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JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership
Utah Office – 1057 S Candlelight Dr. Saratoga Springs, UT 84045
California Office – 7797 N First St. STE 101 #111, Fresno, CA 93720

February 26, 2025

Del Puerto Water District
Attn: Board of Directors
PO Box 1596
Patterson, CA 95363

We are pleased to confirm our understanding of the services we are to provide to the Del Puerto Water District (the "Organization") for the year ended February 28, 2025.

Audit Scope and Objectives

We will audit the financial statements of the Organization which comprise the statements of financial position as of February 28, 2025, the related statements of activities and cash flows for the year then ended, and the disclosures (collectively, the "financial statements"). Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America (GAAS), and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements.

1) Schedule of expenditures of federal awards.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America, and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards.* In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

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Audit Procedures—Internal Control

We will obtain an understanding of the Organization and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Organization's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the Organization's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements and related notes of The Organization in conformity with accounting principles generally accepted in the United States of America based on

7/6

information provided by you. These nonaudit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the Organization from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities for the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have evaluated the adequacy of our services and have reviewed and approved the results of the services, the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of JWT and Associates and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to any cognizant agency or oversight committee or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of JWT and Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the any oversight agency or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Richard Jackson is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to them. We expect to begin our audit in April of 2025.

We estimate that our fees for the combined audit and single audit will be $12,000. You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. These costs will not be more than 2% of fees. The fee estimate is based on anticipated cooperation from your

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personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to The Board of Directors of the Organization. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,

JWT & Associates, LLP

RESPONSE:

This letter correctly sets forth the understanding of the Del Puerto Water District

Management Signature: Anthea G Hansen

Title: General Manager

Dated: 2/27/25

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3.19.25

Summary of 2025 Water Year Initial District Data

Water Availability Charges Billed on March 1, 2025:

41,074 acres + 1,334 SWPP acres + 1,267 District Bank acres = 43,675 acres @ $51.00/acre $ 2,227,425.00

Contract Conversion Assessment Billed on March 1, 2025:

41,151 acres - 5,818 Prepaid acres = 35,333 acres @ $25.00/acre $ 883,325.00

Watershed Coalition Charges Billed on March 1, 2025:

37,945 acres @ $7.88/acre $ 299,006.60

Sustainable Groundwater Management Act GSP Billed on March 1, 2025:

41,130 acres @ $5.82/acre $ 239,376.60

Water Cost Payment Billed on March 1, 2025:

45,529 acre feet + 1,304 SWPP acre feet = 46,833 acre feet @ $39.00/af $ 1,826,487.00

February Meeting Notes – CVPWA Members Only

10:00 a.m. February 28, 2025
279-666-3100 / ID 669 674 752#
Join the meeting now

The meeting began from 10:00 a.m. to 10:53 a.m. with attendees participating in person and via MS Teams.

Attendees (33):

Ana Ulloa – EBMUD
Anthea Hansen – DPWD
Bill Vanderwaal – TCCA
Brooke White – CVPWA
Chase Hurley – Pacheco
Chris Carr – Shasta Lake
Conrad Tono – Redding
Charleen Beard – Shasta County
Dalia Lopez – WWD
Danisha McDonald – BCID
David Grant – AEWSD
Deanna Sereno – CCWD
Eric Quinley – DEID
Herman Williams – CCWD
Jason Peterson – Shasta Lake
Jered Shipley – PCGID/PID
John Hansen – SMUD
Jordon Navarrot – RD108/DWD
Joseph Barrow – Roseville
Joyce Machado – DPWD
Kelly Wright-La Force – BCID
Melissa Patterson – Sutter MWC
Pablo Arroyave – SLDMWA
Patrick McGowan – Panoche
Paul Kelley – Clear Creek CSD
Priya Ram – SEWD
Ray Tarka – SLDMWA
Robert Harvie – Valley Water
Sherman Dix – WWD
Skye Grass – Kern-Tulare
Tiffany Montooth – DEID
Wilson Orvis – FWA
Yuan Liu – CCWD

1. **Opening Business**
   a. FAC Introductions – The following new CVPWA FAC Members introduced themselves:
      i. John Hansen – Sacramento Municipal Utility District
      ii. Sherman Dix – Westlands Water District
      iii. Melissa Patterson – Sutter Mutual Water Company
      iv. Chase Hurley – Pacheco Water District
      v. Jordon Navarrot – RD #108 and Dunnigan Water District
      vi. David Grant – Arvin-Edison Water Storage District
   b. Staffing and Administrative Updates
      i. Brooke started with CVPWA updates. There was an annual membership meeting in Reno during the Water Users Conference, and 16 members of the Board of Directors were elected or re-elected. All previous Board Directors were at the end of their two-year term, and two vacancies needed to be filled. Brooke also confirmed that both Jordon Navarrot and

David Grant (who were both on the call) are two of the newest members to the CVPWA Board of Directors.

Brooke brought up the recent staffing changes at Reclamation due to probationary employees being let go on or around Valentine's Day and those employees that have taken the deferred resignation or early retirement. This has resulted in Reclamation losing important expertise, including two finance managers who are important to the operations of Reclamation's Finance Division. Recognizing there could be an additional Reduction in Force and that other CVP contractors have sent letters of support to Reclamation and the Department of the Interior, Brooke suggested the CVPWA also write a letter of support focusing on issues that will impact the CVPWA members if additional employees are let go. Overall, it appears the CVPWA FAC members were open to this approach, and Brooke agreed to draft a letter for the CVPWA Board of Directors to review.

Deanna indicated there are two coalition letters that she knew about, and she would share the letter CCWD signed. Wilson requested that someone share the letters with the broader group. Brooke agreed that she would be happy to share the letters once she received them. Anthea brought up all the good work that has been advanced over the last few years and the concern that there will be a ripple effect from the recent firings that will be hurtful to the CVP contractors. It would be helpful to pinpoint and be specific when referencing all the important tasks and daily activities that need to be accomplished. Some examples are ensuring rates are loaded in BORWORKS so that by the end of March, deliveries are ready to be inputted and draft 2024 accountings will be completed. Another example is ensuring our FAC meetings continue with Reclamation, including the planned presentations for the year.

In addition to sending a letter, the CVPWA FAC members should find ways to collaborate with Reclamation to support areas that may need attention.

c. Next FAC Meetings

i. Brooke plans to check with Ed Young, Kristin White, Sabir Ahmad, and others from Reclamation about the schedule to see if March 14 is a good day for our CVPWA FAC meeting. Brooke will also work with the Regional Director's Office to schedule a meeting with a smaller group of CVP contractors and the Region's leadership to discuss potential coordination efforts, updates on priorities from leadership given all the recent changes at the Region, and revisiting the True-Up for WIIN Act and Final Cost Allocation decision on how credits will apply for those with an overpayment status. This smaller group could be similar to what used to be the Executive Committee of the FAC, which included representation from all four CVPWA zones and covered agriculture, M&I, and power. Anthea indicated that once Brooke finds a date that works for Reclamation leadership, the CVP contractors can put a small group together to be included. Since Karl is retiring and Adam Nickels will be Acting Regional Director, Brooke will find a date/time that works for him.

Anthea suggested that the CVPWA FAC members provide Brooke with a list of questions that she can pass on to Christiane and Sabir. Some questions include: Have rates been loaded in BORWORKS? When will rate sheets be available for CVP contracts? What is the status of accountings for 2024? These are all important questions to ensure a smooth start to the water year. Brooke suggested that CVPWA FAC members send questions to her before the next FAC meeting to give Reclamation a chance to think through them and be prepared.

2. 2025 Proposed FAC Schedule and Presentations

Brooke walked through all the potential topics for this year. There was agreement that some of these would shift. For example, the Friant Advance Payment Pilot Program will not be presented in March. Brooke will work with Reclamation to confirm the next FAC meeting date in March and figure out the topics that make sense for that meeting.

In addition to the detailed CVPWA FAC meeting notes that Brooke sends out monthly, for those who are new to the FAC, another good resource is https://www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html. Brooke also offered her time and assistance to anyone new. She is happy to explain some of the topics or provide any other helpful information.

2025 FAC Schedule of Presentations – DRAFT

Date	Topic	Presenter
January 28	• 2025 FAC Issues Matrix • True-up for WIIN Act and FCA	Brooke White Sabir Ahmad
February 28	Contractor Only	
March 14 – this meeting date may change	• FY 2024 Accountings • Friant Advance Payment Pilot Program (this needs to be moved to later month)	? Christiane/Wilson
April 25	Contractor Only	
May 16	• Spring Budget Workshop • 2026 Reserved Works Application	Robert Ward Derya Sumer
June 27	Contractor Only	
July 25	• Annual PUE Ratesetting Proposal Implementation • Future Costs and Rate Impacts	?/Richard Sanchez ?
August 22	Contractor Only	
September 19	• CVPIA True-up and BPG • Annual O&M Cost Allocation/Power Cost Allocation	Calvin Bryant/Armin Halston Steve Pavich
October 24	Contractor Only	
November 14	• Fall Budget Workshop • BGT 02-02	Robert Ward Robert Ward
December 12	Contractor Only	

3. True-Up for WIIN Act and Final Cost Allocation – Brooke White

Brooke reviewed Sabir's explanation again from the CVPWA FAC meeting in Reno. This included the following prescribed phases of how the Region plans to apply credits for CVP contractors that have overpaid, and these phases would begin in 2026:

1) Credits can be applied to a contractor if their contract is both irrigation and M&I with an overpayment on irrigation construction balances and an underpayment on M&I construction balances. Credits can be applied up to the maximum of the M&I construction balance.
2) If there are still overpayment credits available after applying the maximum to their M&I construction balance, then credits can be applied to any outstanding O&M deficit, regardless of the purpose (irrigation vs. M&I).
3) After applying credits in accordance with 1) and 2), credits can be applied to 100% of their Folsom Safety of Dam repayment obligation.
4) If there are credits remaining after 1), 2), and 3), there will be further discussions with the contractor after Reclamation reviews the contractor's credit status. One of the options is to possibly apply the remaining credits to O&M costs.

Reclamation originally stated that letters would be sent in February or March of 2025 notifying contractors of the amount of overpayment credits they have and the next steps. Brooke presumes these letters have not been sent to contractors, and others confirmed they have not received their letters.

It was also clarified that if a CVP contractor has underpaid, they do not have to pay their bill until 2032. However, Reclamation is offering CVP contractors the option to pay early with a payment plan over 10 years or a lump sum payment.

This will be a topic that the CVPWA will revisit with the Region later. It probably does not make sense for the CVPWA to send a letter but to rather have this as an agenda item for a separate meeting. It is worth exploring whether the decision to credit Folsom Safety of Dams is final, especially since it would be more beneficial to the CVP contractors to credit their O&M and allow them to pay their Folsom Safety of Dams repayment over the 50 years, as allowed by their contracts.

4. FAC Issues Matrix

2025 FAC Issues Matrix – DRAFT
Priority Issues
1. Future Costs and Potential Rate Impacts (update from July 2024) – Sabir confirmed that this topic is to provide CVP contractors and power customers with any rate impact information regarding legislated projects. This issue will remain a priority. One of the CVP contractors clarified that the request included a forward-looking projection of all costs, not just capital expenditures and extraordinary maintenance (XM). This is important for budget purposes. Reclamation agreed that this was a good comment but the information they provide may be inaccurate since the cost allocation changes. Since the estimates can go up in the future, they would provide information on those activities that are categorized as Asset Under Construction (AUC) where they know the timeline and funding, and then they can provide the rate impact. The CVP contractors understand that cost estimates change on projects and are asking for a communication process so that they know when costs change. This allows them to include contingencies in their budgeting process. Reclamation asked what the timeframe is that CVP contractors would want this information projected. In response, it was said that some contractors project out 10-15 years but Reclamation providing information 5 years out would be sufficient. There is an understanding that inaccuracy increases as costs are projected further in the future. If cost estimates are updated annually, the variability will improve. Ultimately, CVP contractors are asking for more communication and knowledge of what estimated costs are being added. Reclamation committed to explaining the AUC process in the September 13 FAC meeting and providing facilities and projects that are currently under construction. There will most likely not be enough time to complete a cost allocation and/or provide a rate impact, but that can happen in subsequent meetings (if requested). It was also brought up by another CVP contractor that because of the hydrological variability, a rate impact analysis may not be very meaningful, and providing a total cost may be better. Sabir asked for a scope of work by the CVP contractors and is willing to provide both a total cost and rate impact. Sabir also confirmed that once Reclamation has the information on the allocation to water supply, including the sub-allocation to irrigation and M&I, they can provide 30 or 50 years of rate impact. One good clarification point for those who may not know is that AUC are those costs/projects that Reclamation is currently working on. Once projects are substantially complete, the costs move to Plant in Service. Brooke will follow up with CVP contractors and get back to Sabir on the request.
2. Reserved Works Aging Infrastructure Account Application (update from August/September 2024) – CVPWA sent a comment letter on the BIL/AIA funding process to Reclamation asking for opportunities for better communication and input into the prioritization/selection process on those Reserved Works projects that Reclamation is considering funding with BIL or Inflation Reduction Act (IRA) money. Ed confirmed all the projects that have been recommended/requested by the Region's Area Offices have been approved to receive BIL funding. Although the BIL funding recommendations have already been submitted for approval for FY 2025, there may still be some room for discussion with water contractors on the proposed funded projects before a final decision

126

by Reclamation. Ed confirmed the 2025 AIA request was submitted for approval to Denver by the CGB Region on August 28, 2024. The request included twenty-seven CGB projects (both Transferred and Reserved Works) with a total funding request of $1,103,000,000. There was a total of thirty-three projects (both Transferred and Reserved Works) in the Reclamation-wide request totaling $1,148,000,000. Approval of these projects and the corresponding funding request is anticipated by the end of October.

