

# CERBT Account Update Summary

Del Puerto Water District

as of March 31, 2022





# OPEB Valuation Report Summary

## OPEB Actuarial Valuation Report by MacLeod Watts, Inc.

Valuation Date	2/29/2020
Measurement Date	2/29/2020
Total OPEB Liability (TOL)	\$544,705
Valuation Assets	\$750,640
Net OPEB Liability (NOL)	(\$205,935)
Funded Status	138%
Actuarially Determined Contribution (ADC)	\$0
CERBT Asset Allocation Strategy	Strategy 2
Discount Rate	6.55%

# CERBT Account Summary

	As of March 31, 2022	Strategy 2
Initial contribution (03/23/2009)		\$187,579
Additional contributions		\$321,215
Disbursements		(\$97,835)
CERBT expenses		(\$6,812)
Investment earnings		\$557,892
Total assets		\$937,773
Annualized net rate of return (03/23/2009-03/31/2022 = 13.02 years)		9.30%



# 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	(\$41,604)	\$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 3/31/2022	\$508,794	(\$122,101)	\$557,892	(\$6,812)	\$937,773



# CERBT/CEPPT Investment Returns Outperform Benchmarks

Periods ended February 28, 2022

Fund	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	\$14,193,284,897	-1.58%	-2.77%	-1.39%	6.28%	11.04%	9.14%	8.05%	5.90%
Benchmark		-1.57%	-2.77%	-1.47%	6.14%	10.81%	8.84%	7.71%	5.49%
CERBT Strategy 2 (Inception October 1, 2011)	\$1,913,457,616	-1.32%	-2.72%	-1.25%	4.91%	9.60%	7.86%	6.83%	7.75%
Benchmark		-1.31%	-2.71%	-1.30%	4.80%	9.44%	7.59%	6.52%	7.47%
CERBT Strategy 3 (Inception January 1, 2012)	\$847,336,366	-0.81%	-2.19%	-0.40%	4.54%	8.39%	6.62%	5.68%	6.11%
Benchmark		-0.80%	-2.18%	-0.41%	4.48%	8.26%	6.40%	5.37%	5.82%
<b>CERBT Total</b>	<b>\$16,954,078,879</b>								
CEPPT Strategy 1 (Inception October 1, 2019)	\$49,324,608	-1.58%	-3.26%	-2.30%	3.06%	-	-	-	7.60%
Benchmark		-1.58%	-3.26%	-2.37%	2.88%	-	-	-	7.58%
CEPPT Strategy 2 (Inception January 1, 2020)	\$21,373,118	-1.28%	-3.21%	-2.45%	0.47%	-	-	-	3.72%
Benchmark		-1.28%	-3.23%	-2.48%	0.37%	-	-	-	3.59%
<b>CEPPT Total</b>	<b>\$70,697,726</b>								





## CERBT Portfolios

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



# 612 Prefunding Program Employers

592 CERBT and 64 CEPPT

- State of California
- 155 Cities or Towns
- 10 Counties
- 80 School Employers
- 31 Courts
- 335 Special Districts and other Public Agencies
  - (101 Water, 37 Sanitation, 34 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>2018-19</u>	
<u>2019-20</u>	Available at <a href="https://www.calpers.ca.gov/cerbt">https://www.calpers.ca.gov/cerbt</a>
<u>2020-21</u>	



# Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
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Robert Sharp	Assistant Division Chief	<a href="mailto:Robert.Sharp@calpers.ca.gov">Robert.Sharp@calpers.ca.gov</a>	(916) 795-3878	(916) 397-0756

Program E-mail Addresses	Prefunding Programs Webpages
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[CERBT4U@calpers.ca.gov](mailto:CERBT4U@calpers.ca.gov) – Questions & Document Submittal

[www.calpers.ca.gov/CERBT](http://www.calpers.ca.gov/CERBT)

[CEPPT4U@calpers.ca.gov](mailto:CEPPT4U@calpers.ca.gov) – Questions & Document Submittal

[www.calpers.ca.gov/CEPPT](http://www.calpers.ca.gov/CEPPT)

[CERBTACCOUNT@calpers.ca.gov](mailto:CERBTACCOUNT@calpers.ca.gov) – Online Record Keeping System

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**S&P Global  
Ratings**

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tel 415 371-5000  
reference no.: 40521127

May 4, 2022

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

Re: *Del Puerto Water District ICR, California*

Dear Ms. Hansen:

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## Summary:

## Del Puerto Water District, California; Water/Sewer

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## Summary:

# Del Puerto Water District, California; Water/Sewer

### Credit Profile

Del Puerto Water District ICR

*Long Term Rating*

BBB+/Stable

Outlook Revised

## Rating Action

S&P Global Ratings revised its outlook to stable from negative and affirmed its 'BBB+' issuer credit rating (ICR) on Del Puerto Water District, Calif.

