

IX.A.

CERBT Account Update Summary

Del Puerto Water District

as of September 30, 2021

dl

Cash Flow Summary by Fiscal Year

Fiscal Year	Contributions	Disbursements	Cumulative Investment Gains (Losses)	Cumulative Fees	Cumulative Ending Assets
2006-07	\$0	\$0	\$0	\$0	\$0
2007-08	\$0	\$0	\$0	\$0	\$0
2008-09	\$187,579	\$0	\$38,699	(\$46)	\$226,232
2009-10	\$20,270	\$0	\$72,743	(\$306)	\$280,286
2010-11	\$9,452	\$0	\$142,739	(\$724)	\$359,316
2011-12	\$9,879	\$0	\$143,005	(\$1,143)	\$369,042
2012-13	\$16,568	\$0	\$175,483	(\$1,749)	\$417,482
2013-14	\$17,244	(\$2,401)	\$241,195	(\$2,375)	\$497,411
2014-15	\$25,349	(\$4,994)	\$238,973	(\$2,882)	\$515,037
2015-16	\$26,294	(\$7,226)	\$255,418	(\$3,318)	\$550,113
2016-17	\$45,262	(\$17,405)	\$296,362	(\$3,806)	\$618,427
2017-18	\$23,117	(\$17,339)	\$334,301	(\$4,344)	\$637,341
2018-19	\$29,104	(\$17,490)	\$380,713	(\$4,895)	\$694,816
2019-20	\$30,829	(\$13,624)	\$419,112	(\$5,505)	\$749,809
2020-21	\$33,354	(\$10,387)	\$568,107	(\$6,216)	\$921,060
as of 9/30/2021	\$0	\$0	\$566,932	(\$6,417)	\$895,419

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CERBT/CEPPT Investment Returns Outperform Benchmarks

Periods ended August 31, 2021

Fund	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	\$13,514,349,182	1.44%	4.23%	2.75%	21.39%	12.06%	10.79%	9.33%	6.41%
Benchmark		1.42%	4.16%	2.72%	21.18%	11.77%	10.43%	9.01%	5.99%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,888,078,451	0.90%	4.11%	2.48%	15.73%	10.77%	9.01%	-	8.56%
Benchmark		0.89%	4.05%	2.46%	15.53%	10.56%	8.68%	-	8.27%
CERBT Strategy 3 (Inception January 1, 2012)	\$835,538,812	0.39%	3.92%	2.30%	11.28%	9.37%	7.26%	-	6.73%
Benchmark		0.39%	3.89%	2.29%	11.14%	9.19%	6.98%	-	6.42%
CERBT Total	\$16,237,966,445								
CEPPT Strategy 1 (Inception October 1, 2019)	\$42,198,265	0.98%	3.21%	2.17%	14.49%	-	-	-	12.26%
Benchmark		0.99%	3.10%	2.17%	14.30%	-	-	-	12.28%
CEPPT Strategy 2 (Inception January 1, 2020)	\$19,957,503	0.30%	2.44%	1.64%	6.85%	-	-	-	7.48%
Benchmark		0.30%	2.42%	1.63%	6.62%	-	-	-	7.32%
CEPPT Total	\$62,155,768								

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CERBT Expected Rates of Return & Risk

Portfolios	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Expected Return	7.59%	7.01%	6.22%
Risk	11.83%	9.24%	7.28%

CERBT Portfolio Details

Asset Classification	Benchmark	CERBT Strategy 1	CERBT Strategy 2	CERBT Strategy 3
Global Equity	MSCI All Country World Index	59% ±5%	40% ±5%	22% ±5%
Fixed Income	Barclays Capital Long Liability Index (CERBT)	25% ±5%	43% ±5%	49% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	16% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	4% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%

Total Participation Cost Fee Rate

- Total all-inclusive cost of participation
 - Combines administrative, custodial, and investment fees
 - Separate trust funds
 - Self-funded, fee rate may change in the future
 - Fee is applied daily to assets under management
 - 10 basis points - CERBT
 - 25 basis points - CEPPT

CEPPT/CERBT Consistently Low Fee Rate History

Fiscal Year	CERBT	CEPPT
2007-2008	2.00 basis points	-
2008-2009	6.00 basis points	-
2009-2010	9.00 basis points	-
2010-2011	12.00 basis points	-
2011-2012	12.00 basis points	-
2012-2013	15.00 basis points	-
2013-2014	14.00 basis points	-
2014-2015	10.00 basis points	-
2015-2016	10.00 basis points	-
2016-2017	10.00 basis points	-
2017-2018	10.00 basis points	-
2018-2019	10.00 basis points	-
2019-2020	10.00 basis points	25.00 basis points
2020-2021	10.00 basis points	25.00 basis points
2021-2022	10.00 basis points	25.00 basis points

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598 Prefunding Program Employers

587 CERBT and 47 CEPPT

- State of California
- 153 Cities or Towns
- 10 Counties
- 77 School Employers
- 31 Courts
- 326 Special Districts and other Public Agencies
 - (99 Water, 35 Sanitation, 33 Fire, 25 Transportation)

Financial Reporting

- CERBT is the Plan
 - Provides audited and compliant GASB 74 report in a Schedule of Changes in Fiduciary Net Position (FNP)
 - Published in February each year

FNP Fiscal Year	Availability
<u>2015-16</u>	
<u>2016-17</u>	
<u>2017-18</u>	Available at https://www.calpers.ca.gov/cerbt
<u>2018-19</u>	
<u>2019-20</u>	
2020-21	February 2022

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Questions? Where to Get Trust Fund Information?