After Brooke and Ed spoke about the letter, they came up with some ideas to improve communication with the water contractors. For FY 2025 proposed projects, a meeting was scheduled and took place on October 25, 2024, before receiving final approval for the twenty-seven projects that have already been submitted. In the meeting, Reclamation reviewed the current list and went over the process they use to categorize/prioritize the projects in their annual request. They talked through the CIRN database that Reclamation uses to prioritize projects as a whole and potential rate impacts. This meeting included more than the CVPWA FAC members, including a larger group of CVP contractors.

Ed continued to talk about a plan for the FY 2026 request for projects. There is some uncertainty on Reclamation's side regarding the timeline for when submissions are due. Those annual submission dates are not always set. Therefore, the CGB Region will help develop a plan to ensure the timeline allows for review and input by water contractors.

In summary, there was a workshop on the FY 2025 AIA Application process on October 25, 2024. There will be more coordination and meetings coming up for the planning of FY 2026 AIA Applications and potential projects that will be funded. Brooke will keep in contact with Ed Young to see when the timing is right for a meeting on the FY 2026 AIA Application process.

3. True-up for WIIN Act and FCA (update from October 2024 and January 2025) – There was a workshop on October 15, 2024. Please see agenda item 3 above.

4. Friant Advanced Payment Pilot Program (update from November 2024) – Brooke asked Christiane to explain this topic since some are new to the FAC and do not know what this pilot program entails. Christiane explained that the Reclamation is working with the Friant Water Authority to provide advanced payment to Reclamation, fulfilling the public requirement by the Treasury that any public entity that does business with the Federal government has to provide an advanced payment for any bills or services rendered. This program will take the advance payments and "lock them down" so that when the bill is generated, they have 30 or 60 days (depending on their contract) to pay the bill. If for some reason they do not pay the bill within that period, Reclamation can pull from the advanced funds. This could help contractors and Friant Water Authority is trying the pilot program first before extending it to other contractors. This program allows Reclamation to provide the bill to Friant Wate Authority for audit purposes but also allows Reclamation to fulfill the Treasury requirements of advanced payments. The progress on this pilot program has been slow and Reclamation wants to work out the glitches before offering the program to others. This topic has been postponed to the Spring of 2025.

5. Annual Budget Review with Stakeholders (update from November 2024) – Reclamation has agreed to hold two budget workshops in calendar year 2025, a Spring and Fall Budget Workshop.

There is uncertainty with the Continued Resolution (CR), so Robert Ward's presentation covered some speculative information for FY 2025 and some of the details for FY 2024 were not available for him to speak on. Christiane let everyone know that Reclamation sent a letter to all CVP contractors on water delivery billings. Reclamation planned to send three bills in December 2024. The bills were for September, October, and November. One question from one of the contractors was, should they anticipate receiving refunds from the annual accounting analysis as well? Christiane responded that most likely Reclamation will not be able to get the refunds out until January due to the backlog. The same team that sends the bills out also handles the refunds. Christiane is also short one team member in December.

Before diving into his presentation, Robert explained that the information he provided could change based on the new administration and congressional staff changes. There is also not an approved budget for FY 2025 and the President's budget could change based on a new administration.

Robert provided a brief overview of the budget process. The California-Great Basin Region (CGB) submits a budget through Reclamation to Congress that is packaged with the rest of the regions called a Budget Justification document. After some back and forth, Reclamation submits the budget justifications to the Department of the Interior (DOI). DOI then makes its changes and submits it to OMB. There may be additional revisions from OMB and then it becomes the Congressional Budget Justification. The Congressional Budget Justification leads to the President's request and eventually a congressional action to pass a budget. Next, Robert shared the organization chart for Reclamation's budget management.

Robert then went over the funding sources for the CVP, including Water and Related Resources (WRR), Central Valley Project Restoration Fund (CVPRF), California Bay-Delta Restoration (CBD), Policy and Administration (P&A), San Joaquin River Restoration Fund (SJRRF) and Bipartisan Infrastructure Law (BIL). Most of these sources of funding are no-year funds, meaning the funding does not have to be fully expended in any given year. Other than the Water Related Resources funding, the other sources are specific to funding certain activities. Please see the presentation slides for specifics on each funding source.

For FY 2024 appropriations, the total program costs for the CGB Region were $394 million. This amount is for all eight projects in the region. The President's Budget is a public document that anyone can access. The original appropriations request was for $279.8 million ($200.3 million WRR, $33 million CBD, and $46.5 CVPRF). The amount that was appropriated is higher ($316.3 million WRR, $33 million CBD, $52.8 million, and $12.2 million WRR Community Funded Projects – earmarks by Congress). Of the $316.3 million, the CVP received $245.5 million which is a significant amount of the region's funding. Total obligations for FY 2024 in WRR funding for the CVP was $254.5 million. This includes carryover funding from the previous year. To see the breakdown of FY 2024 obligations, please see presentation slide number 19.

Looking forward to the FY 2025 budget, and knowing this could change, but there will most likely be changes to it. For now, the FY 2025 President's Budget is a total of $349.2 million ($260.5 million WRR, $33 million CBD, and $55.7 million CVPRF). The CVP will receive the most funds at $205.4 million. To see details for the CVP budget, please see presentation slide number 22. Also, to see the specific activities that were funded, please see presentation slide number 23.

6. Annual PUE Ratesetting Proposal (update from September 2024) – Jamie Langlois gave the first presentation on the PUE sub-allocation process. Jamie began by explaining that the CVP has nine authorized purposes. They are power, irrigation, M&I, water quality, water supply, navigation, flood control, fish & wildlife, and recreation. Certain repayment responsibilities are allocated to those purposes. For the CVP power purpose, the cost repayment is allocated between project use and commercial power functions, a process typically called sub-allocation. Jamie provided background and history of the sub-allocation process that Reclamation uses. Beginning in 1993 and 1994, WAPA and Reclamation agreed to a methodology for sub-allocating costs. A year or so after that, the power customers were questioning the methodology, leading to an 18-month process to come up with an alternate proposal. On April 13, 1999, with help from the power customers, WAPA and Reclamation agreed to a new methodology. In 2003, the PG&E contract expired requiring a revised methodology effective January 1, 2005, and this is the current methodology used today.

Jamie then summarized the sub-allocation process by explaining that the first step is for Reclamation to identify costs to be sub-allocated. Next, they complete an annual estimate, which determines how much costs are being allocated to water contractors and commercial power customers. Once actual costs are finalized, there is a true-up. There are four different types of expenses: WAPA expenses, Reclamation expenses, control area expenses and other expenses. Typical WAPA expenses included in the sub-allocation process are operation and maintenance transmission costs, power users accounting and collection, and power marketing and general power resources planning.

Reclamation expenses include Schedule 16 O&M expenses, an adjustment for agent costs (100% to water contractors), wheeling expenses (100% to water contractors except for JF Carr and New Melones), and amortization of New Melones transmission (100% to water contractors).

For control area expenses, there are CAISO grid management charges for project use (100% reimbursable to water contractors), non-ISO control area administrative charges, and CAISO FERC fee costs (100% reimbursable to water contractors).

For other expenses, there are Nimbus Fish Hatchery expenses (100% to water contractors), resource adequacy capacity costs, and power ancillary services purchases for net weekly deficits. It is a 69-year average that does not change annually (50% to water contractors and 50% to commercial power customers).

For the annual estimate, Jamie explained how Reclamation first estimates the O&M net generation and meter data. WAPA then estimates their O&M and wheeling costs. The fiscal year PUE estimate calculated for the water contractors uses the sub-allocation of costs discussed earlier. Once all those costs are finalized, PUE costs are collected through direct billing to the water contractors, and WAPA bills Reclamation the total estimate in twelve monthly installments.

For the annual true up, Jamie explained that all data is finalized by Reclamation and WAPA. The fiscal year PUE actual cost calculated for the water contractors uses sub-allocated costs. The fiscal year PUE true up is the difference between the actual and the original estimate. If the difference is positive, WAPA bills Reclamation the extra amount and if the difference is negative Reclamation bills WAPA.

Jamie explained that there are many different formulas/ratios used between water contractors and commercial power customers. The following are technical terms used for the sub-allocation process and applied in the formulas/ratios: "proj" is the PUE at load center; "CVP gen" is the total CVP generation at load center; "regen" is the total San Luis and O'Neill regen; "transm" is the transmission by third parties; "other" is other energy using the CVP system; "power" is purchased power; "PUE meters" is total number of PU meters needed to complete settlements; and "meters" is the total number of meters needed to complete settlements.

Please see Slide 13 of the CVPWA Financial Affairs Committee Project Use Energy Sub-Allocation Process where there are four sample ratios that Jamie described that are used to split the costs. The formulas/ratios were all agreed to in 2003, over 20 years ago. Therefore, Jamie explained that these formulas/ratios are the backbone of the percentages that Reclamation uses to calculate the breakdown between expenses that are going to water contractors and commercial power customers. Jamie also provided an example on Slide 14 for those that are interested in reviewing it again. Please note that the numbers in the example are made up for example purposes.

Wilson followed next with the PUE true-up proposal. He explained that there was a proposal developed mostly by WAPA working with the power customers and Reclamation on how to handle the wide swings in the annual PUE true-up process. Since then, there has been dialog among the water contractors discussing the pros and cons of that approach. From those discussions, there has been a counter proposal developed. The problem that water contractors, power customers, Reclamation and WAPA collectively have been dealing with is these wide swings between what is estimated for water contractors and commercial power customers to pay for PUE vs the actual PUE costs. Wilson and Brooke have discussed this alternative smoothing proposal with some Reclamation folks and a smaller group of water contractors, but this is the first time it has been presented to a larger group.

Wilson summarized the current PUE allocation process that Jamie presented earlier in the meeting. There is a shared workbook with estimates between Reclamation and WAPA, and that same workbook is also where the actual usage and costs are entered. When you look at the workbook, there are thirty-five different individual cost categories lumped into the four formulas that Jamie discussed. The timing drives the high variability in costs because an estimate is developed about 18 months in advance for both the costs and the projected hydrology. Over the past several years, hydrology has been volatile and contributes to the high variability in the PUE estimates. Water contractors and commercial power customers are billed on that estimate during the year. Then about 9-12 months after the fiscal year end, there is a true-up. Wilson then emphasized a point that Jamie covered which is that the workbook allocates every category and subcategory into one of the formulas that Jamie described. The agreed-upon formulas are driven initially by the estimated usage and the actuals are driven by actual usage.

Wilson then went into the smoothing proposal and explained that the hope is to get some feedback on this proposal from a larger group of water contractors. The idea is that the cost allocation percentages between water and power would be fixed in the workbooks based on a 10-year rolling average of actual usage. The estimate that drives each of the formulas discussed is based on estimated values for PUE. Then when there is a true-up, those same formulas would be used but the actual usage is inputted. Instead of estimating the usage and then truing it up with actual usage, the last 10 years of actuals are used, and those drive the formulas. Therefore, the formulas will be fixed during the estimate period, and those same formulas will be used when applied to the actuals. Everything else remains the same. The one thing that would change would be the total cost and how those cost allocation percentages at the top level between water and power are calculated. They would be calculated at the beginning, and they would be fixed for the entirety of that year. One thing that was clarified is that since this proposal is fixing the percentages for each category, if one category changes the actual cost by a significant amount then it will shift the total when you sum up all the categories.

Wilson went on to walk everyone through his spreadsheet and slides. Through this presentation, he demonstrated that the smoothing proposal lessons the variability, but it does not eliminate it. This is because there will still be a discrepancy between the estimates and actuals. However, when you look at the aggregate, there is less variability between water and power. The true-up amount tends to be smaller and less volatile than it is under the current process.

Wilson also looked at whether this proposal inequitably shifts costs between water and power. Looking at the past 10 years of actuals, the answer seems to be no. When he calculated the difference between water and power over the 10 years, it was approximately $1.2 million more for power which is negligible when you look at the percentage of total cost. Overall, the following are takeaways and implications:

- This proposal does not inequitably push costs to water or power, it provides some certainty and stability.
- There is a higher percentage of PUE in critical years and a higher percentage of preference power in wet years.
- Per kilowatt cost will be different between water contractors and power customers in any given year.
- The allocation percentage is fixed at the water and power level, and the sub-allocation is still based on contractor/customer usage each year.
- Substantive differences in estimated costs versus actual costs still could present challenges.
- The 10-year rolling average mitigates some of the hydrological variance.

Richard Sanchez from Reclamation recommended Wilson/water contractors be ready to have the conversation with WAPA on how water or power may mitigate if there is a difference between water and power with the smoothing proposal. Although the $1.2 million is not much of a difference, WAPA and power customers may want to have the discussion. They may want to know how water would offset that variance. One idea that Wilson brought up was that there could be an amount agreed to as a sideboard/correction where a global true-up could be incorporated. For example, if the difference became $5 million or greater, this would trigger the global true-up. It is important to note that it could swing back and forth. Through this proposal, water and power would be trading annual precision for certainty. It will be important to watch over time whether there is an inequitable impact on one side vs. the other.

Next, Brooke and others discussed the next steps. As a group, we decided to give the water contractors a chance to review the information and respond to Brooke within one week to ensure there were no issues moving forward regarding further discussions on the proposal. Both Reclamation and WAPA are eager to move something forward given the impact the current process is having on both water and power. Richard brought up one reason WAPA is eager to move forward stems from the year 2021 when they had a large bill to pay. He also talked about the importance of Reclamation coming up with a solution because it impacts the funding for their O&M program. Since Reclamation does not receive separate appropriations for O&M, this can cause a serious issue.

