks. The result was the East Bay Regional Park District (the "District"). From its very beginnings, the District's primary mission has been to preserve and protect wild lands and natural resources.

The District's footprint grew with annexation of much of Contra Costa County in 1964, and other additions in 1953, 1966, 1981, and 1993 which extended the District through the remaining parts of Contra Costa and Alameda Counties. Today, the District serves over 2.7 million residents and covers all of Alameda and Contra Costa Counties, encompassing 32 cities and 1,500 square miles. The District manages and preserves over 125,400 acres of parklands, open space and trails. Approximately ninety percent of the District's lands are protected as natural parklands, providing critical wildlife habitat for more than 500 different species. In addition to receiving funds from its share of property tax, the District has received voter approval for two general obligation bond issues, which provide for the levy of an additional property tax to service bonds. These bond proceeds have been approved for additional land acquisition and for recreation-oriented improvements. The bond proceeds primarily finance expenditures by the District directly and are also granted per capita to other jurisdictions within the two counties, through a local grants program. One of the District's bond measures, the \$500 million general obligation bond program authorized by Measure WW in 2008, still has remaining unissued authorization as well as previously issued bonds outstanding; a portion of the new money bonds to be issued in 2022 are planned for labelling as Green Bonds.

The District's Green Bond program is the natural extension of the District's long-stated mission to preserve a rich heritage of natural and cultural resources. For example, its 1997 Master Plan sets forth the goal of maintaining "careful balance between the need to protect and conserve resources and the recreational use of parkland." Ten years later, the District adopted its first Sustainability Policy (Resolution No. 2009-4-102) "to integrate environmentally sound practices, waste stream reduction, and new technologies into the operations, stewardship and development of our parks and facilities." According to the District's most recent Master Plan (2013), its Natural Resource Management Program monitors over 500 sites with distinctive or irreplaceable natural resources that have been identified and mapped within park boundaries. With the growing awareness of the effects of human activity on our changing climate, the District increasingly desires to provide strategic resources to build resilient communities. Parks can provide the resiliency necessary to help combat climate change in a number of ways: forests and grasslands act as an atmospheric carbon sink, through carbon stored in the biomass and soil; wetlands sequester carbon in biomass and in their soils, as well as help filter pollution and

mitigate storm surges along the shoreline; wildfire hazard reduction reduces the amount of carbon released into the atmosphere; shoreline improvements protect critical habitats from rising sea levels; while trails for pedestrians and bicycles reduce the amount of automobile miles traveled.

According to a study performed for the District by Environmental Science Associates (ESA) in 2016, the District's regional parks sequester some 300,000 tons of carbon dioxide a year., This impact is the equivalent of removing nearly 60,000 cars from the region. In addition, the District maintains some 300 miles of trails, whose users reduce emissions by walking or riding bicycles instead of driving. The District maintains 55 miles of shoreline, most of it in a natural condition; preserving that habitat from the effect of rising sea levels will become an increasingly important mission. Other components of what the District calls its "Climate Smart Initiative" include achieving energy net neutrality by producing enough renewable energy from the solar panels on parking lot shade shelters to offset the amount of energy used, and incorporating climate impacts in the decision-making behind nearly all capital projects. The Green Bond program represents an opportunity for the District to employ its values to help transform the capital marketplace.

2. Green Bonds Overview

Green Bonds is a term used to denote bond issues, the proceeds of which are expected to be used on projects that reduce greenhouse gases, mitigate climate change, or provide other environmental benefits. The purpose of the designation is to provide opportunities for investors who wish to focus on these environmental and social goals. While the market for taxable corporate Green Bonds is fairly well established, and investors are willing to make yield concessions for the designation, the U.S. tax-exempt market for Green Bonds continues to mature.

To help support growth in the green bond market, several organizations have been created. The International Capital Market Association first published its "Green Bond Principles" (GB Principles) in 2015, which were most recently updated in June 2021. Because there is no single or specific legal framework under which Green Bonds are issued, the GB Principles are an effort to create a degree of standardization, to provide greater transparency within the market and comparability across bond issuance projects with environmental benefits. The GB Principles are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. They are intended to provide bond issuers guidance on the key components involved in launching a credible Green Bond; they aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards standard disclosures which will facilitate transactions. The GB Principles have four core components: use of proceeds, the process for project evaluation and selection, the management of Green Bond proceeds, and reporting. This Framework is designed to address each of these components.

3. Framework Overview

The District’s Green Bond issuance, as articulated by this Framework, is intended to help support the development of a municipal Green Bonds capital marketplace, where investors who share in valuing sustainability can reward such efforts with their investment, eventually resulting in a reduced cost of capital for such projects. Notwithstanding the fact that third-party criteria for “Nature Based Asset Green Bonds” are not fully established, the District wishes to show leadership in this sector by developing its own guidelines that are consistent with international green bond practices.