The outlook revision reflects our view of the district's proactive management practices and its sound liquidity position (about \$8.2 million as of Feb. 28, 2022, unaudited), which we believe supports the rating despite potential pressures from heightened drought and hydrological volatility exposure. In our view, the district must maintain adequate cash on hand to both be able to secure strategic supplemental water purchases and potentially fund development costs associated with proposed reservoir storage and water supply projects.

The district has no capital markets debt outstanding. However, in November 2020, it executed a 15-year loan from CoBank that it used to prepay a portion of its capital obligation to the Bureau of Reclamation (the Bureau) and convert its Central Valley Project (CVP) water supply contract for 140,210 acre-feet of water per year to a 9(d) permanent contract from a 9(e) contract. As authorized under the Water Infrastructure Improvements for the Nation (WIIN) Act, reclamation contractors may receive 9(d) permanent contracts if they prepay their allocated share of known CVP construction costs. As of May 1, 2022, the district had about \$9.3 million in remaining principal outstanding on the loan. We consider the loan provisions standard.

The permanent CVP contractual right thereby eliminates potential contract renewal risk, administrative costs, and certain limitations on corporate farming. We understand the financing after prepayment will provide a cost savings for its customers in all years where the CVP water allocation is greater than 0%. Nevertheless, the amended contract does not give higher priority to the district's water rights.

### Credit overview

Located along the west side of the San Joaquin Valley, the district serves about 43,815 acres of irrigable land across Stanislaus, San Joaquin, and Merced counties. The service area has limited access to groundwater, thus highlighting the district's critical role in the region. Nevertheless, the district has a volatile and unpredictable water supply--which we believe may constrain agricultural production over time--with a 0% allocation for CVP contract water entitlements for the last two water years due to ongoing drought.

Like many of its peers, the district augments its CVP supply with higher cost short-term supplemental water purchases;

it can carryover some portion of its CVP allocation in wet years for delivery in future water years, which mitigates some risks related to low-CVP years. However, depending on the severity of drought, the district may not be able to access exchange water (stored downstream) and other short-term purchases depending on whether federal pumping stations are operational and available.

Despite these vulnerabilities, we believe the district has taken a proactive approach to drought mitigation, and we believe district management is a key credit strength. Between 2015 and 2018, the district secured 27,000 acre-feet per annum of recycled wastewater from nearby municipal treatment plants in Turlock and Modesto (through the North Valley Regional Recycled Water Program) which now supplies a third of the district's annual demand. We understand the district is also pursuing several groundwater recharge and reservoir projects to further solidify its supply.

The enterprise risk profile is further supported by our assessment of the following factors:

- Agricultural-based service area on the western side of the San Joaquin Valley, which produces about \$210 million in farmed output annually from its top 10 crops--the crop mix is about 80% permanent crops and 20% row crops, with almonds generating the largest percentage of crop value. The district serves a limited number of municipal or industrial customers, the top 10 landowners are all farms with limited access to alternative water supplies;
- We consider the customer base to be somewhat concentrated as the top 10 landowners are expected to generate 24% of total district assessments, while the largest generates only 5% of total district assessments, we believe a bankruptcy or delinquency of any of these landowners could erode the district's credit quality;
- Due to the shortage of water caused by the pumping restrictions from the San Joaquin/Sacramento River Delta, groundwater pumping restrictions, and sustained drought in California, we believe future CVP water allocations remain uncertain, portions of the district could increasingly become fallowed, with irrigated lands primarily confined to permanent crop acreage. Given the complexities of supplemental water procurement, having a management team with commensurate skill and experience in the water industry will be important to ongoing credit quality; and
- Good operational management practices and policies. The district annually adopts water availability charges for agricultural water service. During the budgeting process it evaluates the rates established by Reclamation for CVP water, anticipated deliveries, and hydrologic year type and capital repayment, however, there can be a timing mismatch between when water is purchased and when it is billed if the water is stored (inventoried) and used in a later year.