Brooke mentioned that Steve Melavic had called to see if water contractors would be willing to meet more regularly with power customers to discuss some of the joint issues they are experiencing, and this would be the first topic of discussion. Brooke will send out the slides and the workbook to everyone for review. Once Brooke confirms water contractors are comfortable moving forward, there will be an internal discussion between Reclamation and WAPA to see how WAPA would like to move forward with power customer engagement. Once Reclamation talks with WAPA, a larger meeting with Reclamation, WAPA, water contractors, and power customers will be scheduled to further discuss the proposal.

In summary, we had a meeting to present the proposal with some of the power customers recently. This included Reclamation and WAPA as well. Since the reception of the proposal has been positive, the plan is for Reclamation to continue outreach efforts with CVP contractors and for WAPA to do the same with power customers. Once the communication and buy-in for the proposal are complete, Reclamation/WAPA will roll out the proposal.

Tracking Issues

1. PL 111-11 XM Rate (update from July 2024) – For 2023 Plant in Service costs that will go into rates in 2025, a Basis of Negotiation (BON) is being submitted to the Commissioner for approval. Reclamation will share the information once the BON is approved. They will also add information year by year about the total allocated cost to water supply in a document.

2. Folsom SOD Cost Recovery (update from April and July 2024) – For FY 2023, Reclamation added $13.5M to irrigation and $3.4M for Municipal and Industrial (M&I).

The Finance Division confirmed that this is in 2024 rates, but the topic remains because there are still costs being recovered on Folsom SOD. There was a question about whether costs could be collected before a project was considered complete. The prior D&S stated that a project had to be deemed complete to move costs. Now, the D&S has been updated to state that if additional reduction criteria are met on a facility, then the costs can transfer from Asset Under Construction (AUC) to Plant in Service which then triggers repayment. There was concern about rates going up significantly with this change. Right now, it is only $0.23 but will it go up much more? The Finance Division indicated that rates should not go up much more. The Safety of Dams (SOD) repayment requirement is 15% reimbursable and it is then split between water and power. Another question from a contractor came up on Trinity PUD about how Reclamation is tracking previous collections and offsets - have all the past dues been collected? The response was - since 2009, there has been an analysis that shows the charges and payments and for those contractors that have not been paid, Reclamation sends out bills for collection. For now, Reclamation is planning to complete the pilot program. If the program works, then Reclamation may give some money back to contractors. A follow-up question was asked about tracking the repayment of Trinity PUD – since now that Trinity PUD is part of water marketing, will there be a separate line item in the annual accounting? The Finance Division indicated that a separate schedule will be developed to show what has been collected.
3. Warren Act Rates – These rates are determined by Reclamation on an annual basis and will continue to be a tracked lower-priority issue.
4. 3f Tiered Pricing (update from April 2024) – Brooke to follow up with Natalie Taylor for a letter to all CVP contractors. An internal memo was sent to all FAC members on 3/27/2024. A contractor indicated that the Area Office was questioning whether 3f water could be used for recharge. We should keep this topic on the list. Another question from a contractor – how is Reclamation accounting for/tracking the different 3f tiered pricing? The Finance Division said that they are tracked on an internal B-2 schedule. A follow-up question - can the contractors see the schedule as part of their rates posting? The Finance Division thought that ratesetting could share the information with the contractors. They don't do a true-up of 215/3f costs. There is an estimated tiered rate and an actual rate that is paid. The 215/3f rates do not vary and the portion of the 215/3f water, which is O&M will offset the CVP water marketing cost. This is how it has been done in the past and will continue in the future.
5. San Luis Joint Use O&M Cost Reallocation Study (update from April and May 2024) – This was started in 2018, and discussions began with DWR but there was not any traction on it. The issue was the way O&M is calculated benefits the State Water Contractors. CVP contractors wanted a component to be separate from the rest of the O&M calculation. Reclamation did meet with DWR and came up with a methodology, but DWR decided to not move forward with it. Some progress has occurred with Reclamation/DWR providing a 5-year review of the O&M cost allocation for San Luis. However, the review had not occurred for many years, and some wanted it to be retroactive. Reclamation believes that beginning in 2010 or so, the 5-year reviews began again. There have been reviews completed in 2011, 2016, 2021,

and the next allocation review will occur in 2026. The reviews had not occurred since 1975 or 1980. There is an additional piece Reclamation was trying to work with DWR on regarding the method/calculation that was originally established in 1975, which averaged the percent of federal usage at O'Neil with the percent of federal usage for storage in San Luis and generation/pumping at Gianelli. By averaging the percentage of usage, there is an assumption that the amount of usage and costs are similar. The 5-year annual cost for maintenance at O'Neil is about \$1.5M vs. pumping generation and storage at San Luis is \$30M. Therefore, by averaging those percentages, Federal contractors end up paying more of the costs than State Water Contractors. DWR was not interested in further discussions with Reclamation on this issue. It was also clarified that the discussion revolves around the joint use costs of the O'Neil forebay and dam. The current Reclamation cost share is 37.67% which is what has been charged over the last 4 years.
6. Contractor Contact list (update from April 2024) – Brooke will follow up and keep this on the agenda for future FAC meetings. This document provides maximum deliveries and the split between irrigation and M&I. It was last updated in March of 2016. Much of the information is inaccurate and the CVPWA has requested it be updated by September 2024. Other contractors chimed in that they agreed the information is inaccurate
7. Reclamation Manual Updates – None. The last Reclamation Manual update was for CMP 09-04.
8. WIIN Act Section 4007 Storage Projects (update from July 2024) – Adam gave the following brief update on the four storage projects under WIIN and talked about small storage projects under the BIL legislation. The Regional Construction Office in Willows is taking the lead on these projects: 1. Sites Reservoir – a project that Reclamation is interested in investing up to 16% with a committed funding capability right now of just over half a billion dollars which is about 9% of the project interest at that level. Reclamation would like to get slightly over a billion dollars so that they can invest in the full 16%. This is a State-led project that allows the Federal Government to invest up to 25%, but right now Reclamation has committed to 16%. They are currently working on the EIS with the goal of reaching a Record of Decision (ROD). There has been a slowdown due to Section 106 compliance with the project and they are working on a programmatic agreement to resolve those issues. Reclamation is also working with the Sites JPA to establish a partnership agreement, similar to other investors in the project, on how they partner on this project to get water in and out of the reservoir. The Sites project does not store or use CVP water, but it adds flexibility to the system, including allowing Reclamation to enter into new contracts for water supply if throughout the water rights process with the State Board and the modeling analysis shows there is available water. If supplemental water benefits are proven to be available, then Reclamation could enter into new water service contracts with repayment obligations in accordance with the 1939 Act and the

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Reclamation Reform Act on how we would recover the costs of the project. Stay tuned because there are some obstacles to overcome.

2. Los Vaqueros Expansion – Reclamation's interest in this project is the incremental Level 4 refuge benefits. They are hoping to receive these benefits through excess water and small amounts of storage to help the refuges south of Delta. This project could be beneficial by providing water during peak demand times for refuges in late September and early October. There are also downstream options for exchanges to help with the refuges during the time they need it. The investment right now for Reclamation is about $190M. Collectively, between the State and Reclamation, the total investment is about $700M.
3. Del Puerto – Reclamation is interested in this project and working with Del Puerto through some of the environmental alternatives. As they work through these pieces, Reclamation's investment is likely to go up. Del Puerto is authorized under the WIIN Act to invest/commit up to 25% and all the costs are going to non-reimbursable purposes.
4. B.F. Sisk – this is a Safety of Dams project, and additional benefits were analyzed in the feasibility report. This is not one of the original CALFED projects, but it was authorized in the WIIN Act as a potential storage project, adding approximately 130,000 acre-feet by raising the dam for additional storage benefits. Current investors have committed to 70% of the project costs. Reclamation is currently in negotiations for a contract to participate and operate side of the reservoir increase. There are a few more negotiations that will take place. The project is a little over a billion dollars and has several components that are non-reimbursable, including the Federal share. The investors will pay their share of the benefits they receive, and the rest will serve non-reimbursable purposes.
5. The Bipartisan Infrastructure law has a small storage component that includes competitive grants that entities can apply for and receive funding – some examples include the Kern Fan Water Storage Project, groundwater storage projects, etc. The next funding opportunity will be in October.

9. CVPIA True-up and Accounting Business Practice Guidelines (BPGs) – No updates provided by Reclamation in 2024.

10. BORWORKS Enhancements (update from April and July 2024) – There continue to be errors in delivery reports. Reclamation will be having some updates to BORWORKS because of BIL funding/costs. The aging infrastructure account will be separate from the Reclamation Fund. There may be a separate XM rate for BIL projects as well. This will probably happen before 2026.

The Finance Division asked that contractors respond and work with Area Offices to ensure deliveries are correctly recorded in BORWORKS. A contractor pointed out that some of the Area Office's are behind on inputting accurate deliveries into BORWORKS and the information that is being inputted is inaccurate. Some are using projections from old water schedules. This continues to be a concern to contractors. Brooke asked Reclamation to help coordinate a meeting with the Area Offices and the Region to get on the same page and allow the contractors to discuss the challenges they are having. Brooke

has offered to help facilitate this with the Finance Division and has requested examples of some of the issues contractors are experiencing.
11. Ability-to-Pay Studies (update from April and July 2024) – The study should start soon for the Sacramento River Contractors, and they are seeking a 30-year repayment contract.
12. Recharacterization of Reimbursability of Costs (BGT 02-02) (update from April and August/September 2024) – The Regional Budget Division provided an update that Reclamation plans to develop a business practice related to the intent of BGT 02-02. This will help inform any potentially needed revisions/adjustments to the policy. There was a temporary D&S that was sent out for comment internally and externally. There were many comments received, and during the fatal flaw review, Reclamation decided not to finalize the D&S until issues were resolved. There was uncertainty in how the D&S could be implemented in its current form. California Great Basin will take the lead in drafting business practices on this topic. Reclamation does not have a dedicated team working on this D&S currently. However, there may be movement soon.

5. **Other Items**

Brooke brought up an email sent to the public from Reclamation, providing a 60-day comment period on the draft Warren Act Contract Template. Brooke plans to contact Reclamation to see what sparked the comment period and revisions to the contract template (if any). She will also request a copy of the template and send it out to CVPWA members to review. Once everyone has had a chance to review the template, Brooke will be happy to consolidate comments for all CVPWA members and write a letter to Reclamation.

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MacLeod Watts

March 6, 2025

Anthea Hansen
General Manager
Del Puerto Water District
P.O. Box 1596
Patterson, CA 95363

Re: Del Puerto Water District Other Post-Employment Benefits Actuarial Valuation and GASB 75 Report for Fiscal Year Ending February 28, 2025

Dear Ms. Hansen:

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of the Del Puerto Water District. The primary purposes of this report are to:

1) Remeasure plan liabilities as of February 29, 2024, in accordance with GASB 75's biennial valuation requirement,
2) Develop Actuarially Determined Contributions levels for prefunding plan benefits, and
3) Provide information to be submitted to the California Employers' Retiree Benefit Trust (CERBT) to satisfy filing requirements for the trust, and
4) Provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the District's financial statements for the fiscal year ending February 28, 2025.

The exhibits presented in this report show that the District is contributing 100% or more of the Actuarially Determined Contributions each year. We assume that OPEB trust assets remain in CERBT Asset Allocation Strategy 2. We based the valuation on the employee data, details on plan benefits and retiree benefit payments reported to us by the District. Please review our summary of this information to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of District staff who provided valuable time and information to enable us to prepare this report. Please let us know if we can be of further assistance.

Sincerely,

J. Kevin Watts, FSA, FCA, MAAA
Principal & Consulting Actuary

Enclosure

Del Puerto Water District

Actuarial Valuation of Other
Post-Employment Benefit
Programs As of February 29, 2024

Development of OPEB Prefunding Levels
& GASB 75 Report for the FYE February 28, 2025

Submitted March 2025

MacLeod Watts

Table of Contents

A. Executive Summary

This report presents the results of the February 29, 2024, actuarial valuation and accounting information regarding the other post-employment benefit (OPEB) program of the Del Puerto Water District (the District). The purposes of this report are to: 1) summarize the results of the valuation; 2) develop Actuarially Determined Contribution (ADC) levels for prefunding plan benefits; 3) provide information required by the California Employers' Retiree Benefit Trust (CERBT); and 4) provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending February 28, 2025.

Important background information regarding the valuation process can be found in Appendix 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this executive summary present exhibits and other information relevant for disclosures under GASB 75.

Results of the February 29, 2024, valuation may be applied to prepare the District's GASB 75 report for the fiscal year ending February 28, 2026. If there are any significant changes in plan members, plan benefits or eligibility and/or OPEB funding policy, an earlier valuation might be required or appropriate.

OPEB Obligations of the District

The District offers continuation of medical, dental, and vision coverage to retiring employees. This benefit creates one or more of the following types of OPEB liabilities:

- **Explicit subsidy liabilities**: An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District contributes a portion of medical, dental, and vision premiums for qualifying retirees. These benefits are described in Section 2.
- **Implicit subsidy liabilities**: An "implicit subsidy" exists when premiums are developed using blended active and retiree claims experience. In this situation, premiums charged for retirees may not be sufficient to cover expected medical claims[1] and the premiums charged for active employees are said to "implicitly subsidize" retirees. This OPEB program includes implicit subsidy liabilities for retiree coverage prior to coverage under Medicare.
- **Other subsidy liabilities**: Pooled plans that do not blend active and retiree premiums likely generate subsidies between employers and retirees within the pool. In the CalPERS medical program, the premium rates for Medicare-covered retirees are based only on retiree claims experience of the pool. An actuarial practice note indicates these subsidies should be included in plan liabilities to the extent they are paid by the employer.[2] We generally expect these subsidies to be small and include any such liability with the implicit subsidy liability in this report.

We determine explicit subsidy liabilities using the expected direct payments promised by the plan toward retiree coverage. We determine the implicit and other subsidy liabilities as the projected difference between (a) estimated retiree medical claim costs by age and (b) premiums charged for retiree coverage. For more information on MacLeod Watts' age rating methodology, see Appendix 2.