As such, this Framework draws on available literature and practices in established areas, and implements its own set of Principles and Procedures. Consistent with the GB Principles, the District plans to issue Green Bonds to fund projects with the objective of addressing key areas of environmental concern such as climate change, natural resources depletion, loss of biodiversity, and air, water or soil pollution. The following kinds of programs, enumerated by the GB Principles as eligible project categories, are the types that the District intends to fund with its own Green Bond proceeds:

- Environmentally sustainable management of living natural resources and land use, including preservation or restoration of natural landscapes;
- Terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments); and
- Clean transportation.

Furthermore, consistent with the International Finance Corporation’s “Definitions and Metrics for Climate-Related Activities,” the Green Bond proceeds can also be used for projects that protect natural landscapes by mitigating the effects of climate change.

Consistent with these principles, the following types of projects will be considered as being eligible for funding out of Green Bond proceeds.

EBRPD ELIGIBLE GREEN BOND GUIDELINE		
Number	Category	Description
1	Acquisition	The acquisition of property for inclusion in parks owned and managed by the District. This activity generally maintains land in its natural condition, providing carbon sequestration as well as preventing the higher climate impacts of development. Other land is acquired to create wildlife corridors.
2	Habitat	Projects that improve the habitats for plants and animals.
3	Trails	The creation of bicycle and pedestrian trails, providing alternatives to the use of automobiles and thereby helping to reduce greenhouse gases.
4	Sea Level	Projects that improve the shore land to mitigate or respond better to rising sea-levels.

Certain District projects are not eligible uses of Green Bond proceeds. Although virtually everything the District does at least indirectly supports the preservation of open space, a number of District activities are not directly related to reducing greenhouse gasses or mitigating for the effects of climate change. Some of these ineligible activities include construction of recreational facilities, playgrounds, picnic areas, swimming pools, campgrounds, boat launching facilities, visitor centers, education facilities, restrooms, and parking. These projects will not be eligible for funding with Green Bond proceeds, and will be tracked separately from eligible projects, as further described in Section 5.

Incidental uses sometimes fall into a grey area. For example, staging areas and vault toilets can be incidental but necessary to a trail system, to protect resources and maintain water quality, so have been included under category 3. Public access is required to ensure that foot and other traffic is properly managed to preserve habitat. To the extent these are minor components of one or more of the Green Bond categories listed above, representing less than estimated project expenditures, these improvements will qualify for Green Bond improvements.

GB Principles recommend that issuers use an external review to confirm the alignment of their Green Bonds with the key features of the GB Principles. The District desires consistency with international standards, including providing for the “transparency and disclosure and promot[ing] integrity in the development of the Green Bond market.” As such, the District will receive a Second Party Opinion on its green bonds, with reference to the guidelines set forth in this framework.

4. Process for Selection and Tracking of Eligible Green Projects

The District Master Plan defines the vision and the mission of the East Bay Regional Park District and sets priorities for the future. The Master Plan is prepared with participation from the District's citizen-based Park Advisory Committee and with extensive review and comment from the community. The first Master Plan was approved by the District's Board of Director's in 1973, and is revised and updated periodically to reflect new circumstances to which the District must respond; the fifth edition of the Master Plan was completed in 2013. Two major goals of the District are preservation of natural and cultural resources, and provision of open space and trails. The District's Mission Statement states, “An environmental ethic guides the District in all of its activities.” The District's commitment to environmental sustainability was most recently restated in its resolution of July 5, 2017, declaring its commitment to uphold the Paris Climate Accords. The resolution cites many of the District's environmental goals and accomplishments, and declaring its “commitment to reducing greenhouse gases through implementation of the District's Climate Smart Initiative and climate change strategy.” Consistent with its environmental ethic, Green Bond projects represent a large portion of the priorities detailed in the Master Plan and many of the projects funded by the District's own bonds meet the eligibility categories set forth by the GB Principles and this Framework. It is expected that a large portion of the District's capital program will be eligible for funding with Green Bond proceeds.

All projects with direct climate impact and eligibility for Green Bond funding under this Framework are expected to be undertaken directly by the District. These include:

- land acquisition projects --both new properties and the expansion of existing parks;

- restoration and protection of habitat and shoreline;
- establishment and improvement of trails.

However, bond proceeds represent only one of many project funding sources available to the District, including: operating revenues, State and federal grants, and private donations. Under the selection guidelines of this Framework, expenditures for projects and priorities that are not directly related to environmental improvement, such as recreational improvements (boat launches, camping, picnic facilities, wildlife viewing, visitor and interpretive centers, public parking, restrooms, and swimming pools) will not qualify for Green Bonds.

Additionally, one-fourth of the projects to be funded out of Measure WW proceeds (\$125 million) will be undertaken by other agencies through the Local Grant Program. Projects approved for funding under this Local Grant Program are generally concentrated in recreational activities. As a result, although some projects meet the guidelines for Green Bonds set forth in this Framework, Local Grant projects will not be considered for Green Bond financing.