The financial risk profile reflects our view of the following factors:

- Projected financial metrics that we consider generally supportive of credit quality. The district has a formalized investment policy and an informal debt policy to set rates sufficient to meet 1.0x debt service coverage (DSC). In our view, the district's rate structure mitigates downside credit risk with use of fixed charges and assessments to cover administrative costs, recycled water, and its CVP debt obligation. Historical debt service coverage prior to fiscal 2021 is not meaningful as it precedes the CoBank loan which is covered by a fixed annual per-acre assessment until 2035 when the loan is paid off;
- Each year, customers are given the opportunity to request their allocation of CVP supply, which varies based on the district's allocation from the USBR. If supply is requested, a prepayment of 25% of the cost of the water is required by March 31 of each year, and after that, CVP water delivered is billed monthly until 75% of the supply is used, at which time the deposit is used to pay for the remaining 25%. If the entire supply is not used, the appropriate portion of the deposit is credited at the end of the year to be used against future charges. Therefore, the timing and

magnitude of CVP credits can distort the district's operating margins. However, for 2021 (and 2022), there was no CVP supply;

- Improved liquidity, with cash balances up to \$8.2 million from \$6.7 million as of Feb. 28, 2021, which we believe bolsters the district's financial flexibility and its ability to make strategic water acquisitions, further supported by the establishment of a rate stabilization fund (RSF). As of Feb. 28, 2022, the RSF fund had about \$1.2 million, pending transfers resulting from final reconciliation of rates. Per board direction, the rate stabilization fund will fluctuate between \$800,000 and \$1.2 million annually. The district uses these funds when annual water costs exceed the revenue generated by the district's volumetric rate;
- High debt-to-capitalization ratio of 56.3% (inclusive of the CoBank loan); and
- Financial management practices and policies that are supportive of the current rating.

The stable outlook reflects our view of the district's rate structure and long-range water supply plans. We expect the district will continue to review its rates, assessments, and charges annually. We expect CVP supplies are expected to remain the district's landowner's primary water supply for the foreseeable future.

### **Environmental, social, and governance**

We believe social and governance risks are neutral considerations in our credit analysis, but the district faces elevated environmental risk related to increasing drought and hydrological volatility exposure. Prolonged and more frequent droughts could have a negative effect on water supply and agricultural production. We also believe the transition to sustainable groundwater use under prolonged drought conditions and state regulation could create downward credit pressures for California irrigation districts in the long term.

The district is currently pursuing both groundwater storage (Orestimba Creek Recharge & Recovery Project: 15,000 acre-feet per year) and Reservoir Storage (Del Puerto Canyon Reservoir: 82,000 acre-feet per year) in partnership with the member units of the San Joaquin River Exchange Contractors Water Authority. Additionally, the district is a local agency partner in the Los Vaqueros Reservoir Expansion Project, as well as other options to improve access to storage and conveyance. Under the Sustainable Groundwater Management Act (SGMA), the entire Delta-Mendota subbasin (in which the district is located) must achieve groundwater sustainability within 20 years. We understand that the groundwater sustainability plan (GSP) for the subbasin is currently under review by the California Department of Water Resources.

## **Stable Outlook**

### **Downside scenario**

We could lower the rating if DSC were to fail to reach projected levels or management were to spend down liquidity significantly, such as from such as from an extraordinarily large change in capital plans (without timely rate adjustments) or prolonged drought conditions.

### **Upside scenario**

While unlikely based on the agricultural customer concentration, we could raise the rating if management were to maintain very strong liquidity and consistently outperform projections while mitigating operational risks associated with prolonged drought.



## Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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# April Meeting Agenda

9:00 a.m. April 22, 2022  
 279-666-3100 / ID 991232568#

The meeting begins at 9:00 a.m. via MS Teams or the provided call-in number.

## 1. Opening Business

- a. Regional Staffing
- b. In-person FAC/EC meetings at Cottage Way

## 2. The 2022 FAC Schedule and Presentations

Month	Topic	Presenter
January 18	2022 FAC Issues Matrix	Kevin Kasberg
February 18	Regional Director 2022 Priorities	Ernest Conant
March 18	Annual Budget Process	Ann Lubas-Williams
<b>April 22</b>	CVPIA Finance Plan	Brooke White
<b>May 20</b>	BORWORKS 101	Sabir Ahmad/Anthea Hansen
<b>June 17</b>	Reserved Works Application for Aging Infrastructure Account Funding Planning (Storage Projects)	Duane Stroup Richard Welsh (pending)
<b>July 15</b>	Future Costs	Robert Ward
<b>August 19</b>	Ratesetting 101	Sabir Ahmad
<b>September 16</b>	Revenues	Christiane Washington
<b>October 21</b>	TBD	
<b>November 18</b>	Ability-to-Pay	Steve Pavich
<b>December 16</b>	TBD	

Proposed Modifications:

- June: Duane Stroup on Reserved Works application for Aging Infrastructure Account funding. Co-present with Ann Lubas-Williams
- November: Steve Pavich on Ability-to-pay studies conducted in 2022

## 3. 2022 FAC Priorities – EC to Update

This agenda item proposes a new tracking approach by including the entire FAC issues matrix in the meeting agenda. To minimize repeating information from the EC to the FAC, an EC member may decide to provide the update solely to the FAC. The EC may quickly move through the matrix if no EC member has an update on the topic. New topics can be added or removed!

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<b>FAC Issues Matrix April Update</b>	
<b>Priority Issues</b>	<b>Update</b>
1. Future Costs and Potential Rate Impacts	
2. Remediation of CVP Costs	
a. PL 111-11 XM Rate	
b. Remediation of 2014-2019 costs (true-up)	
c. Recharacterization of Reimbursability of Costs (BGT 02-02)	
3. CVPIA	
a. True-up and finalizing accounting BPG	
b. Finance Plan	
c. CVPIA Progress Activity Report (CPAR)	
4. Annual Budget Review with Stakeholders	
5. CVP Final Cost Allocation (FCA) true-up	
6. Trinity PUD assessment collection	
<b>Tracking Issues</b>	
1. PL 116-260 Aging Infrastructure Account	
2. WIIN Act Section 4007 Storage Projects	
a. Cost recovery of Op-flex	
3. Reclamation Manual Updates	
4. BOR-Works Enhancements	
5. Warren Act Rates for 2023	
6. Ability-to-Pay Studies	
7. San Luis Joint Use O&M Cost Reallocation Study	
<b>Other Topics</b>	
1. Contractors contact list - Lisa Holm	

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# April Meeting Agenda

10:00 a.m. April 22, 2022  
279-666-3100 / ID 855695156#

The FAC Contractors Only meeting begins at 10:00 a.m. via MS Teams or the provided call-in number.

**1. Opening Business**

**2. Report on EC Meeting**

**3. 2022 FAC Presentations**

**4. FY 2020 Project Financial Statement**

Available upon request until 508 Compliance completed for posting online

**5. April Presentation – CVPIA Finance Plan – Brooke White**

**6. Other Information**

**a. Reclamation Session on Bipartisan Infrastructure Law**

The Bureau of Reclamation invites you to a tribal or stakeholder information/update session on its implementation of the Bipartisan Infrastructure Law (BIL). The sessions' content is scheduled for one hour and will be identical. It will occur as follows:

- **TRIBES**, Friday April 22, 2 pm eastern  
[Click here to join the meeting](#) or join by phone: 1 719-733-3211,  
passcode, 153 439 03#
- **STAKEHOLDERS**, Friday April 22, 4 pm eastern  
[Click here to join the meeting](#) or join by phone: 1 719-733-3211,  
passcode, 335 995 877#

**b. WaterSMART Funding Opportunity through the BIL**

Reclamation has two open BIL funding opportunities available, including:

- [WaterSMART Small-Scale Efficiency Projects Program](#). *Due April 28th.*  
[Grants.gov](#)
- [WaterSMART Drought Resiliency Projects Program](#). *Due June 15th.*  
[Grants.gov](#)

**c. California Financing Coordinating Committee**

The [California Financing Coordinating Committee](#) is hosting two free virtual funding fairs on May 17 and May 25. This is a great opportunity for local government employees, water industry professionals, city planners, economic development and engineering professionals, water and irrigation district


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managers, financial advisors, project consultants, and California Native American tribes to learn about current available infrastructure grant, loan, and bond financing programs through federal and state agencies. The afternoon session includes time to speak directly with state and federal program staff about your project and issues affecting your community. See the attached Save the Date flyer for more information.


**SAVE-THE-DATE**  
**May 17 and 25, 2022**  
California Financing Coordinating Committee  
*FREE Spring 2022 Virtual Funding Fair on*



Registration and Zoom Link Information coming soon

**Seeking Funding for Your Infrastructure Project**  
OBTAIN INFORMATION ABOUT CURRENTLY AVAILABLE INFRASTRUCTURE GRANT, LOAN AND BOND FINANCING PROGRAMS AND OPTIONS

Connect with federal, state, and local agencies to discuss the financial and technical resources available.



Presentations  
9:00 a.m. to an estimated time of 12:30 p.m.  
Virtual Booths  
Estimated time of 12:30 p.m. to 2:00 p.m.

The funding fair provides an opportunity for attendees to speak directly with program staff about specific projects and issues affecting their community.


Please visit the CFCC website at [www.cfcc.ca.gov](http://www.cfcc.ca.gov) for more information and member directory.

[www.cfcc.ca.gov](http://www.cfcc.ca.gov)

**d. PPIC: Farming in a State of Extremes**

FAC Member and CVPWA Board member Eric Limas participating

Online Thursday, April 21, 2022 • 11:00 a.m.–12:00 p.m.



**VIRTUAL EVENT INVITATION**

**Farming in a State of Extremes**

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