[1] In rare situations, premiums for retiree coverage may be high enough that they subsidize active employees' claims.

[2] Exceptions exist for: 1) Medicare Advantage Plans: these plans are treated as if their premiums are age-based due to the nature of the Federal subsidies paid to these plans. 2) Plans with low explicit subsidies to Medicare-covered retirees: in these plans no part of any potential pool subsidy is expected to be paid by the employer.

140

Executive Summary
(Continued)

OPEB Funding Policy

The District's OPEB funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The District continues to prefund its OPEB liability, consistently contributing 100% or more of the Actuarially Determined Contributions each year. With the District's approval, the discount rate used for accounting purposes and to develop Actuarially Determined Contributions for plan funding is 6.20%. Information on how this rate was determined is provided on page 12, Expected Return on Trust Assets.

Actuarial Assumptions

The actuarial "demographic" assumptions (i.e., rates of retirement, death, disability or other termination of employment) used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering District employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits.

Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population of plan participants until the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

Executive Summary
(Continued)

Important Dates for GASB 75 in this Report

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	February 28, 2025
Measurement Date	February 29, 2024
Measurement Period	February 28, 2023, to February 29, 2024
Valuation Date	February 29, 2024

Updates Since the Prior Report

No benefit changes were reported to MacLeod Watts since the June 2022 valuation was prepared. With the updated employee census and premium data provided for the June 2024 valuation, we determined "plan experience", the difference from expected plan liability projected from the prior valuation. We then reviewed and updated certain assumptions used to project the OPEB liability. Investment experience, the difference between actual and expected return on trust assets, was also determined.

The Net OPEB Liability on the current measurement date is higher than that reported one year ago. Section C presents the new valuation results and provides additional information on the impact of the new assumptions and plan experience. See *Recognition Period for Deferred Resources* on page 13 for details on how these changes are recognized.

Impact on Statement of Net Position and OPEB Expense for Fiscal Year Ending 2025

The plan's impact on Net Position will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. Different recognition periods apply to deferred resources depending on their origin. The plan's impact on Net Position on the measurement date can be summarized as follows:

Items	For Reporting At Fiscal Year Ending February 28, 2025
Total OPEB Liability	$ 901,278
Fiduciary Net Position	(965,828)
Net OPEB Liability (Asset)	**$ (64,550)**
Adjustment for Deferred Resources:	
Deferred (Outflows)	(292,881)
Deferred Inflows	152,709
Impact on Statement of Net Position	**$ (204,722)**
OPEB Expense, FYE 2/28/2025	**$ 61,971**

Executive Summary
(Concluded)

Important Notices

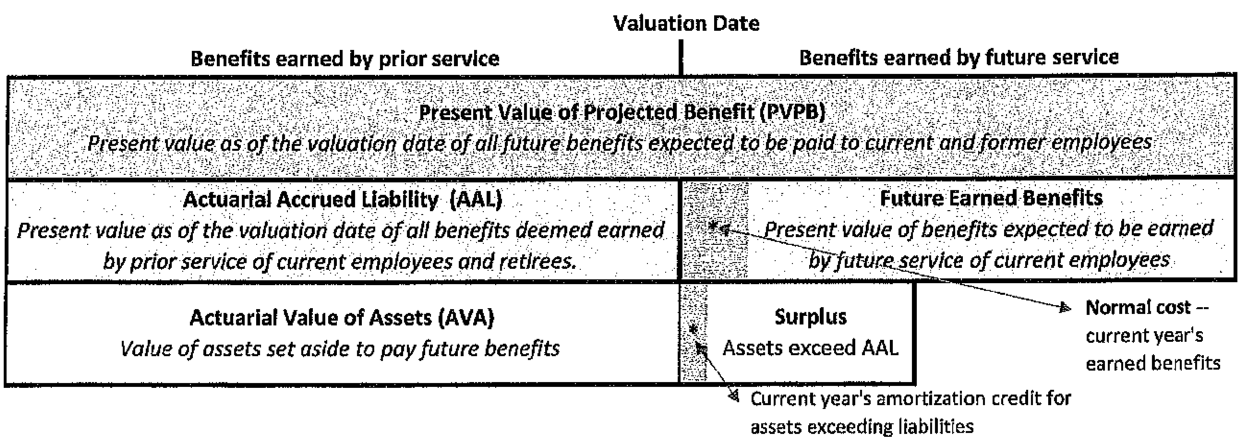
This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the District's financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The District should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the District consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

B. Valuation Process

This valuation is based on employee census data and benefits initially submitted by the District and clarified in various related communications. A summary of the employee data is provided in Section 1 and a summary of the plan benefits is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation has been performed in accordance with the process described below using the actuarial methods and assumptions described in Section 3 and is consistent with our understanding of Actuarial Standards of Practice.

In projecting benefit values and liabilities, we first determine an expected premium or benefit stream over each current retiree's or active employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and any implicit subsidies arising when retiree premiums are expected to be partially subsidized by premiums paid for active employees. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected dates when benefits will end. Assumptions regarding the probability that each employee will remain in service to receive benefits and the likelihood that employees will elect coverage for themselves and their dependents are also applied.

We then calculate a present value of these future benefit streams by discounting the value of each future expected employer payment back to the valuation date using the valuation discount rate. This present value is called the **Present Value of Projected Benefits (PVPB)** and represents the current value of all expected future plan payments to current retirees and current active employees. Note that this long-term projection does not anticipate entry of future employees.



The next step in the valuation process splits the Present Value of Projected Benefits into 1) the value of benefits already earned by prior service of current employees and retirees and 2) the value of benefits expected to be earned by future service of current employees. Actuaries employ an "attribution method" to divide the PVPB into prior service liabilities and future service liabilities. For this valuation we used the **Entry Age Normal** attribution method. This method is the most common method used for government funding purposes and the only attribution method allowed for financial reporting under GASB 75.

We call the value of benefits deemed earned by prior service the **Actuarial Accrued Liability (AAL)**. Benefits deemed earned by service of active employees in a single year is called the **Normal Cost** of

Valuation Process
(Concluded)

benefits. The present value of all future normal costs (PVFNC) plus the Actuarial Accrued Liability will equal the Present Value of Projected Benefits (i.e., PVPB = AAL + PVFNC).

The District has committed to making regular contributions to a trust in order to prefund plan benefits. Trust contributions and earnings accumulate so that the trust can make benefit payments to retirees (or reimburse the District for making those payments directly). The difference between the value of trust assets (i.e., the Market Value of Assets) and the Actuarial Accrued Liability yields the **Unfunded Actuarial Accrued Liability (UAAL)**. The UAAL represents, as of the valuation date, the present value of benefits already earned by past service that remain unfunded. A plan is generally considered "fully funded" when the UAAL is zero. The plan sponsor of a fully funded plan will still need to make future contributions for benefits earned by future service of active employees. But in a fully funded plan, the plan sponsor has set aside sufficient assets to pay for benefits that have been earned by past service of current retirees and active employees if all valuation assumptions are realized.

Future contributions by the District will fund 1) the value of benefits earned each year by service of active employees (i.e., annual Normal Costs) less 2) an amortized credit of the amount by which assets exceed the actuarial accrued liability. Various strategies might be employed to reflect surplus assets, although it's recommended that any surplus assets should generally be recognized in contributions over a long period[3].

Variation in Future Results

Please note that projections of future benefits over such long periods (frequently 70 or more years) which are dependent on numerous assumptions regarding future economic and demographic variables are subject to substantial revision as future events unfold. While we believe that the assumptions and methods used in this valuation are reasonable for the purposes of this report, the costs to the District reflected in this report are subject to future revision, perhaps materially. Demonstrating the range of potential future plan costs was beyond the scope of our assignment except to the limited extent of providing liability information at various discount rates.

Certain actuarial terms and GASB 75 terms may be used interchangeably, as shown below. Specific results from this valuation are provided in the following Section C.

Actuarial Terminology	GASB 75 Terminology
Present Value of Projected Benefits (PVPB)	*No equivalent term*
Actuarial Accrued Liability (AAL)	Total OPEB Liability (TOL)
Market Value of Assets (MVA)	Fiduciary Net Position
Actuarial Value of Assets (AVA)	*No equivalent term*
Unfunded Actuarial Accrued Liability (UAAL)	Net OPEB Liability
Normal Cost	Service Cost

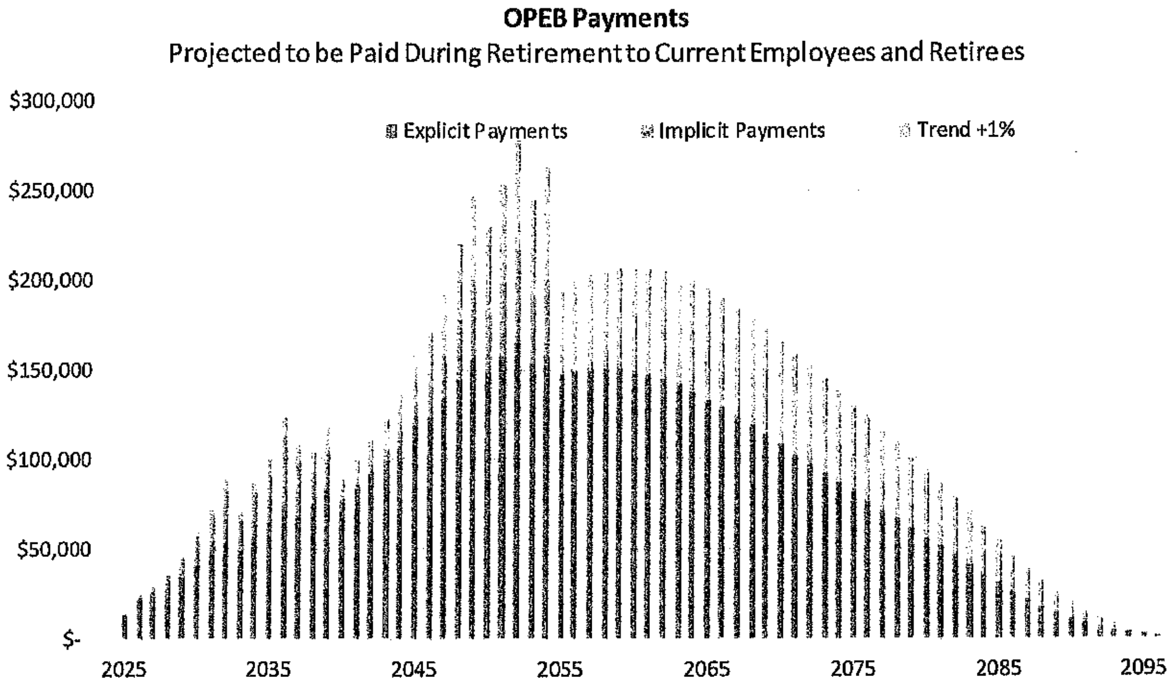
[3] See "Actuarial Funding Policies and Practices for Public Pension and OPEB Plans", November 2015, California Actuarial Advisory Panel.

C. Valuation Results as of February 29, 2024

This Section presents the basic results of our recalculation of the OPEB liability using the updated employee data, plan provisions and asset information provided to us for the February 29, 2024 valuation. We described the general process for projecting all future benefits to be paid to retirees and current employees in the preceding Section. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Supporting Information, Section 3.

Lifetime healthcare benefits are paid for qualifying District retirees. Please see Supporting Information, Section 2 for details.

The following graph illustrates the annual other post-employment benefits projected to be paid on behalf of current retirees and current employees expected to retire from the District.



The amounts shown in green reflect the expected payment by the District toward retiree health premiums while those in yellow reflect the implicit subsidy benefits (i.e., the excess of estimated retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage). The projections in gray reflect increases in benefit levels if healthcare trend were 1% higher.

The first 15 years of benefit payments from the graph above are shown in tabular form on page 21.

Liabilities relating to these projected benefits are shown beginning on the following page.

Valuation Results as of February 29, 2024
(Continued)

This chart compares the results measured as of February 28, 2023, based on the prior valuation, with the results measured as of February 29, 2024, based on the current valuation.

Valuation Date	2/28/2022			2/29/2024		
Fiscal Year Ending	2/29/2024			2/28/2025		
Measurement Date	2/28/2023			2/29/2024		
Discount rate	5.70%			6.20%		
Number of Covered Employees						
Actives	6			6		
Retirees	2			2		
Total Participants	8			8		
OPEB Subsidy Type	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarial Present Value of Projected Benefits						
Actives	$ 912,853	$ 167,093	$ 1,079,945	$ 994,559	$ 222,563	$ 1,217,122
Retirees	172,877	2,380	175,257	207,837	8,213	216,050
Total APVPB	1,085,730	169,472	1,255,202	1,202,396	230,776	1,433,172
Total OPEB Liability (TOL)						
Actives	490,522	92,546	583,067	546,867	138,361	685,228
Retirees	172,877	2,380	175,257	207,837	8,213	216,050
TOL	663,399	94,925	758,324	754,704	146,574	901,278
Fiduciary Net Position			828,255			965,828
Net OPEB Liability			(69,931)			(64,550)
Service Cost						
For the period following the measurement date	43,621	7,491	51,112	48,612	9,136	57,748

The Net OPEB Liability has increased by $5,381 from that reported one year ago. Some of the change was expected and some was unexpected. Reasons for the change in the TOL are discussed on the following page.

147

Valuation Results as of February 29, 2024
(Concluded)

Expected NOL changes: The NOL was expected to increase by $10,055, from additional service and interest costs accruing for the period reduced by employer contributions and earnings on trust assets.