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Program E-mail Addresses	Prefunding Programs Webpages
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CEPPT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CEPPT
CERBTACCOUNT@calpers.ca.gov – Online Record Keeping System	

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IX.B

S&P Global
Ratings

RatingsDirect®

Summary:

20 California Irrigation District Bond Outlooks Revised To Negative From Stable; Water/Sewer

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20 California Irrigation District Bond Outlooks Revised To Negative From Stable; Water/Sewer

Credit Profile

Fresno Irr Dist wtr rev rfdg bnds ser 2016 dtd 09/06/2016 due 10/01/2036

<i>Long Term Rating</i>	AA/Negative	Outlook Revised
Madera Irr Dist wtr		
<i>Long Term Rating</i>	A/Negative	Outlook Revised
Semitropic Imp Dist of Semitropic Wtr Storage Dist wtr banking		
<i>Long Term Rating</i>	A+/Negative	Outlook Revised
Westlands Wtr Dist (MBIA) (National)		
<i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised

Rating Action

S&P Global Ratings revised its outlook to negative from stable and affirmed its various ratings on 20 California irrigation districts.

The negative outlook reflects the increasing frequency and severity of multiyear droughts and extreme weather events, which have eroded cost certainty and present significant risk to agricultural water purveyors and their ability to deliver sufficient water supplies to their customers. The pervasiveness of drought and adverse weather are considered environmental physical risks under our environmental, social, and governance (ESG) factors.

Our rating actions come after Gov. Gavin Newsom declared a statewide drought emergency on Oct. 19, 2021, which requires water suppliers to execute water shortage contingency plans, agricultural drought plans, and indicates a possible third consecutive dry year. Subsequently, on Oct. 24, 2021, an extreme atmospheric river brought significant rainfall to Northern California, which will help remedy the state's dire water situation. But it won't be nearly enough to end the record-setting drought as a second consecutive year of La Niña conditions favors a drier-than-average winter.

While S&P Global Ratings has historically factored hydrological variability into our ratings, more extreme droughts, heat waves and flood events are expected to increasingly influence the business operations and financial capacity of waterworks, sanitary sewer, and drainage utility systems of various municipalities and political subdivisions across the western U.S., including irrigation districts, as discussed in "Could the Western U.S. Drought Threaten Municipal Credit Stability", published Aug. 18, 2021, on RatingsDirect.

Implementation of critical regulations to protect endangered fish and wildlife, and competition from municipal purveyors in Southern California for water imported from the Sacramento-Bay Delta have further compounded surface water scarcity for water purveyors in the Central Valley, and especially for irrigation districts. We have observed that water shortages may result in volatile debt service coverage patterns for these districts, with periods of insufficiency

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Summary: 20 California Irrigation District Bond Outlooks Revised To Negative From Stable; Water/Sewer

that are generally inconsistent with most rated water utilities, which we view as a material credit weakness for this portion of the sector.

The 20 irrigation districts affected by this rating action serve a predominantly agricultural customer base with a wide variance in annual crop production (valued between roughly \$100 million and \$2 billion per district.) The majority of issuers are in the San Joaquin Valley but this rating action also includes issuers that serve farming operations in the Pajaro Valley and Ventura and Solano counties.

Accelerating water shortages may have a broad influence on agricultural production in California and could potentially lead to the permanent idling or conversion of farmland over time, which we believe elevates business risk for irrigation districts. In our view, their pricing power is constrained by limited revenue raising flexibility despite increasingly hardened demand, due to much of the state's agricultural production shifting to high-value permanent crops during the past decade. Moreover, we consider the relatively elevated expense of short-term water transfers (which have helped keep orchards alive during the current drought) as a potential credit stressor, given that these purchases are often significantly more costly than traditional sources, both due to water scarcity and a complicated transfer approval process, as moving water from one place to another can affect both other water users and the environment. Furthermore, as implementation of the Sustainable Groundwater Management Act (SGMA) progresses, we expect that local groundwater markets may cap how much each water user can pump, influencing both current and future supply reliability.

The negative outlooks reflect at least a one-in-three likelihood of a negative rating action in the intermediate term (generally up to two years). Negative outlooks on specific ratings may return to stable on a case-by-case basis in the near-to-medium term if evidence supports the revision. While all of these districts may be susceptible to deterioration of credit quality depending on the severity of the drought, we believe that districts which lack sufficient liquidity sources to withstand a significant uptick in water supply costs (due to the heightened cost of market purchases) on a multi-year basis may be more susceptible to a negative rating action earlier in the outlook period. We will also be assessing their financial plans to evaluate downside cost pressures under a protracted drought scenario. While unlikely to occur broadly across the portfolio, our current financial stress tests indicate certain districts may see rating transitions of up to three notches in the absence of credible drought mitigation plans or defined financial policies.