Attachment A lists the projects approved for funding as part of the 2008 Measure WW bond authorization, indicating the percentage of the project estimated to be eligible for green funding. The characterization as to Green Bond eligibility in Attachment A reflects the general descriptions of projects approved in connection with the original Measure WW measure. The specific determination of Green Bond funding will be based on a more detailed review of project components, as described below.

- 1) In the early stages of project development, each project's manager will be required to review all project components and determine whether some or all are "Green" – meaning consistent with the above Green Bond Framework criteria.
- 2) A new field has been incorporated in the District's Finance Enterprise Resource Planning System (Finance Enterprise) Project Management module to track whether the project meets Green Bond Framework guidelines. All existing projects will be designated as "Green" or "Non-Green" projects, to record the determinations made by project managers.
- 3) New projects are entered in the system using a "Blue Form," an Excel workbook template designed to help fully flesh-out and "vet" projects before they are entered into the District's Finance System. The Blue Form has been amended to include information relative to the Green Bond Framework, giving project managers the information required to determine eligibility. Each field of this form provides needed information that will be captured in the Finance Enterprise system described below. The Blue Form has instructions for each field in the "comments" of each cell, including drop-down menus.
- 4) Before entering projects into the Finance Enterprise system, Finance staff will add to its review of project funding a review of the Green Bond determination, to ensure that categorization is consistent with the Framework.

5. Management of Proceeds

Upon issuance of the bonds, the green bond proceeds will be deposited in a separate and distinct fund to be held by US Bank as Fiscal Agent under the Fiscal Agent Agreement for each bond issue. The proceeds will be invested in a subcategory of the Permitted Investments

authorized under that Agreement, consistent with the District's Board-adopted Investment Policy, as directed by the Chief Financial Officer or the Assistant Finance Officer. Green Bond proceeds will be invested only in federal securities or money-market funds comprised of such investments.

It is the policy of the District to advance funds for project expenditures out of its own moneys, and then to seek reimbursements for such expenditures from bond proceeds on a quarterly basis. Either the Chief Financial Officer or the Assistant Finance Officer will provide instructions to the Trustee to reimburse the District for advances made from District funds to finance approved Green Projects consistent with this Framework. Included in the form of requisition submitted to Fiscal Agent for disbursement of Green Bond proceeds, the District Officer will certify that the expenditures meet the Green Bond criteria as set-forth in this Framework.

The District has systems and protocols in place to ensure that resources are used for intended purposes, and these systems will be employed to ensure usage for green projects. The District utilizes Finance Enterprise for all financial planning and monitoring. Finance Enterprise is a repository for project and accounting information, including budgeting, project budget allocation, accounts payable, accounts receivable, fixed assets, purchasing, payroll and human resources.

Finance Enterprise reporting provides information to project managers for managing projects, analyzing expenditures and billing transactions to the proper funding source, i.e. federal and state grants, bonds, and others. The system provides management and staff with an understanding of project status and funding, and helps in management decisions. It generates reports by project, including funding source, project expenditures, and a billing and receivable log that tracks the spending of funds by project.

As described in Section 4 above, prior to committing any resources, each project is entered in Finance Enterprise using a "Blue Form," which has been amended to include information relative to the Green Bond program. Thus, the District's basic information and control system will be used to track eligible Green Bond expenditures. The system currently tracks projects by various categories. Additional categories will be added to all projects to be tracked by environmental categories and project type.

Generally, the controls associated with all bond-funded projects are even more stringent than for a non-bond-funded project. The District has adopted a Debt Policy which details its internal controls related to bonds and other types of debt. Bond funds are held by a third-party trustee, and expenditures from those funds are made on a reimbursement basis after they have first been advanced out of existing cash resources. Among other purposes, this system has been used to ensure that tax-exempt bond proceeds are used in a manner that is consistent with the Federal Tax Code and Measure WW authorizing legislation. This same system will be used to track the use of the proceeds of the Green Bond.

6. Additional Assurance and Reporting

The District will prepare an annual post-issuance report, which will include:

- An indication of how the use of proceeds of the Green Bonds is in alignment with this Green Bond Framework.
- A list of the projects to which Green Bond proceeds have been allocated.
- A brief description of the projects.
- The amount of proceeds allocated to each project to-date.
- The expected impact of each completed project.
- Qualitative and, where feasible, quantitative performance measures and disclosure of the underlying methodology and/or assumptions used in the quantitative determination.
- The current allocated and outstanding amounts of the Green Bonds.

The District intends to complete these reports within 270 days of the end of the fiscal year-end, consistent with its other continuing disclosure obligations, and will continue to report annually until all bond proceeds have been used. The District intends to post these reports as a voluntary disclosure on the Electronic Municipal Market Access website.

In addition to the annual independent financial audit required by the Park District's Board Operating Guidelines and the Measure WW Continuing Disclosure Certificate, the District may secure additional third-party assurances in connection with this program in future years.