Unexpected NOL changes decreased the NOL by $4,674 and fell into one of these categories:

- *Plan experience* increased the TOL by $108,985, reflecting results different than expected based on the prior valuation data and assumptions. The primary reasons are shown in the chart below.
- *Assumption changes* collectively decreased the TOL by $50,455. These changes are listed below, with additional information provided on the last page in Supporting Information, Section 3.
- *Benefit changes* include any changes to the OPEB plan. The District reported no changes.
- *Investment experience:* Trust asset return exceeded the expected earnings by $63,204.

This chart reconciles results measured on February 28, 2023, to results measured on February 29, 2024.

Reconciliation of Changes During Measurement Period	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 2/29/2024 *Measurement Date 2/28/2023*	$ 758,324	$ 828,255	$ (69,931)
Expected Changes During the Period:			
Service Cost	51,112		51,112
Interest Cost	45,782		45,782
Expected Investment Income		47,947	(47,947)
District Contributions		38,736	(38,736)
Administrative Expenses		(432)	432
Benefit Payments	(12,470)	(12,470)	-
Total Expected Changes During the Period	84,424	73,781	10,643
Expected at Fiscal Year Ending 2/28/2025 *Measurement Date 2/29/2024*	$ 842,748	$ 902,036	$ (59,288)
Unexpected Changes During the Period:			
Change Due to Investment Experience		63,792	(63,792)
Plan Experience:			
Premiums and Estimated Claims Other Than Expected	151,234		
Employee Turnover and No New Retirements	(45,593)		
Other Plan Experience	3,344		
Change Due to Plan Experience			108,985
Assumption Changes:			
Change in Discount Rate	(63,703)		
Change in Healthcare Trend	13,248		
Change Due to Assumption Changes			(50,455)
Total Unexpected Changes During the Period	58,530	63,792	(5,262)
Balance at Fiscal Year Ending 2/28/2025 *Measurement Date 2/29/2024*	$ 901,278	$ 965,828	$ (64,550)

D. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year ending February 28, 2025. The District is classified for GASB 75 purposes as a single employer.

Components of Net Position and Expense

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information for FYE February 28, 2025 *Measurement Date is February 29, 2024*		**Del Puerto Water District**
Items Impacting Net Position:		
Total OPEB Liability	$	901,278
Fiduciary Net Position		(965,828)
Net OPEB Liability (Asset)		(64,550)
Deferred (Outflows) Due to:		
Assumption Changes		(40,438)
Plan Experience		(96,312)
Investment Experience		(115,103)
Deferred Contributions		(41,028)
Deferred Inflows Due to:		
Assumption Changes		48,411
Plan Experience		42,335
Investment Experience		61,963
Impact on Statement of Net Position, FYE 2/28/2025	**$**	**(204,722)**
Items Impacting OPEB Expense:		
Service Cost	$	51,112
Cost of Plan Changes		-
Interest Cost		45,782
Expected Earnings on Assets		(47,947)
Administrative Expenses		432
Recognition of Deferred Outflows:		
Assumption Changes		10,783
Plan Experience		12,673
Investment Experience		41,740
Recognition of Deferred (Inflows):		
Assumption Changes		(6,632)
Plan Experience		(10,054)
Investment Experience		(35,918)
OPEB Expense, FYE 2/28/2025	**$**	**61,971**

Accounting Information
(Continued)

Change in Net Position During the Fiscal Year

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End *Measurement Date*	**2/29/2024** *2/28/2023*	**2/28/2025** *2/29/2024*	**Change During Period**
Total OPEB Liability	$ 758,324	$ 901,278	$ 142,954
Fiduciary Net Position	(828,255)	(965,828)	(137,573)
Net OPEB Liability (Asset)	(69,931)	(64,550)	5,381
Deferred (Outflows) Due to:			
Assumption Changes	(51,221)	(40,438)	10,783
Plan Experience	-	(96,312)	(96,312)
Investment Experience	(156,843)	(115,103)	41,740
Deferred Contributions	(38,736)	(41,028)	(2,292)
Deferred Inflows Due to:			
Assumption Changes	4,588	48,411	43,823
Plan Experience	52,389	42,335	(10,054)
Investment Experience	34,089	61,963	27,874
Impact on Statement of Net Position	$ (225,665)	$ (204,722)	$ 20,943

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 2/29/2024	$ (225,665)
OPEB Expense (Income)	61,971
District Contributions During Fiscal Year	(41,028)
Impact on Statement of Net Position, FYE 2/28/2025	$ (204,722)

OPEB Expense	
District Contributions During Fiscal Year	$ 41,028
Deterioration (Improvement) in Net Position	20,943
OPEB Expense (Income), FYE 2/28/2025	$ 61,971

Accounting Information
(Continued)

Change in Fiduciary Net Position During the Measurement Period

	Del Puerto Water District
Fiduciary Net Position at Fiscal Year Ending 2/29/2024 *Measurement Date 2/28/2023*	**$ 828,255**
Changes During the Period:	
Investment Income	111,739
District Contributions	38,736
Administrative Expenses	(432)
Benefit Payments	(12,470)
Net Changes During the Period	137,573
Fiduciary Net Position at Fiscal Year Ending 2/28/2025 *Measurement Date 2/29/2024*	**$ 965,828**

Expected Long-term Return on Trust Assets

CalPERS last updated the projected future investment returns for CERBT Strategy 2 in June 2024. The returns were determined using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). The target allocation and best estimates of geometric real rates of return published by CalPERS for each major class are split for years 1-5 and years 6-20. We assumed that the returns for years 6 through 20 would continue in later years.

CERBT Strategy 2		Years 1-5			Years 6-20		
Major Asset Classification	Target Allocation	General Inflation Rate Assumption	1-5 Year Expected Real Rate of Return	Compound Return Yrs 1-5	General Inflation Rate Assumption	6-20 Year Expected Real Rate of Return	Compound Return Years 6-20
Global Equity	34%	2.40%	3.90%	6.30%	2.40%	4.70%	7.10%
Fixed Income	41%	2.40%	2.70%	5.10%	2.40%	2.60%	5.00%
Global Real Estate (REITs)	17%	2.40%	3.70%	6.10%	2.40%	4.00%	6.40%
Treasury Inflation Protected Securities	5%	2.40%	1.70%	4.10%	2.40%	1.40%	3.80%
Commodities	3%	2.40%	2.90%	5.30%	2.40%	2.00%	4.40%
Volatility	9.5%		Portfolio	5.9%		Portfolio	6.2%

Portfolio compound return is time-weighted and net of administrative fees.

To derive the expected future trust return specifically for the District, we first adjusted CalPERS' future return expectations to align with the 2.5% general inflation assumption used in this report. Then applying the plan specific benefit payments (as determined from the February 29, 2024, valuation) to CalPERS' bifurcated return expectations, we determined the single equivalent long-term rate of return to be 6.20%.

Accounting Information
(Continued)

Recognition Period for Deferred Resources

Liability changes due to plan experience which differs from what was assumed in the prior measurement period and/or from assumption changes during the period are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL of 8.60 years is the period used to recognize such changes in the OPEB Liability arising during the current measurement period.

When applicable, changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.

Liability changes attributable to benefit changes occurring during the period, if any, are recognized immediately.

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year end February 28, 2025.

Del Puerto Water District	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 40,438	$ 48,411
Differences Between Expected and Actual Experience	96,312	42,335
Net Difference Between Projected and Actual Earnings on Investments	53,140	-
Deferred Contributions	41,028	-
Total	$ 230,918	$ 90,746

In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending February 28	Recognized Net Deferred Outflows (Inflows) of Resources
2026	$ 24,823
2027	35,292
2028	23,928
2029	(8,511)
2030	4,253
Thereafter	19,359

152

Accounting Information
(Continued)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for accounting purposes for the fiscal year end 2025 is 6.20%. Healthcare Cost Trend Rate was assumed to start at 6.0% (increase effective January 1, 2026) and grade down to 3.9% for years 2075 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	**Current - 1% 5.20%**	**Current 6.20%**	**Current + 1% 7.20%**
Total OPEB Liability	1,035,483	901,278	791,201
Increase (Decrease)	134,205		(110,077)
% Increase (Decrease)	14.9%		-12.2%
Net OPEB Liability (Asset)	69,655	(64,550)	(174,627)
Increase (Decrease)	134,205		(110,077)
% Increase (Decrease)	207.9%		-170.5%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Total OPEB Liability	770,517	901,278	1,066,538
Increase (Decrease)	(130,761)		165,260
% Increase (Decrease)	-14.5%		18.3%
Net OPEB Liability (Asset)	(195,311)	(64,550)	100,710
Increase (Decrease)	(130,761)		165,260
% Increase (Decrease)	-202.6%		256.0%

Accounting Information
(Continued)

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

Results for years since GASB 75 was implemented are shown in the table.

Fiscal Year Ending	**2/28/2025**	**2/29/2024**	**2/28/2023**	**2/28/2022**	**2/28/2021**	**2/29/2020**	**2/28/2019**
Measurement Date	*2/29/2024*	*2/28/2023*	*2/28/2022*	*2/28/2021*	*2/29/2020*	*2/28/2019*	*2/28/2018*
Discount Rate	*6.20%*	*5.70%*	*5.70%*	*6.55%*	*6.55%*	*6.55%*	*6.73%*
Total OPEB liability							
Service Cost	$ 51,112	$ 49,623	$ 42,073	$ 40,848	$ 30,913	$ 28,664	$ 32,526
Interest Cost	45,782	41,203	41,348	36,868	35,286	32,616	29,671
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	108,985	-	(31,664)	-	(30,428)	-	(30,959)
Changes of assumptions	(50,455)	-	43,337	-	(7,648)	12,464	40,082
Benefit payments	(12,470)	(11,485)	(10,600)	(10,486)	(17,347)	(26,475)	(20,920)
Net change in total OPEB liability	142,954	79,341	84,494	67,230	10,776	47,269	50,400
Total OPEB liability - beginning	758,324	678,983	594,489	527,259	516,483	469,214	418,814
Total OPEB liability - ending (a)	$ 901,278	$ 758,324	$ 678,983	$ 594,489	$ 527,259	$ 516,483	$ 469,214
Plan fiduciary net position							
Contributions - employer	$ 38,736	$ 36,608	$ 34,671	$ 33,423	$ 31,062	$ 38,465	$ 26,428
Net investment income	111,739	(105,588)	7,673	104,546	103,132	(14,065)	48,504
Benefit payments	(12,470)	(11,485)	(10,600)	(10,486)	(17,347)	(26,475)	(20,920)
Administrative Expenses	(432)	(415)	(73)	(659)	(601)	(540)	(527)
Net change in plan fiduciary net position	137,573	(80,880)	31,671	126,824	116,246	(2,615)	53,485
Plan fiduciary net position - beginning	828,255	909,135	877,464	750,640	634,394	637,009	583,524
Plan fiduciary net position - ending (b)	$ 965,828	$ 828,255	$ 909,135	$ 877,464	$ 750,640	$ 634,394	$ 637,009
Net OPEB liability - ending (a) - (b)	$ (64,550)	$ (69,931)	$ (230,152)	$ (282,975)	$ (223,381)	$ (117,911)	$ (167,795)
Measurement Period covered payroll	$ 836,017	$ 773,219	$ 692,037	$ 618,148	$ 498,958	$ 459,586	$ 437,670
Net OPEB liability as a % of covered payroll	-7.72%	-9.04%	-33.26%	-45.78%	-44.77%	-25.66%	-38.34%

154

Accounting Information
(Continued)

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
(concluded)

Fiscal Year Ending	**2/28/2025**	**2/29/2024**	**2/28/2023**	**2/28/2022**	**2/28/2021**	**2/29/2020**	**2/28/2019**
Measurement Date	*2/28/2024*	*2/28/2023*	*2/28/2022*	*2/28/2021*	*2/29/2020*	*2/28/2019*	*2/28/2018*
Discount Rate	*6.20%*	*5.70%*	*5.70%*	*6.55%*	*6.55%*	*6.55%*	*6.73%*
Valuation Date	2/29/2024	2/28/2022		2/29/2020		2/28/2018	
Actuarial Cost Method	Entry Age Normal	Entry Age Normal		Entry Age Normal		Entry Age Normal	
Investment rate of return	6.20%	5.70%		6.55%		6.55%	6.73%
Inflation	2.50%	2.50%		2.50%		2.75%	2.75%
Healthcare Cost Trend Rates	6.0% in 2026 fluctuating down to 3.9% by 2075	5.6% in 2024, step down to 3.9% by 2076		5.4% in Jan 2021, step down to 4.0% by 2076		7.5% in Jan 2019, step down 0.5% per year to 5.0% by 2024	
Salary Increases	3.00%	3.00%		3.00%		3.25%	
Retirement Age	From 50 to 75	From 50 to 75		From 50 to 75		From 50 to 75	
Mortality	CalPERS 2021 Experience Study	CalPERS 2021 Experience Study		CalPERS 2017 Experience Study		CalPERS 2014 Experience Study	
Mortality Improvement	MacLeod Watts Scale 2022	MacLeod Watts Scale 2022		MacLeod Watts Scale 2020		MacLeod Watts Scale 2017	

155

Accounting Information
(Continued)

Schedule of Contributions

The chart below shows the Actuarially Determined Contribution (ADC), the District's contribution, and the excess or shortfall.