Farmers in California have historically relied on groundwater produced from privately-owned wells during droughts; however, excessive groundwater pumping has led to widespread land subsidence, drinking water contamination, and declines in wildlife habitat. SGMA requires irrigation districts and other relevant water purveyors achieve groundwater sustainability by 2040. Although the implementation deadline is beyond the scope of our outlook period, we note that water users must demonstrate progress every five years until compliance is met. Thus, as time passes, we believe the ability to mitigate drought risk through local groundwater pumping will become increasingly limited. We also understand that many of the proposed large-scale water infrastructure projects for new supply sources (such as the \$5.2 billion Sites Reservoir project, which is intended to capture excess stormwater flows during major wet weather events and save it for drier periods) may be out of reach financially for many farming interests, including irrigation districts, without either state or federal support.

Irrigation districts typically depend on contractual or permanent water rights from far-reaching water projects—such as

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Summary: 20 California Irrigation District Bond Outlooks Revised To Negative From Stable; Water/Sewer

the U.S. Bureau of Reclamation's Central Valley Project (CVP) or the California State Water Project (SWP)--which are subject to allocation methodologies that prioritize supply for municipal uses over agricultural ones during drought conditions due to public health concerns. Recent allocations from both the CVP and SWP have been nominal, and well below historic averages. Moreover, several irrigation districts' ability to divert and store water has been called into question this year: the state water board declared that even the oldest established water right holders may be required to curtail diversions as California enters unprecedented drought conditions, which adds additional credit uncertainty.

Environmental, social, and governance (ESG) credit factors for this change in outlook status

Based on the diminished levels of both precipitation and runoff, the last water year (ended Sept. 30) was the second driest on record in California. The state has more hydrological variability than any other state in the U.S., meaning it has more drought and flood years on average than any other state, according to the U.S. Geological Survey. However, increasingly warmer temperatures are evaporating precipitation and melting snowpack much faster than in previous years and intensifies the state's water scarcity challenges, according to a recent study by the National Oceanic and Atmospheric Administration (NOAA). Moreover, NOAA climatologists forecast the present drought to last into 2022 or longer.

Table 1

Revised Outlooks On California Irrigation District Ratings

Entity	Rating	Outlook to	Outlook from
Del Puerto Water District	BBB+	Negative	Stable
Delano-Earlimart Irr Dist	AA-	Negative	Stable
Fresno Irr Dist	AA	Negative	Stable
Kern Delta Wtr Dist	A+	Negative	Stable
Lower Tule River Irr Dist	A-	Negative	Stable
Madera Irr Dist	A	Negative	Stable
Merced Irr Dist	A+	Negative	Stable
North Kern Wtr Storage Dist	A+	Negative	Stable
Oakdale Irr Dist	AA	Negative	Stable
Pajaro Vy Wtr Mgmt Agy	A	Negative	Stable
Panoche Wtr Dist	BBB+	Negative	Stable
Rosedale-Rio Bravo Wtr Storage Dist	A	Negative	Stable
San Luis Wtr Dist	A+	Negative	Stable
Semitropic Water Storage Dist	A+	Negative	Stable
Shafter Wasco Irr Dist	A+	Negative	Stable
Solano Irr Dist	A+	Negative	Stable
United Wtr Conserv Dist	AA-	Negative	Stable
West Stanislaus Irr Dist	A-	Negative	Stable
Westlands Wtr Dist	A+	Negative	Stable
Woodbridge Irr Dist	A+	Negative	Stable

This rating action applies only to the water operations of these districts, although several of them also operate separately secured electric systems. Depending on the severity of the current drought, we believe there could eventually be district-wide stress for such districts. While Prop. 218 generally requires segregation between electric

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and water funds, we believe related electric systems could see negative rating pressure if the drought meaningfully erodes employment opportunities and economic activity in the shared service area. In our view, however, the potential effect on electric credits is likely outside the one to two-year scope of this outlook revision.

This rating action does not apply to several irrigation districts (see Table 2) including one that is already on CreditWatch with negative implications.

Table 2

California Irrigation Districts With Unchanged Outlooks			
Entity	Rating	Outlook	CreditWatch
Cawelo Wtr Dist	A	NM	Negative
El Dorado Irr Dist*	AA-	Stable	
Imperial Irr Dist**	AA-	Stable	
Nevada Irr Dist*	AA+	Stable	

*Majority of revenues are derived from non-agricultural customers. ** Applicable bonds are rated to electric system rating.

S&P Global Ratings will continue to monitor and evaluate the effects of the current drought on water districts. Potential negative rating actions could be either broad-based or credit specific. We will continue to collect data and have conversations with management teams to properly evaluate information as it becomes available. Therefore, while the outlook period is for up to two years, further review and rating actions could occur throughout the outlook period, given market conditions and credit-specific information.

For more information on California's ESG factors, see "ESG U.S. Public Finance Report Card: California Governments And Not-For-Profit Enterprises," published June 16, 2021, on RatingsDirect.

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of October 28, 2021)

Westlands Wtr Dist (AMBAC) <i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
Woodbridge Irr Dist WTRSWR <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Delano-Earlimart Irr Dist rev certs of part <i>Long Term Rating</i>	AA-/Negative	Outlook Revised
Del Puerto Water District ICR <i>Long Term Rating</i>	BBB+/Negative	Outlook Revised
Kern Delta Wtr Dist WTRSWR <i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
Lower Tule River Irrigation Dist <i>Long Term Rating</i>	A-/Negative	Outlook Revised

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Summary: 20 California Irrigation District Bond Outlooks Revised To Negative From Stable; Water/Sewer

Ratings Detail (As Of October 28, 2021) (cont.)

Madera Irr Dist wtr (AGM) <i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
Merced Irr Dist WTRSWR <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Merced Irr Dist WTRSWR (AGM) <i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
North Kern Wtr Storage Dist WTRSWR <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Oakdale Irr Dist WTRSWR <i>Long Term Rating</i>	AA/Negative	Outlook Revised
Pajaro Vy Wtr Mgmt Agy wtr (AGM) <i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
Pajaro Vy Wtr Mgmt Agy wtr (AGM) <i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
Rosedale-Rio Bravo Wtr Storage Dist ws (BAM) <i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
Rosedale-Rio Bravo Wtr Storage Dist ws (BAM) <i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
Rosedale-Rio Bravo Wtr Storage Dist ws (BAM) <i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
San Luis Wtr Dist rev certs of part <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Semitropic Imp Dist of the Semitropic Water Storage Dist wtr (AGM) <i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
Semitropic Imp Dist of the Semitropic Wtr Storage Dist WS (AGM) <i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
Semitropic Imp Dist of the Semitropic Wtr Storage Dist WS <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Semitropic Imp Dist of the Semitropic Wtr Storage Dist 2nd lien <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Semitropic Imp Dist of the Semitropic Wtr Storage Dist 2nd lien (AGM) <i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
Semitropic Imp Dist of Semitropic Wtr Storage Dist wtr banking <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Shafter Wasco Irr Dist rev certs of part <i>Long Term Rating</i>	A+/Negative	Outlook Revised
Solano Irr Dist certs of part ser 2021 due 06/01/2051 <i>Long Term Rating</i>	A+/Negative	Outlook Revised
United Wtr Conserv Dist WTRSWR <i>Long Term Rating</i>	AA-/Negative	Outlook Revised

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Summary: 20 California Irrigation District Bond Outlooks Revised To Negative From Stable; Water/Sewer

Ratings Detail (As Of October 28, 2021) (cont.)

Westlands Wtr Dist (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
Westlands Wtr Dist (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
West Stanislaus Irr Dist WS		
<i>Long Term Rating</i>	A-/Negative	Outlook Revised
West Stanislaus Irr Dist WS (AGM)		
<i>Unenhanced Rating</i>	A-(SPUR)/Negative	Outlook Revised
West Stanislaus Irr Dist WS (AGM)		
<i>Unenhanced Rating</i>	A-(SPUR)/Negative	Outlook Revised
Woodbridge Irr Dist certs of part (2013 Refincg) (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
North Kern/Cawelo Fincg Auth, California		
North Kern Wtr Storage Dist, California		
North Kern/Cawelo Fincg Auth WTRSWR		
<i>Long Term Rating</i>	A+/Negative	Outlook Revised
Panoche Fing Auth, California		
Panoche Wtr Dist, California		
Panoche Fing Auth (Panoche Wtr Dist) rev bnds		
<i>Long Term Rating</i>	BBB+/Negative	Outlook Revised
Panoche Fing Auth (Panoche Wtr Dist) Rev Bnds (Taxable)		
<i>Long Term Rating</i>	BBB+/Negative	Outlook Revised
San Luis Unit Westlands Wtr Dist Fincg Auth, California		
Westlands Wtr Dist, California		
San Luis Unit Westlands Wtr Dist Fincg Auth (Westlands Wtr Dist) subord (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
San Luis Unit Westlands Wtr Dist Fincg Auth (Westlands Wtr Dist) (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
San Luis Unit/San Luis Wtr Dist Fincg Auth, California		
San Luis Wtr Dist, California		
San Luis Unit/San Luis Wtr Dist Fincg Auth (San Luis Wtr Dist) rfdg rev bnds (San Luis Wtr Dist) (DHCCP Dev Proj) ser 2021A due 09/01/2040		
<i>Long Term Rating</i>	A+/Negative	Outlook Revised
San Luis & Delta-Mendota Wtr Auth, California		
Westlands Wtr Dist, California		
San Luis & Delta-Mendota Wtr Auth (Westlands Wtr Dist) rfdg rev bnds (Westlands Wtr Dist) (Dhccp Dev Proj) ser 2021B due 03/01/2042		
<i>Long Term Rating</i>	A+/Negative	Outlook Revised
San Luis & Delta-Mendota Wtr Auth (Westlands Wtr Dist) (BAM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Negative	Outlook Revised
Many issues are enhanced by bond insurance.		

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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IX.B.