Fiscal Year Ending	FYE 2025	FYE 2024	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019
Actuarially Determined Contribution	$ 39,864	$ 38,054	$ 36,031	$ 34,493	$ 22,790	$ 21,906	$ 21,053
Contributions in relation to the actuarially determined contribution	41,028	39,308	36,608	34,671	33,416	31,062	38,465
Contribution deficiency (excess)	$ (1,164)	$ (1,254)	$ (577)	$ (178)	$ (10,626)	$ (9,156)	$ (17,412)
Covered payroll during fiscal year	$ 910,176	$ 836,017	$ 773,219	$ 692,037	$ 618,148	$ 498,958	$ 459,586
Contributions as a % ofcovered payroll	4.51%	4.70%	4.73%	5.01%	5.41%	6.23%	8.37%

Notes to Schedule

Valuation Date:	2/28/2022	2/29/2020	2/28/2018
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Open period	Open period	Open period
Amortization period	30 years	30 years	30 years
Asset valuation method	Market Value	Market Value	Market Value
Investment rate of return	5.70%	6.55%	6.73%
Inflation	2.50%	2.50%	2.75%
Healthcare cost trend rates	5.6% in 2024, step down to 3.9% by 2076	5.4% in Jan 2021, step down to 4.0% by 2076	7.5% in Jan 2019, step down .5% per year to 5.0% by 2024
Salary increases	3.00%	3.00%	3.25%
Retirement age	Form 50 to 75	Form 50 to 75	From 50 to 75
Mortality	2021 CalPERS Experience Study	2017 CalPERS Experience Study	2014 CalPERS Experience Study
Mortality Improvement	MacLeod Watts Scale 2022	MacLeod Watts Scale 2020	MacLeod Watts Scale 2017

158

Accounting Information
(Continued)

Detail of Changes to Net Position

The chart below details changes to all components of Net Position.

Del Puerto Water District	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)	(d) Deferred Outflows: Assumption Changes	(d) Deferred Outflows: Plan Experience	(d) Deferred Outflows: Investment Experience	(d) Deferred Outflows: Deferred Contributions	(e) Deferred Inflows: Assumption Changes	(e) Deferred Inflows: Plan Experience	(e) Deferred Inflows: Investment Experience	Impact on Statement of Net Position (f) = (c) - (d) + (e)
Balance at Fiscal Year Ending 2/29/2024 *Measurement Date 2/28/2023*	$ 758,324	$ 828,255	$ (69,931)	$ 51,221	$ -	$ 156,843	$ 38,736	$ 4,588	$ 52,389	$ 34,089	$ (225,665)
Changes During the Period:											
Service Cost	51,112		51,112								51,112
Interest Cost	45,782		45,782								45,782
Expected Investment Income		47,947	(47,947)								(47,947)
District Contributions		38,736	(38,736)								(38,736)
Changes of Benefit Terms	-		-								-
Administrative Expenses		(432)	432								432
Benefit Payments	(12,470)	(12,470)	-								-
Assumption Changes	(50,455)		(50,455)					50,455			-
Plan Experience	108,985		108,985		108,985						-
Investment Experience		63,792	(63,792)							63,792	-
Recognized Deferred Resources				(10,783)	(12,673)	(41,740)	(38,736)	(6,632)	(10,054)	(35,918)	51,328
Contributions After Measurement Date							41,028				(41,028)
Net Changes in Fiscal Year 2024-2025	142,954	137,573	5,381	(10,783)	96,312	(41,740)	2,292	43,823	(10,054)	27,874	20,943
Balance at Fiscal Year Ending 2/28/2025 *Measurement Date 2/29/2024*	$ 901,278	$ 965,828	$ (64,550)	$ 40,438	$ 96,312	$ 115,103	$ 41,028	$ 48,411	$ 42,335	$ 61,963	$ (204,722)

157

Accounting Information
(Continued)

Schedule of Deferred Outflows and Inflows of Resources

A listing of all deferred resource bases used to develop the Net Position and OPEB Expense is shown below. Deferred Contributions are not shown.

Measurement Date: February 29, 2024

Deferred Outflow or (Inflow)							Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:						
Date Created	Source	Impact on Net OPEB Liability (NOL)	Initial Amount	Period (Yrs)	Annual Recognition	Balance as of Feb 29, 2024	2023-24 (FYE 2025)	2024-25 (FYE 2026)	2025-26 (FYE 2027)	2026-27 (FYE 2028)	2027-28 (FYE 2029)	2028-29 (FYE 2030)	Thereafter
2/28/2018	Plan Experience	Decreased NOL	$ (30,959)	8.56	$ (3,617)	$ (5,640)	$ (3,617)	$ (3,617)	$ (2,023)	$ -	$ -	$ -	$ -
2/28/2018	Assumption Changes	Increased NOL	40,082	8.56	4,682	7,308	4,682	4,682	2,626	-	-	-	-
2/28/2019	Assumption Changes	Increased NOL	12,464	8.56	1,456	3,728	1,456	1,456	1,456	816	-	-	-
2/29/2020	Plan Experience	Decreased NOL	(30,428)	10.00	(3,043)	(15,213)	(3,043)	(3,043)	(3,043)	(3,043)	(3,043)	(3,041)	-
2/29/2020	Assumption Changes	Decreased NOL	(7,648)	10.00	(765)	(3,823)	(765)	(765)	(765)	(765)	(765)	(763)	-
2/29/2020	Investment Earnings	Decreased NOL	(61,150)	5.00	(12,230)	-	(12,230)	-	-	-	-	-	-
2/28/2021	Investment Earnings	Decreased NOL	(54,649)	5.00	(10,930)	(10,929)	(10,930)	(10,929)	-	-	-	-	-
2/28/2022	Plan Experience	Decreased NOL	(31,664)	9.33	(3,394)	(21,482)	(3,394)	(3,394)	(3,394)	(3,394)	(3,394)	(3,394)	(4,512)
2/28/2022	Assumption Changes	Increased NOL	43,337	9.33	4,645	29,402	4,645	4,645	4,645	4,645	4,645	4,645	6,177
2/28/2022	Investment Earnings	Increased NOL	50,587	5.00	10,117	20,236	10,117	10,117	10,119	-	-	-	-
2/28/2023	Investment Earnings	Increased NOL	158,113	5.00	31,623	94,867	31,623	31,623	31,623	31,621	-	-	-
2/29/2024	Plan Experience	Increased NOL	108,985	8.60	12,673	96,312	12,673	12,673	12,673	12,673	12,673	12,673	32,947
2/29/2024	Assumption Changes	Decreased NOL	(50,455)	8.60	(5,867)	(44,588)	(5,867)	(5,867)	(5,867)	(5,867)	(5,867)	(5,867)	(15,253)
2/29/2024	Investment Earnings	Decreased NOL	(63,792)	5.00	(12,758)	(51,034)	(12,758)	(12,758)	(12,758)	(12,758)	(12,760)	-	-

1788

Accounting Information
(Continued)

Detail of District Contributions to the Plan

District contributions to the Plan occur as benefits are paid to or on behalf of retirees and/or as contributions are made to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). Note that the implicit subsidy contribution does not represent cash payments to retirees, but rather the reclassification of a portion of active healthcare expense to be recognized as a retiree healthcare cost. For details, see Appendices for a description of implicit subsidy plan contributions.

The District reported the following OPEB contributions paid during the measurement period.

For the Measurement Period, Mar 1, 2023 through Feb 29, 2024	**Del Puerto Water District**
District	
(a) Contribution To CERBT	$ 38,054
(b) Benefits Paid Directly To or On Behalf of Retirees	11,788
(c) Implicit Subsidy Payment	682
CERBT	
(d) Benefits Paid Directly To or On Behalf of Retirees	-
(e) Reimbursements to District	11,788
Total Benefits Paid During the MP, (b)+(c)+(d)	12,470
District Contribution During the MP, (a)+(b)+(c)-(e)	38,736

The District's OPEB benefits payments/contributions made after the measurement date but prior to the current fiscal year end in the chart below.

For the Fiscal Year, Mar 1, 2024 through Feb 28, 2025	**Del Puerto Water District**
District	
(f) Contribution To CERBT	$ 39,887
(g) Benefits Paid Directly To or On Behalf of Retirees	12,894
(h) Implicit Subsidy Payment	1,141
CERBT	
(i) Benefits Paid Directly To or On Behalf of Retirees	-
(j) Reimbursements to District	12,894
Total Benefits Paid During the Current FY, (g)+(h)+(i)	14,035
District Contribution During the Current FY, (f)+(g)+(h)-(j)	41,028

Accounting Information
(Continued)

Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the District. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

Projected Annual Benefit Payments							
Fiscal Year Ending February 29	Explicit Subsidy			Implicit Subsidy			
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	Total
2025	$ 12,894	$ -	$ 12,894	$ 1,141	$ -	$ 1,141	$ 14,035
2026	15,487	5,873	21,360	-	2,217	2,217	23,577
2027	16,020	7,452	23,472	-	4,135	4,135	27,607
2028	16,473	11,147	27,620	-	6,608	6,608	34,228
2029	16,879	17,466	34,345	-	10,813	10,813	45,158
2030	17,230	23,840	41,070	-	15,828	15,828	56,898
2031	17,516	29,438	46,954	-	21,108	21,108	68,062
2032	17,729	36,495	54,224	-	28,885	28,885	83,109
2033	17,852	31,152	49,004	-	16,343	16,343	65,347
2034	17,884	38,254	56,138	-	23,974	23,974	80,112
2035	17,806	46,340	64,146	-	26,188	26,188	90,334
2036	17,635	56,793	74,428	-	36,652	36,652	111,080
2037	17,367	50,953	68,320	-	29,585	29,585	97,905
2038	16,993	58,324	75,317	-	17,107	17,107	92,424
2039	16,498	66,795	83,293	-	20,872	20,872	104,165

The amounts shown in the Explicit Subsidy section of the table reflect the expected payment by the District toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

The amounts shown in the Implicit Subsidy section reflect the estimated excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Accounting Information
(Concluded)

Sample Journal Entries

OPEB Accounts at Beginning of Fiscal Year	*By Source* Debit	Credit	*Sources Combined* Debit	Credit
Net OPEB Liability	69,931		69,931	
Deferred Outflow:				
Assumption Changes	51,221			
Plan Experience	-			
Investment Experience	156,843			
Contribution Subsequent to MD	38,736			
Deferred Outflows			246,800	
Deferred Inflow:				
Assumption Changes		4,588		
Plan Experience		52,389		
Investment Experience		34,089		
Deferred Inflows				91,066

Record Benefits Paid to Retirees	**Debit**	**Credit**
Net OPEB Liability	12,894	
Cash		12,894

Record Contributions to the Trust	**Debit**	**Credit**
Net OPEB Liability	39,887	
Cash		39,887

Record Reimbursements from the Trust	**Debit**	**Credit**
Cash	12,894	
Net OPEB Liability		12,894

Record Implicit Subsidy Payment	**Debit**	**Credit**
Net OPEB Liability	1,141	
Premium Expense		1,141

Record End of Year Updates to OPEB Accounts	*By Source* Debit	Credit	*Sources Combined* Debit	Credit
Net OPEB Liability		46,409		46,409
Deferred Outflow:				
Assumption Changes		10,783		
Plan Experience	96,312			
Investment Experience		41,740		
Contribution Subsequent to MD	2,292			
Deferred Outflows			46,081	
Deferred Inflow:				
Assumption Changes		43,823		
Plan Experience	10,054			
Investment Experience		27,874		
Deferred Inflows				61,643
OPEB Expense	61,971		61,971	

E. Funding Information

The employer's OPEB funding policy and level of contributions to an irrevocable OPEB trust directly affects the discount rate which is used to calculate the OPEB liability to be reported in the employer's financial statements. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes. Prefunding also improves the security of benefits for current and potential future recipients and contributes to intergenerational taxpayer equity by better matching the cost of the benefits to the service years in which they are "earned" and which correspond to years in which taxpayers benefit from those services.

Paying Down the UAAL

Once an employer decides to prefund, a decision must be made about how to pay for benefits related to accumulated prior service that have not yet been funded (the Unfunded Actuarial Accrued Liability, or UAAL[4]). This is most often, though not always, handled through structured amortization payments. The period and method chosen for amortizing this unfunded liability can significantly affect the Actuarially Determined Contribution (ADC) or other basis selected for funding the OPEB program.

Much like paying off a mortgage, when the Actuarial Accrued Liability (AAL) exceeds plan assets, choosing a longer amortization period to pay off the UAAL means smaller payments, but the payments will be required for more years; plan investments will have less time to work toward helping reduce required contribution levels. When the plan is in a surplus position, the reverse is true, and a longer amortization period is usually preferable.

There are several ways the amortization payment can be determined. The most common methods are calculating the amortization payment as a level dollar amount or as a level percentage of payroll. The employer might also choose to apply a shorter period when the UAAL is positive, i.e., when trust assets are lower than the AAL, but opt for a longer period or to exclude amortization of a negative UAAL, when assets exceed the AAL. The entire UAAL may be amortized as one single component or may be broken into multiple components reflecting the timing and source of each change, such as those arising from assumption changes, benefit changes and/or liability or investment experience.

The amortization period(s) should not exceed the number of years which would allow current trust assets plus future contributions and earnings to be sufficient to pay all future benefits and trust expenses each year. Prefunding of OPEB is optional and contributions at any level are permitted. However, if trust sufficiency is not expected, a discount rate other than the assumed trust return will likely be required for accounting purposes.

Funding and Prefunding of the Implicit Subsidy

An implicit subsidy liability is created when retiree medical claims are expected to exceed the premiums charged for retiree coverage. Recognition of the estimated implicit subsidy each year is handled by an accounting entry, reducing the amount paid for active employees and shifting that amount to be treated as a retiree healthcare expense/contribution (see Sample Journal Entries). The implicit subsidy is a true benefit to the retiree but can be difficult to see when medical premiums are set as a flat rate for both actives and pre-Medicare retirees.

[4] We use actuarial, rather than accounting, terminology to describe the components used to develop the ADCs.

Funding Information
(Continued)

This might lead some employers to believe the benefit is not real or is merely an accounting construct, and thus to forgo prefunding of retiree implicit benefits.