S&P Global Ratings

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October 28, 2021

Del Puerto Water District
PO Box 1596
Patterson, CA 95363
Attention: Ms. Anthea Hansen, General Manager

Re: *Del Puerto Water District, California, Issuer Credit Rating*

Dear Ms. Hansen:

S&P Global Ratings hereby affirms its rating of "BBB+" for the above-referenced obligations and changed the outlook to negative from stable. A copy of the rationale supporting the rating and outlook is enclosed. This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we have released the ratings on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. Any such dissemination shall not be done in a manner that would serve as a substitute for any products and services containing S&P Global Ratings' intellectual property for which a fee is charged.

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Please send hard copies to:

S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

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enclosure

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S&P Global Ratings

S&P Global Ratings Terms and Conditions Applicable To Public Finance Credit Ratings

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IX.C.



Financial Affairs Committee (FAC) Contractors Only Meeting Notes

10:00 a.m. October 15, 2021

MS Teams with call-in 279-666-3100 / ID 279 424 615#

The meeting began at 10:00am and adjourned at 11:35am.

Attendees (18):

- | | |
|-------------------------------|---------------------------|
| Ana Ulloa - EBMUD | Ann Lubas-Williams – USBR |
| Ansel Lundberg – SMUD | Michelle Williams – USBR |
| Anthea Hansen – Del Puerto WD | Richard Welsh – USBR |
| Dana Jacobson – Valley Water | Sabir Ahmad – USBR |
| Eric Limas – LTRID | |
| Jeff Sutton – TCCA | |
| Jonathan Bauer – EBMUD | |
| Juan Vega – SEWD | |
| Kevin Kasberg – CVPWA | |
| Minnie Moreno – Del Puerto WD | |
| Pablo Arroyave – SLDMWA | |
| Stephen Farmer – Westlands | |
| Tiffany Montooth – DEID | |
| Wilson Orvis – FWA | |

1. Opening Business and Next Meetings

This FAC Contractors Only call welcomed Richard Welsh, Principal Deputy Regional Director, to discuss projects in Planning and the potential for CVP-wide cost recovery. Ann Lubas-Williams and Sabir Ahmad were in attendance to discuss how these CVP-wide cost recovery projects will move to Ratesetting and Budget groups within Financial Management. Michelle Williams provided positive feedback on this discussion and was supportive of continuing the conversations in this collaborative meeting environment.

Save the Date: Water User’s Conference January 18-22 2022 Reno, NV

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2. Conversation with Richard Welsh Discussion on Projects in Planning

The projects discussed with Richard Welsh included:

Safety of Dams (SOD)

Folsom SOD

BF Sisk SOD

WIIN Act Section 4007 Storage Projects

BF Sisk Dam Raise

Del Puerto Canyon

Los Vaqueros Expansion

Sites

The group proposed that Reclamation develop a Gantt chart that describes the timelines and magnitude of both the SOD and WIIN Act projects. This will help both Reclamation and the Contractors understand the timing and magnitude of rates that recover the costs of these large projects. The Gantt chart can be further developed to include large RAX projects, or other high-cost projects, such as San Luis Transmission Project, that may have CVP-wide cost recovery. Also proposed was to further detail the projects in this initial Gantt chart with a supporting document that includes the following information:

- 1) Project Name
- 2) Short/Long Description
- 3) Estimated Project Cost
- 4) Anticipated Funding Sources [State %, Nonfederal Project Sponsor(s) %, Federal % (by source)]
- 5) Authority (WIIN, PL XX)
- 6) Type of Project (SOD, XM, New Construction, etc.)
- 7) Project Benefits and Reimbursability – Summary from Feasibility Study - % by source and brief rationale (e.g. Fish and Wildlife Enhancement, Flood Control, etc.)
- 8) Current Project Status (Appraisal Level, Feasibility Study, 30% Design, etc.)
- 9) Project timeline (major milestones and dates)

Safety of Dam Discussion

- Folsom SOD – Construction completion and cost recovery are upcoming for this SOD project. The CVP-wide reimbursable share is 15% of project cost. Recovery of the 15% is expected to be part of the 2023 or 2024 rates. Project Website
- BF Sisk SOD – This project is going to contract soon, but the financial impact to CVP rates will not be until project completion, expected post 2030. The CVP-wide reimbursable share of 15% is to be shared with CA DWR, and those negotiations are in progress. Project Website

WIIN Act Storage Project Discussion

For background on federal cost share eligibility through the WIIN Act, please refer to this CRS Report. WIIN Act provides up-front cost share for public, non-reimbursable benefits but may also contribute to reimbursable benefits that would be recovered through a repayment contract. Currently, no project on the agenda today includes clearly defined reimbursable benefit and therefore we were not able to discuss the details of a repayment contract or ratesetting for CVP-wide cost recovery. The topic of reimbursable CVP-wide benefit was further complicated by a FAC member postulating CVP-wide recovery across water service contractors and those that have completed a WIIN Act conversion. The following projects are “eligible” for WIIN Act funding. BF Sisk Raise and Del Puerto Canyon are considered Federal Storage projects and therefore eligible for up to 50% federal cost share. LVE and Sites are considered “State-led” and eligible for up to 25% federal cost share.