Consider what would happen if the retiree premiums were based only on expected retiree claims experience. Almost certainly, retiree premiums would increase while premiums for active employees would go down if the active premiums no longer had to help support the higher retiree claims. *Who would pay the increases in retiree premiums*? Current plan documents and bargaining agreements would have to be consulted. Depending on circumstances, the increase in retiree premiums might remain the responsibility of the employer, pass entirely to the retirees, or some blending of the two. The answer would determine whether separate retiree-only premium rates would result in a higher or lower employer OPEB liability. In the current premium structure, with blended active and pre-Medicare retiree premiums, the employer is clearly, though indirectly, paying the implicit retiree cost.

The prefunding decision is complex. OPEB materiality, budgetary concerns, desire to use the full trust rate in developing the liability for GASB 75, and other factors must be weighed by each employer. Since prefunding OPEB benefits is not required, each employer's OPEB prefunding strategy will depend on how they balance these competing perspectives.

Development of the Actuarially Determined Contributions

The District has approved development of ADCs based on the following two components, which are then adjusted with interest to each fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL) over an open 30-year period. Amortization payments are determined on a level dollar.

Actuarially Determined Contributions, developed as described above for the District's fiscal years ending June 30, 2026, and 2027, are shown the exhibit on the next page. These ADCs incorporate both explicit (cash benefit) and implicit subsidy benefit liabilities. Contributions credited toward meeting the ADC will be comprised of:

- direct payments to insurers toward retiree premiums, to the extent not reimbursed to the District by the trust; plus
- each year's implicit subsidy payment; and
- contributions to the OPEB trust.

ADCs determined on this basis should provide for trust sufficiency, based on the current plan provisions and census data, provided all assumptions are exactly realized and if the District contributes 100% or more of the ADC each year. When an agency commits to funding the trust at or above the ADC, the expected long-term trust return may be used as the discount rate in determining the plan liability for accounting purposes. Trust sufficiency cannot be guaranteed to a certainty, however, because of the non-trivial risk that the assumptions used to project future benefit liabilities may not be realized.

Funding Information
(Continued)

We develop the Actuarially Determined Contributions (ADCs) for fiscal years ending February 28, 2026, and February 28, 2027, from the results of this valuation. The ADC for fiscal year end February 29, 2025, was developed from the prior (2022) valuation and we have included this for reference as well.

Valuation date	2/28/2022	2/29/2024	
Discount rate	5.70%	6.20%	
Number of Covered Employees			
Actives	6	6	
Retirees	2	2	
Total Participants	8	8	
For fiscal year ending	2/28/2025	2/28/2026	2/28/2027
Actuarial Present Value of Projected Benefits	$ 1,311,832	$ 1,502,342	$ 1,571,179
Actuarial Accrued Liability (AAL)			
Actives	644,448	789,041	901,130
Retirees	194,202	209,758	198,455
Total AAL	838,650	998,799	1,099,585
Market Value of Assets	1,063,045	1,053,539	1,155,489
Unfunded AAL (UAAL)	(224,395)	(54,740)	(55,904)
UAAL Amortization method	Level Dollar	Level Dollar	Level Dollar
Remaining amortization period (years)	30	30	30
Amortization Factor	15.0287	14.3107	14.3107
Actuarially Determined Contribution (ADC)			
Normal Cost	$ 52,645	$ 59,480	$ 61,265
Amortization of UAAL	(14,931)	(3,825)	(3,906)
Interest to fiscal year end	2,150	3,451	3,556
Total ADC	**39,864**	**59,106**	**60,915**

As described on the prior page, OPEB funding consists of 3 different sources. The chart below estimates how these contribution sources would apply toward satisfying the ADC for each of these years.

Funding of the ADC

1 Implicit subsidy contribution	$ 1,141	$ 2,217	$ 4,135
Additional payments needed to meet ADC	38,723	56,889	56,780
2 *Estimated District paid premiums for retirees*	$ 12,894	$ *21,360*	$ *23,472*
3 *Estimated District refund from OPEB trust*	(12,894)	*(21,360)*	*(23,472)*
4 *Estimated District contribution to OPEB trust*	39,887	*56,889*	*56,780*
Total Expected District Contributions (1+2+3+4)	**$ 41,028**	**$ 59,106**	**$ 60,915**
Expected shortfall (excess) relative to the ADC	**$ (1,164)**	**$ -**	**$ -**

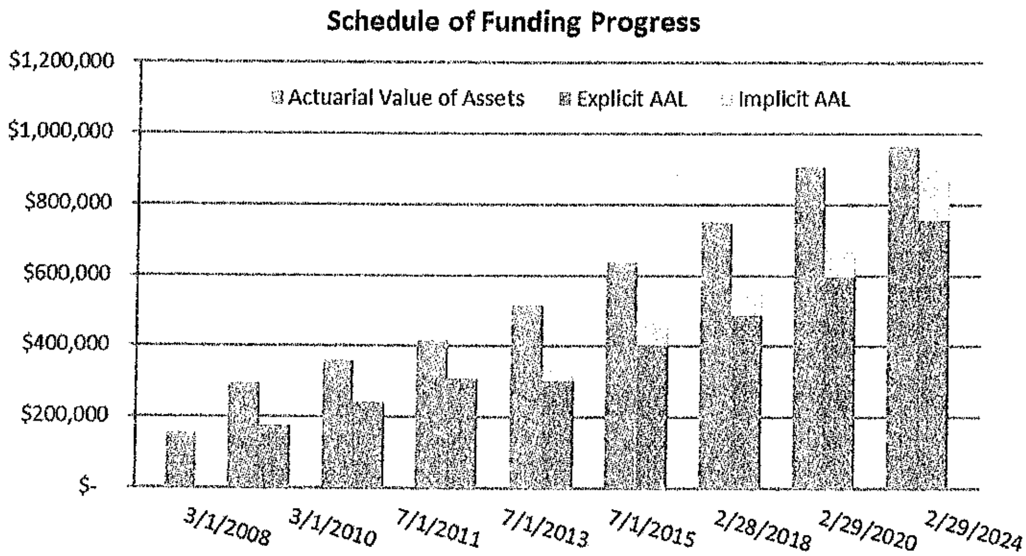
Actual contributions are shown for FYE 2025. Estimated contributions are illustrated for FYEs 2026 and 2027.

164

Funding Information
(Concluded)

In this section, we provide a review of key components of valuation results from 2008 through 2024.

Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)	Discount Rate
3/1/2008	$ -	$ 155,867	$ 155,867	0.0%	$ 324,329	48.1%	7.75%
3/1/2010	$ 294,256	$ 174,627	$ (119,629)	168.5%	$ 324,329	-36.9%	7.75%
7/1/2011	$ 359,316	$ 239,974	$ (119,342)	149.7%	$ 338,920	-35.2%	7.06%
7/1/2013	$ 417,482	$ 306,906	$ (110,576)	136.0%	$ 415,178	-26.6%	7.06%
7/1/2015	$ 515,037	$ 338,233	$ (176,804)	152.3%	$ 436,226	-40.5%	6.73%
2/28/2018	$ 637,009	$ 469,214	$ (167,795)	135.8%	$ 437,670	-38.3%	6.73%
2/29/2020	$ 750,640	$ 552,623	$ (198,017)	135.8%	$ 498,958	-39.7%	6.45%
2/28/2022	$ 909,135	$ 678,983	$ (230,152)	133.9%	$ 773,219	-29.8%	5.70%
2/29/2024	$ 965,828	$ 901,278	$ (64,550)	107.2%	$ 836,017	-7.7%	6.20%



Notable changes during this period include:

- ***July 1, 2015***: decrease in discount rate from 7.06% to 6.73%; first time recognition of implicit subsidy
- ***February 28, 2018***: increase in assumed future medical premium increases (healthcare trend)
- ***February 29, 2020***: elimination of excise tax liability; updated retirement, termination, and mortality assumptions, updated healthcare trend.
- ***February 28, 2022:*** first time recognition of pool subsidy liability, decrease in discount rate from 6.55% to 5.70%
- ***February 29, 2024:*** increase of the discount rate from 5.70 to 6.20%, updated healthcare trend

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F. Certification

The primary purposes of this report are: (1) to provide actuarial information of the other postemployment benefits (OPEB) provided by the Del Puerto Water District (the District) in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75); and (2) to provide Actuarially Determined Contributions for prefunding of this program in conformity with the District's OPEB funding policy. The District is not required to contribute the ADC shown in this report and we make no representation that it will, in fact, fund the OPEB trust at any particular level.

In preparing this report we relied without audit on information provided by the District. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75 and in accordance with the District's stated OPEB funding policy. Results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report is prepared solely for the use and benefit of the District and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions are: the District may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the District may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: March 6, 2025

J. Kevin Watts, FSA. FCA, MAAA

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G. Supporting Information

Section 1 - Summary of Employee Data

Active employees: The District reported 6 active members in the data provided to us for the February 29, 2024, valuation. Of these, 5 were currently enrolled in the medical program, with 1 waiving coverage.

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25							0	0%
25 to 29							0	0%
30 to 34							0	0%
35 to 39			2				2	33%
40 to 44							0	0%
45 to 49					1		1	17%
50 to 54	1	1					2	33%
55 to 59						1	1	17%
60 to 64							0	0%
65 to 69							0	0%
70 & Up							0	0%
Total	1	1	2	0	1	1	**6**	**100%**
Percent	17%	17%	33%	0%	17%	17%	**100%**	

Valuation	February 2022	February 2024
Average Attained Age for Actives	45.8	48.1
Average Years of Service	8.5	9.9

Retirees: There are also 2 retirees receiving benefits under this program on the valuation date. Their current ages are summarized in the chart at right, as well as the average age at retirement.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	0	0%
60 to 64	0	0%
65 to 69	1	50%
70 to 74	0	0%
75 to 79	1	50%
80 & up	0	0%
Total	**2**	**100%**
Average Age:		
On 2/29/2024	72.5	
At retirement	63.5	

Summary of Plan Member Counts: The numbers of those members currently or potentially eligible to receive benefits under the OPEB plan are required to be reported in the notes to the financial statements.

Summary of Plan Member Counts	
Number of active plan members	6
Number of inactive plan members currently receiving benefits	2
Number of inactive plan members entitled to but not receiving benefits	0*

* We are not aware of any retirees who are eligible but not currently enrolled.

160

Supporting Information
(Continued)

Section 1 - Summary of Employee Data
(continued)

The chart below reconciles the number of actives and retirees included in the February 2022 valuation of the District plan with those included in the February 2024 valuation:

Reconciliation of District Plan Members Between Valuation Dates				
Status	Covered Actives	Waiving Actives	Covered Retirees	Total
Number reported as of June 30, 2022	5	1	2	8
New employees	1			1
Separated employees	(1)			(1)
Number reported as of June 30, 2024	**5**	**1**	**2**	**8**

The number of active plan members stayed the same, with one new hire replacing one terminated employee.

Supporting Information
(Continued)

Section 2 - Summary of Retiree Benefit Provisions

OPEB provided: The District reported that the only OPEB provided is medical plan coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her _pension_ benefit within 120 days of terminating employment with the District[5] to be eligible to continue medical coverage through the District and be entitled to the employer subsidy described below.

Once eligible, a retiree or survivor may enroll within 60 days of retirement *or during any future open enrollment period.* Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided: Under the CalPERS medical program, the District must contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The District currently maintains two PEMHCA resolutions defining the District's contribution toward retiree medical plan premiums. The resolutions apply based on an employee's hire date as follows:

- *Employees hired before February 1, 2015:* The District contributes 100% of the medical premium for employees and retirees and 75% of the premium for any covered dependents. The surviving spouse of a deceased retiree will receive 100% of the medical premium.
- *Employees hired on or after February 1, 2015*: Those who retire from the District meeting the eligibility requirements described above under "Access to coverage", but with less than 5 years of District service and less than 10 years of PERS service may continue the medical coverage at their own expense.

  For employees who retire from the District with 5 or more years of District service and 10 or more years of PERS service, the District will pay 100% of the medical premium for retirees and dependents for life, up to but not exceeding certain maximum amounts. Those maximum amounts are: (a) dollar caps which vary by coverage level set annually per the "100/90 formula" [6] (shown in this chart), multiplied by (b) a vesting percentage based on the retiree's years of CalPERS membership.

Subsidy for the 100/90 Formula		
Retiree	Retiree + 1	Retiree + 2
$ 1,060	$ 2,039	$ 2,551

[5] Employees covered by the PEMHCA Vesting Resolution who work at least 20 years for the District are not subject to the requirement to begin their pension benefit within 120 days of leaving the District employment.

[6] The "100/90 formula" provides that the District pay up to a maximum of 100% of the weighted average of the health benefits plan premium for retirees and 90% of the weighted average of additional premiums required for the enrollment of eligible dependents.

Supporting Information
(Continued)

Section 2 - Summary of Retiree Benefit Provisions

The vesting percentage[7] applied to the "100/90 formula" caps for service retirements are shown in the chart at right:

Note that for employees who qualify for a disability retirement, the vesting percentage does *not* apply in determining the amount of the benefit payable.

Years of Qualifying Service	Vested Percent	Years of Qualifying Service	Vested Percent
Less than 10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20 or more	100%

Dental and vision benefits provided: Dental and vision insurance is also provided for qualifying retirees, as follows:

- *Employees hired before February 1, 2015:* The District contributes 100% of the dental and vision premium for the retiree and 75% of the premium for any covered dependents.
- *Employees hired on or after February 1, 2015*: Those who retire from the District with at least 10 years of service are eligible for (a) 100% of the dental and vision premium for the retiree and 75% of the premium for any covered dependents, multiplied by (b) the vested percent, determined from the table shown above.

Dental and vision coverage ends upon the retiree's death.

Current premium rates: The 2025 CalPERS monthly medical plan rates in the CalPERS Region 1 rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The CalPERS administration fee is assumed to be expensed each year and has not been projected as an OPEB liability in this valuation.