- BF Sisk Raise – OMB required an addendum to clarify which operational plan will be selected. The feasibility study has a range of operational options and will need to narrow it down to a

preferred alternative. Therefore, the cost allocation is in progress, with details of federal reimbursable versus non-reimbursable being evaluated Project Website

- *Del Puerto Canyon – This project has federal non-reimbursable benefit and currently no reimbursable benefit identified Project Website*
- *Los Vaqueros Expansion –The final cost allocation is not complete, but there may be both reimbursable and non-reimbursable Federal cost-share. A JPA was formed in October 2021 as part of the project implementation. Project Website*
- *Sites –Currently, there is no reimbursable Federal share, but there may be an opportunity for increased reimbursable or some reimbursable benefit as the feasibility study is being updated per OMB request. Project Website*

The FAC discussed the need to continue this dialog with Reclamation to understand impacts as the projects become better defined.

The following items were not discussed as we unexpectedly needed to draft comments on the Draft PEC 05-03 Extended Repayment of Extraordinary Maintenance Costs (comments by 10/24/2021).

3. Report on Executive Committee Meeting

1. Opening Business
2. CVPIA
3. Remediation of CVP Costs
4. Annual Budget Process
5. Follow – Up Items
 - Contracting & Charging for Non-Project Use of Excess Capacity in Reclamation Project Facilities – Revenue collection prior to new 2023 rates
 - P.L. 116-260 Aging Infrastructure Account – 2021 Appropriations
 - San Luis Joint Use O&M Cost Reallocation Study
 - Trinity PUD – Converting to a PUE type account
 - Brown-Bag Seminars hosted by CVPWA/USBR on BOR-Works

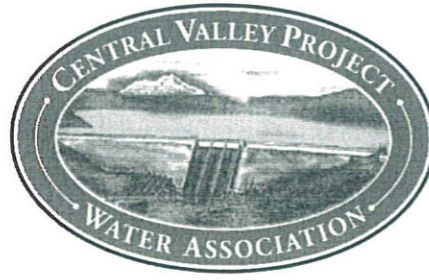
4. Annual Budget Process

- Discuss benefits of reinstating regional budget meetings and workshops

5. CVPIA Accounting BPGs Letter and Next Steps

- Recommend a new CPAR report

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IX.C.

Officers

October 19, 2021

- David Coxey, *President*
- Anthea Hansen, *Vice President*
- Dana Jacobson, *Treasurer*
- Ana Ulloa, *Secretary*
- Kevin Kasberg, *Executive Director*

**Central Valley Project Water Association
Board of Director's Meeting
October 19, 2021**

Board of Directors

Northern Zone

- Mike Alves
Kanawha & Glide Water District
- Lance Boyd
Princeton-Codora-Glenn ID
- David Coxey
Bella Vista Water District
- Shelly Murphy
Colusa County Water District

Central Zone

- Lizz Cook
Contra Costa Water District
- Ted Costa
San Juan Water District
- Dana Jacobson
Santa Clara Valley Water District
- Ana Ulloa
East Bay Municipal Utility District

Western Zone

- Pablo Arroyave
San Luis & Delta-Mendota WA
- Stephen Farmer
Westlands Water District
- Anthea Hansen
Del Puerto Water District
- Lon Martin
San Luis Water District

Southern Zone

- Eric Limas
Lower Tule River Irrigation District
- David Nixon
Arvin-Edison Water Storage District
- Wilson Orvis
Friant Water Authority
- Vacant

Location: This meeting was conducted by MS Teams video conference call.

Directors: Lance Boyd
David Coxey
Shelly Murphy
Lizz Cook
Ana Ulloa
Stephen Farmer
Anthea Hansen
Eric Limas
Wilson Orvis

Others in Attendance: Greg Zlotnick
Robert Harvie

Staff: Kevin Kasberg

Agenda: Presidents Report
Board Vacancies
Executive Director's Report

President Coxey started off the meeting by commenting on the progress CVPWA has made over the last year with amending the bylaws, filling board vacancies, and working with Reclamation on important issues. In addition, the weather forecast includes precipitation, which is a sign of relief after one of the hottest and driest years on record.

The Executive Director requested a brief meeting to allow members to review the draft Directives and Standards, PEC 05-03 that has an open comment period. CVPWA will be drafting a letter to comment on the lack of notification and lack out public engagement on the draft policy.

I. Highlights from the Presidents Report follow:

Northern Zone

- Director Alves – The district is running low on water and pumping groundwater for waterfowl. There are no diversions from the river for the remainder of the season. The

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Email:

Kevin Kasberg
kkasberg@cvpwater.org

district is trying to complete projects in the off-season but are having issues with supplies and it is making it difficult to complete any district capital improvements.

- Director Coxe – Positive message about the weather and the potential impacts to water supply for the upcoming water year.
- Director Murphy – CCWD is finishing up with transferred water that will end in October, with no district water deliveries expected after that.

Central Zone

- Director Cook – Lizz announced she will be moving on from CCWD and will be in contact about a replacement board member. CCWD currently has an ample supply of water and there is excitement amongst CCWD due to the recent JPA formed to complete the Los Vaqueros Expansion. She has also been taking on labor negotiations and a 5% rate increase.
- Director Costa – (Zlotnick) SJWD is not curtailed anymore, which is great due to the on and off curtailment SJWD has experienced this season. In general, SJWD water supply has been adequate with pushing conservation. The district is working on groundwater bank in the region and are seeking Reclamation participation.
- Robert Harvie (in attendance for Director Jacobson) – no update.
- Director Ulloa – EBMUD is also no longer curtailed and has been accessing the dry year supply from Freeport. In addition, EBMUD has a water purchase agreement with CCWD. Director Ulloa mentioned how SWRCB is beginning enforcement on diverters that are not compliant with reporting. Many (most of the large diverters are compliant).

Western Zone

- Director Hansen – DPWD is planning for 2022 WY and is concerned for contractors that have carryover water on paper, but not necessarily in the reservoirs. Director Hansen mentioned that there are lots of good projects in the area to build a resilient water supply (outside of CVP).
- Director Farmer – WWD is completing projects in the off season and getting water delivered (secondary supply that was purchased NOD).

Southern Zone

- Director Limas – LTRID is ready for the hot, dry year to be over. The district is working on canal repairs in the off-season.
- Director Orvis - The construction contract has been awarded for FKC repair. Director Orvis and Director Limas will be in attendance for a November 10 meeting at the Friant facilities. In addition, potential Board member Eric Quinley will be in attendance.

B. Proposed 2022 Board Meeting Dates for 2:30pm on the following dates:

January 18, 2022, April 19, 2022, July 19, 2022, October 18, 2022

Approve 2022 Board Meeting Dates. **Motion:** Approve Subject Action Report – Director Orvis.

Second: Director Hansen. **Action:** Approved unanimously.

II. Board Vacancies:

- The Executive Director will be attending the November 9th DEID Board Meeting to discuss DEID membership and the nomination of Eric Quinley to the Board. A tour of Friant facilities will be taking place on November 10th.
- Director Boyd communicated that Kanawha did not renew and may not renew in the future. This may result in a vacancy in the Northern Zone.

II. Highlights from the Executive Director are as follows:

- A. Approve July 20, 2021 Action Report. **Motion:** Approve Subject Action Report – Director Coxey. **Second:** Director Boyd. **Action:** Approved unanimously.
- B. Approve ACWA Membership **Motion:** Approve Subject Bylaws – Director Zlotnick. **Second:** Director Hansen. **Action:** Approved unanimously.
- C. 2021 Personnel Committee and 2022 Budget Committee

2021 Personnel Committee

Director Ulloa
 Director Costa (Zlotnick)
 Director Murphy

2022 Budget Committee

Director Jacobson
 Director Farmer
 Director Orvis

The Personnel Committee will make a recommendation to the Board by 11/15

The 2022 Budget Committee will make a recommendation to the Board by 11/30

D. CVPWA Membership Report

The Executive Director discussed that the City of Huron, Mercy Springs WD, and Pacheco were all contacted for membership and plan to pay 2021 dues. Chase Hurley is GM at Pacheco and has been invited to FAC meetings.

E. Financial Reports

The Executive Director reported that 2021 expenditures will come in under budget. This is in large part due to the Executive Director's use of Paid Family leave for 8 weeks that was considered in the budget plan. The paid family leave is a California benefit and therefore CVPWA will not pay the Executive Director for the 8 weeks of leave. In addition, the office rental and administrative services agreement was reduced from \$3,875 to \$2,500 per month.

CVPWA has not reported ownership of Principal Financial Group Stock but has now been remedied and is reflected in 2020 IRS filing.

Approve Financial Reports for July 2021 through September 2021. **Motion:** Approve Subject Action Report – Director Coxe. **Second:** Director Zlotnick. **Action:** Approved unanimously.

F. CVPWA Investment Strategy

The two motions – 1. Approve the CVPWA Investment Policy; and 2. Divest from the LAIF have been postponed until the January 2021 board meeting, or to a vote via email. The budget committee will meet in November to review these motions and provide a recommendation to the board. The Investment policy should note that it supersedes any previous investment policy.

Approve Investment Policy Statement. **Motion:** Postponed.

Approve Financial Action to move reserve from LAIF to Towerpoint Wealth. **Motion:** Postponed.

G. Financial Affairs Committee

Richard Welsh meeting on October 15 provided great engagement between the contractors and Reclamation management.

H. 2022 Mid-Pacific Region Water Users Conference – Role of CVPWA

The Executive Director discussed his participation for the planning of the WUC.

I. CVPWA Website.

This Agenda item was not covered due to limited time.

The meeting adjourned at 2:30 p.m.

IX.C.



October 24, 2021

The Honorable Camille Calimlim Touton
Deputy Commissioner, External and Intergovernmental Affairs
Bureau of Reclamation
1849 C Street NW
Washington DC 20240-0001
Transmitted only via email to Scott Hutchins (shutchins@usbr.gov)

**RE: Draft PEC 05-03, “Extended Repayment of Extraordinary Maintenance Costs”
Comment Period**

Dear Deputy Commissioner Touton:

The Central Valley Project Water Association (CVPWA) represents the interests of over 300 water and power contractors within the Central Valley Project (CVP) and has a long history of working with the Bureau of Reclamation (Reclamation) to collaboratively resolve complex issues related to the accounting, administration, and management of the CVP and more broadly on Reclamation-wide policies.

This letter is to provide you with comments on the draft PEC 05-03, “Extended Repayment of Extraordinary Maintenance Costs” and to respectfully request a public workshop that addresses stakeholder comments *prior* to publishing the final version. We commend Reclamation for preparing for the potential \$3.2 billion *Infrastructure Investment and Jobs Act* infusion into the Aging Infrastructure Account with the PEC 05-03 update. The CVP is challenged by some of the most variable hydrology in the West and relies upon aging infrastructure to secure the benefits critical to the people and environment within the region and beyond. For this, we view the Aging Infrastructure Account as of essential interest to the American public and we support updating PEC 05-03, “Extended Repayment of Extraordinary Maintenance Costs” after consideration of the input from the stakeholder community who may be responsible for repayment of those costs.

Specific Comment on the Draft PEC 05-03

The following comments request clarification on the scope and applicability of PEC 05-03.

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1. Section 1. (Introduction) and Section 3. (Federal Funds)

Section 1 states, “Pub. L. 116-260 expanded the authority by establishing the Aging Infrastructure Account...”, while Section 3 states, “All XM work will be funded through the application process set out in this D&S”. Reclamation’s authority to fund XM is not expanded if all XM work must go through this annual application process. If XM work can also be funded through a Region budget and Basis of Negotiation (BON) process, then the authority to fund XM is expanded. Section 3 does mention an exception but also, “whenever there are sufficient funds in the Account.” Reclamation needs to clarify how Public Law 116-260 expands the authority to fund XM, as it appears that the authority is narrowed to being only from the Aging Infrastructure Account, and only if there are sufficient funds.

2. Clarification on applicability of Reserved Works and Transferred Works

Public Law 116-260 characterizes the Aging Infrastructure Account as applicable to Transferred Works facilities. The draft PEC 05-03 is not explicit that the Aging Infrastructure Account is applicable only to Transferred Works and is further complicated by defining “Reserved Works” in Section 11 but is not mentioned elsewhere in the document. Reclamation needs to clarify the applicability of PEC 05-03 to the funding of Reserved Works XM. We recommend Reclamation host a stakeholder workshop on funding XM for Transferred Works and funding XM in Reserved Works.

General Comment on the Role of the Region in Funding XM

Since Public Law 111-11 was enacted (March 30, 2009), CVPWA and the California-Great Basin Region have collaborated on a long-term plan for the recovery and extended repayment of extraordinary maintenance (XM) costs. This long-term plan includes a XM rate to improve the timeliness and ability to fund XM in the region. With the passage of Public Law 116-260 (December 27, 2020) and creation of the Aging Infrastructure Account, CVPWA has made it a top priority to understand how this revolving fund will interact with the regional approach to funding and recovering XM and costs. We request that Reclamation clarify the role of the Aging Infrastructure Account with the regional approach to funding XM.

General Comment on Outreach and Communication of Reclamation Manual Updates


In early 2021, the CVPWA reached out to the Reclamation Manual team with a request for public engagement on proposed updates to the Reclamation Manual or, at minimum, notification of open comment periods. We were assured that Reclamation Manual updates are only to improve internal management of Reclamation and are not intended to regulate or direct external parties, and we were advised to check the Reclamation Manual website frequently for open comment periods. To the contrary, many of the directives and standards in the Reclamation Manual instruct Reclamation staff on processes and decisions involving external parties, and thus can have substantial bearing on activities and operations of agencies such as those the CVPWA represents. This response from Reclamation does not signal to the stakeholder community that their input is valued nor required

to solve challenging issues with real impacts for the CVP contractors. Our request for stakeholder engagement on PEC 05-03 extends to future updates to the Reclamation Manual. At minimum, we request that Reclamation create a listserv to notify stakeholders of upcoming comment periods.

The draft PEC 05-03 provides important guidance for facilities in need of funding for XM and EXM. We believe this update to the Reclamation Manual will achieve the goal of having a streamlined process for awarding funds to maintain the critical infrastructure our nation relies on. We respect Reclamation's commitment to the American public and are appreciative of the opportunities to collaborate on challenging issues.

For questions, please contact me at (916) 448-1638 or kkasberg@cvpwater.org.

Sincerely,



Kevin Kasberg
Executive Director, Central Valley Project Water Association

Cc via e-mail: Karl Stock, Reclamation Law Administration Division, Denver
Kat Wheeler, Reclamation Manual Management, Denver
Angela Anderson, Reclamation Manual Coordinator, California-Great Basin
Michelle Williams, Deputy Regional Director Bus. Serv., California-Great Basin
Ann Lubas-Williams, Division of Financial Management, California-Great Basin
Scott Taylor, Regional Liaison Officer, California-Great Basin

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