Region 1 2025 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access	$ 1,170.17	$ 2,340.34	$ 3,042.44	$ 448.28	$ 896.56	$ 1,598.66
Kaiser*	1,112.90	2,225.80	2,893.54	408.31	816.62	1,484.36
PERS Platinum	1,476.10	2,952.20	3,837.86	584.70	1,169.40	2,055.06

**Medicare rates shown are for Kaiser Senior Advantage Summit*

[7] Note that CalPERS applies the vesting percent to the 100/90 formula caps and not to the retiree's actual premium, if less. Thus, for example, a retiree with 15 years of CalPERS membership (including 5 with the District) could receive more than 75% of his or her premium paid; after the retiree is covered by Medicare, this could increase to 100% of the premium, depending on the medical plan selected.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These payments depend only on the terms of the plan and the administrative arrangements adopted. Actuarial assumptions are used to estimate the cost of these benefits; the funding method spreads the expected costs on a level basis over the life of the plan.

Important Dates

Valuation Date	February 29, 2024
Fiscal Year End	February 28, 2025
GASB 75 Measurement Date	February 29, 2024 (last day of the prior fiscal year)

Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.

Development of Age-related Medical Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology (see Appendices).

Pre-Medicare retiree premiums are blended with premiums for active members. Medicare-eligible retirees are covered by plans which are rated solely on the experience of Medicare retirees with no subsidy by active employee premiums.

Monthly baseline premium costs were set equal to the active single premiums shown in the chart in Section 2. Representative claims costs derived from the dataset provided by CalPERS are shown in the chart on the following page. Estimated age-based claims were applied (a) for all retirees not yet eligible for Medicare and (b) for Medicare retirees receiving benefits covered by Medicare Supplement plans.

VM

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Development of Age-related
Medical Premiums (continued)

Expected Monthly Claims by Medical Plan for Selected Ages													
		Non-Medicare Male Retirees					Medicare Male Retirees						
Region	Medical Plan	50	53	56	59	62	65	70	75	80	85	90	95
Region 1	Blue Shield Access	$ 1,198	$ 1,413	$ 1,641	$ 1,881	$ 2,138	*Claims not developed for Medicare Advantage plans*						
	Kaiser	992	1,170	1,359	1,557	1,770							
	PERS Platinum	1,543	1,820	2,114	2,423	2,754	$ 497	$ 557	$ 605	$ 634	$ 626	$ 598	$ 593
Out of State	PERS Platinum	938	1,106	1,285	1,473	1,674	497	557	605	634	626	598	593
		Non-Medicare Female Retirees					Medicare Female Retirees						
Region	Medical Plan	50	53	56	59	62	65	70	75	80	85	90	95
Region 1	Blue Shield Access	$ 1,485	$ 1,631	$ 1,755	$ 1,896	$ 2,090	*Claims not developed for Medicare Advantage plans*						
	Kaiser	1,229	1,350	1,453	1,570	1,731							
	PERS Platinum	1,913	2,100	2,260	2,442	2,692	$ 476	$ 539	$ 583	$ 609	$ 615	$ 602	$ 592
Out of State	PERS Platinum	1,163	1,277	1,374	1,485	1,637	476	539	583	609	615	602	592

AZ

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Economic Assumptions

Long Term Return on Assets/ Discount Rate for Accounting	6.2% as of February 29, 2024, and 5.7% as of February 28, 2023 net of plan investment expenses
Long Term Return on Assets/ Discount Rate for Funding	5.7% as of February 29, 2024, and 5.7% as of February 28, 2023, net of plan investment & trust administrative expenses
General Inflation Rate	2.5% per year
Salary Increase	3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Healthcare Trend	Medical plan premiums and estimated claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be effective on the dates shown in the chart below.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2025	Actual	2044-2049	4.7%
2026	6.0%	2050-2059	4.6%
2027	5.5%	2060-2065	4.5%
2028	5.4%	2066-2067	4.4%
2029	5.3%	2068-2069	4.3%
2030	5.2%	2070	4.2%
2031	5.1%	2071-2072	4.1%
2032-2037	5.0%	2073-2074	4.0%
2038-2039	4.9%	2075	3.9%
2040-2043	4.8%	& Later	3.9%

The healthcare trend shown above was developed using the Getzen Model 2023 published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 1.0%; Expected Health Share of GDP in 2032 20%; Resistance Point 21%; Year after which medical growth is limited to growth in GDP 2075.

Medical benefit caps determined by the 100/90 Formula are assumed to increase using the same healthcare trend used for medical plan premiums and estimated claims costs by age shown above.

Dental and vision premiums are assumed to increase by 3.0% per year.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Participant Election Assumptions

Participation Rate

Active employees: Participation rates for retiree coverage are assumed to vary based on the employment date and service:

Assumed Participation Rates		
Years of District Service	Hired before 2/1/2015	Hired on/after 2/1/2015
Less than 5	100%	0%
5-9	100%	15%
10	100%	75%
11	100%	80%
12	100%	85%
13	100%	90%
14	100%	95%
15 or more	100%	100%

Spouse Coverage

Existing elections for spouse coverage are assumed to be continued in retirement.[8] For active employees, husbands are assumed to be 3 years older than their wives. For retirees, actual spouse ages are used.

Retired participants: Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

[8] Married employees are assumed to elect coverage separately in order to maximize benefits.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Demographic Assumptions

Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, then projected as described below.

Mortality Before Retirement

CalPERS Public Agency Miscellaneous Non-Industrial Deaths		
Age	Male	Female
15	0.00018	0.00010
20	0.00039	0.00014
30	0.00044	0.00019
40	0.00075	0.00039
50	0.00134	0.00081
60	0.00287	0.00179
70	0.00594	0.00404
80	0.01515	0.01149

Mortality After Retirement
(before improvement applied)

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00075	0.00039
50	0.00271	0.00199
60	0.00575	0.00455
70	0.01340	0.00996
80	0.04380	0.03403
90	0.14539	0.11086
100	0.36198	0.31582
110	1.00000	1.00000

Disabled Miscellaneous

CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality		
Age	Male	Female
20	0.00411	0.00233
30	0.00452	0.00301
40	0.00779	0.00730
50	0.01727	0.01439
60	0.02681	0.01962
70	0.04056	0.02910
80	0.08044	0.06112
90	0.16770	0.14396

Mortality Improvement — MacLeod Watts Scale 2022 applied generationally from 2017 (see Appendices)

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Termination Rates

Each rate in this table reflects the probability that an employee with that age and service will end its employment with the agency in the next 12 months for reasons other than retirement or death.

Male Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued November 2021						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1851	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1851	0.0927	0.0843	0.0000	0.0000	0.0000
25	0.1769	0.0927	0.0843	0.0377	0.0000	0.0000
30	0.1631	0.0802	0.0804	0.0377	0.0180	0.0000
35	0.1493	0.0677	0.0715	0.0366	0.0180	0.0141
40	0.1490	0.0583	0.0627	0.0337	0.0180	0.0141
45	0.1487	0.0538	0.0562	0.0309	0.0166	0.0141

Female Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued November 2021						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1944	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1944	0.1085	0.1074	0.0000	0.0000	0.0000
25	0.1899	0.1085	0.1074	0.0502	0.0000	0.0000
30	0.1824	0.0977	0.1041	0.0502	0.0252	0.0000
35	0.1749	0.0869	0.0925	0.0491	0.0252	0.0175
40	0.1731	0.0777	0.0809	0.0446	0.0252	0.0175
45	0.1713	0.0710	0.0730	0.0401	0.0213	0.0175

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Service Retirement Rates

The following **miscellaneous** retirement formulas apply:

For Classic employees:	2% @ 55
For PEPRA employees:	2% @ 62

Sample rates of assumed future retirements applicable to each of these retirement benefit formulas are shown in tables on the following page. Each rate reflects the probability that an employee with that age and service will take a service retirement in the next 12 months.

Miscellaneous Employees: 2% at 55 formula From CalPERS Experience Study Report Issued November 2021						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0140	0.0140	0.0170	0.0210	0.0230	0.0240
55	0.0450	0.0420	0.0530	0.0860	0.0980	0.1230
60	0.0590	0.0640	0.0830	0.1150	0.1540	0.1700
65	0.1670	0.1870	0.2100	0.2620	0.2880	0.2910
70	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula From CalPERS Experience Study Report Issued November 2021						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
55	0.0100	0.0190	0.0280	0.0360	0.0610	0.0960
60	0.0310	0.0510	0.0710	0.0910	0.1110	0.1380
65	0.1080	0.1410	0.1730	0.2060	0.2390	0.3000
70	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Disability Retirement Rates

CalPERS Public Agency Miscellaneous Disability From Nov 2021 Experience Study Report		
Age	Male	Female
20	0.00007	0.00004
25	0.00007	0.00009
30	0.00017	0.00033
35	0.00035	0.00065
40	0.00091	0.00119
45	0.00149	0.00185
50	0.00154	0.00193
55	0.00139	0.00129
60	0.00124	0.00094

Software and Models Used in the Valuation

ProVal - MacLeod Watts utilizes ProVal, a licensed actuarial valuation software product from Winklevoss Technologies (WinTech) to project future retiree benefit payments and develop the OPEB liabilities presented in this report. ProVal is widely used by the actuarial community. We review results at the plan level and for individual sample lives and find them to be reasonable and consistent with the results we expect. We are not aware of any material inconsistencies or limitations in the software that would affect this actuarial valuation.

Age-based premiums model – developed internally and reviewed by an external consultant at the time it was developed. See discussion on Development of Age-Related Medical Premiums in Appendices.

Getzen model – published by the Society of Actuaries; used to derive medical trend assumptions described earlier in this section.

Changes in assumptions or methods since the prior Measurement Date

Trust rate of return and discount rate	Increased from 5.70% to 6.20%, reflecting updated long-term rates of return from CalPERS in June of 2024.
Healthcare Trend	Updated the base healthcare trend scale from Getzen Model 2022_b to Getzen Model 2023, as published by the Society of Actuaries.

Appendix 1: Important Background Information

General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit subsidy". In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an "implicit subsidy" of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

<table>
<tr><th colspan="3">Expected retiree claims</th></tr>
<tr><td colspan="2">Premium charged for retiree coverage</td><td>Covered by higher active premiums</td></tr>
<tr><td>Retiree portion of premium</td><td>Agency portion of premium
Explicit subsidy</td><td>Implicit subsidy</td></tr>
</table>

This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.

Valuation Process

The valuation was based on employee census data and benefits provided by the District. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation was also based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits;
- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and

Important Background Information
(Continued)

- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members
- A significant increase or decrease in the future premium rates
- A change in the subsidy provided by the Agency toward retiree premiums
- Longer life expectancies of retirees
- Significant changes in estimated retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents
- Higher or lower returns on plan assets or contribution levels other than were assumed, and/or
- Changes in the discount rate used to value the OPEB liability

Important Background Information
(Continued)

Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers.

Important Dates

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition*: Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.

Difference between projected and actual trust earnings:	5 year straight-line recognition
All other amounts:	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

Important Background Information
(Continued)

Implicit Subsidy Plan Contributions

An implicit subsidy occurs when estimated retiree claims exceed the premiums charged for retiree coverage. When this occurs, we expect part of the premiums paid for active employees to cover a portion of retiree claims. This transfer represents the current year's "implicit subsidy". Because GASB 75 treats payments to an irrevocable trust *or directly to the insurer* as employer contributions, each year's implicit subsidy is treated as a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
Prior to Implicit Subsidy Adjustment		
Premiums Paid by Agency During Fiscal Year	$ 411,000	$ 48,000
Accounting Treatment	Compensation Cost for Active Employees	Contribution to Plan & Benefits Paid from Plan
After Implicit Subsidy Adjustment		
Premiums Paid by Agency During Fiscal Year	$ 411,000	$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	$ 388,000	$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

The example above shows that total payments toward active and retired employee healthcare premiums is the same, but for accounting purposes part of the total is shifted from actives to retirees. This shifted amount is recognized as an OPEB contribution and reduces the current year's premium expense for active employees.

152

Important Background Information
(Concluded)

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

Actuarial Funding Method and Assumptions

The "ultimate real cost" of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the "incidence of cost". GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period's service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.

Appendix 2: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g., GASB 75) and actuarial standards (e.g., ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant.* For example, a claims cost curve might show that, if a 50 year old male has $1 in claims, then on average a 50 year old female has claims of $1.25, a 30 year male has claims of $0.40, and an 8 year old female has claims of $0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.

Appendix 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

(1) Short-term mortality improvement rates should be based on recent experience.
(2) Long-term mortality improvement rates should be based on expert opinion.
(3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2022** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

MacLeod Watts Scale 2022 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments – (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions used in generating Scale MP-2015. The MacLeod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2030-2044. The SSA's Intermediate Scale has a final step in 2045 which is reflected in the MacLeod Watts scale for years 2045 and thereafter. Over the ages 95 to 117, the age 95 improvement rate is graded to zero.

Scale MP-2021 can be found at the SOA website and the projection scales used in the 2021 Social Security Administrations Trustees Report at the Social Security Administration website.

Glossary

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future, determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment

CalPERS – Many state governments maintain a public employee retirement system - CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Deferred Contributions – When an employer makes contributions after the measurement date and prior to the fiscal year end, recognition of these contributions is deferred to a subsequent accounting period by creating a deferred resource; we refer to these contributions as "Deferred Contributions"

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Discount Rate - Interest rate used to discount future potential benefit payments to the valuation date

Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return, but if a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

Fiduciary Net Position –The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments

Glossary
(Continued)

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a 'blended' group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

OPEB Expense – The OPEB expense reported in the Agency's financial statement; the annual cost of the plan recognized in the financial statements

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers

Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as 'belonging' to the plan and permitted to be used to offset the AAL for valuation purposes

To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

Total OPEB Liability (TOL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of "Actuarial Present Value"

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility