BOARD OF DIRECTORS REGULAR MEETING

DATE :
October 7, 2026

TIME:
8:00 A.M.

1021 E. Miramar Avenue | Claremont, CA 91711

www.threevalleys.com

909.621.5568

The mission of Three Valleys Municipal Water District is to supplement and enhance local water supplies to meet our region's needs in a reliable and cost-effective manner.

THREE VALLEYS MUNICIPAL WATER DISTRICT
REGULAR BOARD MEETING AGENDA

1021 E. Miramar Avenue, Claremont, CA 91711
October 7, 2026 – 8:00 AM

The mission of Three Valleys Municipal Water District is to supplement and enhance local water supplies to meet our region's needs in a reliable and cost-effective manner.

NOTICE OF VIDEOCONFERENCE/TELECONFERENCE ACCESSIBILITY

Three Valleys MWD will hold this meeting of its Board of Directors on the date and time, and at the location set forth above. The public may participate in the meeting by physical attendance at the meeting or by videoconference or teleconference utilizing the following links:

Link to join webinar: https://tvmwd.zoom.us/j/86848060057

OR

Dial in: (669) 900-9128, Webinar ID: 868 4806 0057

Any member of the public wishing to participate in public comment may do so in any of the following manners: (1) by using the "Raise Hand" feature on the Zoom platform and when prompted by the Board President during the public comment period, (2) by filling out the electronic speaker's card at the following link https://arcg.is/0z5GqO prior to the close of public comment, (3) by sending an email to PublicComment@tvmwd.com prior to the close of public comment, or (4) those attending the meeting in person may complete a speaker's card and provide it to the Executive Board Secretary prior to the close of public comment.

1. CALL TO ORDER — TI

2. ROLL CALL — AGUIRRE

   Mike Ti, President
   Carlos Goytia, Vice President
   David De Jesus, Secretary/Treasurer
   Bob Kuhn, Director
   Jorge Marquez, Director
   Jody Roberto, Director
   Division III, Vacant

3. FLAG SALUTE — TI

4. DIRECTOR REMOTE PARTICIPATION PURSUANT TO SB 707 [Government Code Section 54953.8.3] – Notification Due to Just Cause — TI

5. AGENDA REORDER/ADDITIONS [Government Code Section 54954.2(b)(2)] TI

Additions to the agenda may be considered when two-thirds of the board members present determine a need for immediate action, and the need to act came to the attention of TVMWD after the agenda was posted; this exception requires a degree of urgency. If fewer than two-thirds of the board members are present, all must affirm the action to add an item to the agenda. The Board shall call for public comment prior to voting to add any item to the agenda after posting.

6. PUBLIC COMMENT (Government Code Section 54954.3) TI

Opportunity for members of the public to directly address the Board on items of public interest within its jurisdiction. The public may also address the Board on items being considered on this agenda. TVMWD requests that all public speakers complete a speaker's card and provide it to the Executive Board Secretary.

We request that remarks be limited to three minutes or less. Pursuant to Government Code Section 54954.3, if speaker is utilizing a translator, the total allotted time will be doubled.

7. PRESENTATION

7.A LEGISLATIVE UPDATE BY ARNOLD & ASSOCIATES ROSE

8. ACTION AGENDA

The following items on the Action Agenda call for discussion and action by the Board. All items are placed on the agenda so that the Board may discuss and take action on the item if the Board is so inclined.

8.A CONSIDER APPROVAL OF A COST SHARING AGREEMENT WITH SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT FOR GOLDEN MUSSEL MITIGATION GOMEZ

BOARD ACTION REQUIRED ITEM 8.A

Staff Recommendation: Approve as Presented

8.B MIRAMAR SOUTHERN CARPORTS UPGRADES PROJECT LEE

BOARD ACTION REQUIRED ITEM 8.B

Staff Recommendation: Approve as Presented

9. REPORTS — LITCHFIELD

The Executive Leadership Team will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.

9.A REGISTRAR-RECORDER/COUNTY CLERK NOTICE OF NO ELECTION FOR DIVISIONS 1 AND 5 — LITCHFIELD

9.B PENSION FUNDING STATUS UPDATE — GOMEZ

9.C OPEB SECTION 115 FUNDING UPDATE — GOMEZ

9.D FY 2025/26 PROJECT APPROPRIATION CARRYFORWARD — AGUILAR

10. DIRECTORS'/GENERAL MANAGER'S ORAL REPORTS — TI

Directors may report on activities for meetings to which they are assigned to serve as the representative or alternate of TVMWD and on other areas of interest.

10.A METROPOLITAN WATER DISTRICT — DE JESUS

10.B CHINO BASIN WATERMASTER — KUHN

10.C SAN GABRIEL BASIN WATER QUALITY AUTHORITY — KUHN

10.D MAIN SAN GABRIEL BASIN WATERMASTER — MARQUEZ

10.E SIX BASINS WATERMASTER — ROBERTO

10.F ADDITIONAL BOARD MEMBER REPORTS — ALL

10.G GENERAL MANAGER'S COMMENTS — LITCHFIELD

11. CLOSED SESSION — TI

11.A CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION [Government Code Section 54956.9(d)(1)]

Name of Case: Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino County Superior Court Case No. RCV RS 51010

11.B CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION [Government Code Section 54956.9(d)(1)]

Name of Case: City of Ontario v. Inland Empire Utilities Agency, et al., San Bernardino County Superior Court Case No. CIVRS260715

12. FUTURE AGENDA ITEMS TI

13. ADJOURNMENT AND NEXT MEETING TI

The Board will adjourn to a regular Board of Directors meeting on October 21, 2026 at 8:00 AM.

In compliance with the Americans with Disabilities Act Government Code Section 54954.2(a), if special assistance is needed to participate in this public meeting, please contact the Executive Board Secretary at (909) 621-5568 at least 24 hours prior to the meeting.

Pursuant to Government Code Section 54957.5, materials related to an item on this agenda submitted after distribution of the agenda packet will be posted on the TVMWD website at.

Three Valleys MWD Board meeting packets and agendas are available for review at www.threevalleys.com

THREE VALLEYS
MUNICIPAL WATER DISTRICT

BOARD ACTION

BOARD OF DIRECTORS
STAFF REPORT

To:	TVMWD Board of Directors
From:	Matthew H. Litchfield, General Manager
Date:	October 7, 2026
Subject:	Cost Sharing Agreement with San Gabriel Valley Municipal Water District for Golden Mussel Mitigation

Staff Recommendation

Approve the Cost Sharing Agreement with San Gabriel Valley Municipal Water District for Golden Mussel Mitigation, subject to nonsubstantive changes approved by the General Manager and District Counsel and authorize the General Manager to execute the Agreement.

Background

Since 2024, the invasive Golden Mussel has been found in State Water Project facilities, including facilities that provide water conveyed through the Devils Canyon-Azusa Pipeline (DCAP) to San Gabriel Valley Municipal Water District (SGVMWD) and downstream users. SGVMWD owns and operates the DCAP, which delivers imported water to TVMWD at the North Azusa Connection for treatment and delivery to TVMWD's member agency, Covina Valley Water Company, and for groundwater replenishment in the Main San Gabriel Basin.

The California Department of Water Resources (DWR) has agreed to treat water in the DCAP first afterbay with a copper-based chemical (EarthTec QZ) to combat the Golden Mussel, and SGVMWD bears the costs DWR incurs for that treatment. SGVMWD and TVMWD have developed a Cost Sharing Agreement to establish the allocation of costs, responsibilities, and liabilities associated with the Golden Mussel treatment activities. This is consistent with the background presented to the Board on September 16.

At its September 16, 2026 meeting, the Board received an informational update regarding the draft Agreement. At that time, the principal business terms had been developed, but the monitoring and sampling provisions remained under review. Staff advised that the Agreement would return to the Board for consideration and approval once those matters were resolved.

Discussion

Following the September 16 meeting, staff continued working to finalize the Agreement. Rather than incorporating a separate Sampling and Monitoring Plan as Exhibit B, the proposed Agreement addresses SGVMWD's monitoring and sampling responsibilities directly within Section 7.4. Under that provision, SGVMWD is responsible for maintaining and implementing monitoring and sampling activities required in connection with the Treatment Activities, including applicable sampling locations, frequency, analytical requirements, and regulatory reporting. SGVMWD is also required to keep TVMWD reasonably informed and provide monitoring, sampling, and reporting information necessary for administration of the Agreement.

The principal cost-sharing provisions presented to the Board on September 16 remain unchanged. The proposed Agreement provides that:

- SGVMWD will serve as the Lead Party responsible for coordination with DWR and consultants, recordkeeping, invoicing, regulatory communications, and administration.
- TVMWD will reimburse SGVMWD for its proportional share of fixed Golden Mussel treatment costs assessed by DWR. The allocation is recalculated annually using a three-year rolling allocation factor based on deliveries attributable to TVMWD compared with total deliveries attributable to SGVMWD. For FY 2026/27, calendar-year 2023 through 2025 deliveries will be used.
- TVMWD will reimburse SGVMWD for the actual chemical treatment cost attributable to water delivered on TVMWD's behalf.
- The Agreement establishes billing and true-up procedures, audit rights, notice of material changes in estimated DWR costs, emergency-cost provisions, liability and indemnification provisions, and dispute-resolution procedures.

Approval of the Agreement will establish the framework for allocating Golden Mussel treatment costs and related responsibilities between TVMWD and SGVMWD.

Fiscal Impact

Based on currently available project cost estimates and anticipated TVMWD deliveries, TVMWD's FY 2026/27 cost under the Agreement is preliminarily estimated at approximately $75,000. This estimate includes TVMWD's proportional share of fixed treatment-program costs and estimated variable chemical treatment costs based on approximately 7,000 acre-feet of annual deliveries. Fixed costs are allocated by DWR to SGVMWD and subsequently shared with TVMWD in accordance with the allocation methodology established in the Agreement, while chemical treatment costs are based on actual water deliveries.

A substantial portion of these costs is associated with water delivered to Covina Valley Water Company (CVWC) for its use or subsequent delivery to other agencies and is anticipated to be

recovered from CVWC. Based on historical delivery patterns, staff estimates that approximately 80% of the total treatment costs may ultimately be recoverable from CVWC. The actual amount recovered will depend on water deliveries and final treatment costs.

Sufficient funding is available within the FY 2026/27 adopted budget to absorb the estimated gross costs. As treatment activities continue, anticipated costs and associated cost recovery will be incorporated into the District's annual budget in future fiscal years.

Environmental Impact
None

Strategic Plan Objective(s)
1.1 – Water Quality
1.2 – Infrastructure Reliability

Attachment(s)
Exhibit A – Cost Sharing Agreement for Golden Mussel Mitigation

Meeting History
Board of Directors Meeting, September 16, 2026, Board received an informational update regarding the draft Cost Sharing Agreement.

NA/EG

COST SHARING AGREEMENT
FOR GOLDEN MUSSEL MITIGATION

This Cost Sharing Agreement for Golden Mussel Mitigation ("Agreement") is entered into as of _____ __, 2026 ("Effective Date"), by and between San Gabriel Valley Municipal Water District, a municipal water district ("SGVMWD") and Three Valleys Municipal Water District, a municipal water district ("TVMWD"). The parties may each be referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, SGVMWD is State Water Contractor that imports water through the State Water Project and owns and operates the Devils Canyon-Azusa Pipeline ("DCAP") to convey that imported water to the San Gabriel Valley; and

WHEREAS, TVMWD is a water wholesaler that procures water, including through SGVMWD, for treatment and delivery to its member agencies; and

WHEREAS, SGVMWD delivers imported water through the DCAP to TVMWD at the North Azusa Connection for use by TVMWD's customer, Covina Valley Water Company ("CVWC") pursuant to the North Azusa Connection Agreement between TVMWD and CVWC (the "NAC Agreement"); and

WHEREAS, since 2024, the invasive species commonly known as the Golden Mussel (Limnoperna fortunei) ("Golden Mussel") has been found in State Water Project facilities, including in facilities that provide water that is transmitted by the DCAP for delivery to SGVMWD and TVMWD; and

WHEREAS, the California Department of Water Resources ("DWR"), which operates the State Water Project, has agreed to provide water treatment in the DCAP first afterbay to combat the Golden Mussel through conveyance of such treatment chemicals (copper-based EarthTec QZ) through the DCAP; and

WHEREAS, SGVMWD must bear the costs that DWR incurs in connection with the specified treatment of the Golden Mussel and the Parties desire to cooperate in implementing the necessary treatment to prevent, control, or mitigate the introduction, spread, or impacts of Golden Mussels; and

WHEREAS, the Parties desire to establish a framework for allocating costs, responsibilities, risks, and liabilities associated with such activities.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

1. DEFINITIONS

1.1 "Approved Costs" means reasonable and documented costs incurred in connection with the Treatment Activities, including without limitation:

- chemical treatment;
- filtration systems;
- monitoring and testing;
- inspection and sampling;
- engineering and consulting services;
- environmental compliance;
- labor and contractor costs;
- equipment procurement and maintenance;
- emergency response measures; and
- legal and regulatory compliance costs.

Notwithstanding the foregoing, costs reimbursable by TVMWD shall be limited to those expressly provided for in Section 4.

1.2 "Treatment Activities" means all activities undertaken to detect, prevent, control, eradicate, contain, or mitigate Golden Mussels in connection with the DCAP and conveyance of water to TVMWD, including operational, chemical, biological, mechanical, engineering, and monitoring activities.

1.3 "Project Area" means the facilities, pipelines, treatment plants, infrastructure, or geographic areas identified in Exhibit A.

1.4 "Regulatory Authority" means any federal, state, tribal, provincial, municipal, or local governmental agency or authority having jurisdiction over the Project Area or Treatment Activities.

2. PURPOSE AND SCOPE

2.1 Purpose. The purpose of this Agreement is to:

- coordinate Treatment Activities;
- allocate costs associated with Treatment Activities;
- establish procedures for budgeting, invoicing, and reimbursement;
- allocate liabilities and risks among the Parties; and

- establish governance and dispute resolution procedures.

2.2 Scope. This Agreement applies to all Treatment Activities undertaken by or on behalf of the Parties within the Project Area unless otherwise agreed in writing.

3. GOVERNANCE AND COORDINATION

3.1 Coordination. SGVMWD will coordinate with the management of TVMWD and CVWC to keep them informed regarding the Treatment Activities, costs that are incurred to be Approved Costs, any emergency response measures, review of compliance obligations and to oversee implementation of this Agreement.

3.2 Lead Party. SGVMWD will be the "Lead Party" responsible for:

- coordinating with DWR and any outside contractors and consultants;
- maintaining records;
- invoicing and cost accounting;
- communicating with Regulatory Authorities; and
- administering project activities.

4. COST SHARING

4.1 General Allocation. Costs shall be allocated in accordance with the methodologies set forth below for each applicable cost category:

4.1.1. Fixed Infrastructure Cost Share. TVMWD shall reimburse SGVMWD for its proportional share of the fixed costs assessed to SGVMWD by the California Department of Water Resources ("DWR") for the Golden Mussel Treatment Program. For purposes of this Section, fixed costs shall be limited to fixed project costs separately assessed to SGVMWD by DWR under the applicable State Water Project Statement of Charges, unless otherwise agreed to in writing by the Parties.

TVMWD's proportional share shall be determined annually using a three-year rolling allocation factor. The allocation factor shall equal the total volume of water delivered through the DCAP on behalf of TVMWD during the three most recently completed calendar years, regardless of delivery point, divided by the total volume of water delivered into the San Gabriel Valley/Azusa Pipeline attributable to SGVMWD during the same three-year period, as reflected in DWR's official metered delivery records or other mutually agreed operational records. For purposes of this calculation, deliveries on behalf of TVMWD shall include water conveyed through the DCAP and designated in the applicable delivery records as attributable to TVMWD, including deliveries made for TVMWD storage, exchange, or replenishment purposes.

The resulting allocation factor shall be established prior to the beginning of each fiscal year and shall remain fixed for that fiscal year. For the fiscal year ending June 30, 2027, the allocation factor shall be calculated using calendar-year deliveries for 2023 through 2025.

4.1.2. Variable Chemical Treatment Cost. TVMWD shall reimburse SGVMWD for the actual chemical treatment cost attributable to water delivered on TVMWD's behalf. Such cost shall equal the actual per-acre-foot chemical treatment charge invoiced to SGVMWD by the California Department of Water Resources (DWR)

4.1.3. Administrative / Wheeling Charge. The Parties acknowledge that TVMWD currently pays SGVMWD a wheeling charge under existing agreements for water conveyed through the Devils Canyon-Azusa Pipeline, which includes compensation for routine operational administration. Should the Golden Mussel Treatment Program result in material additional administrative, operational, accounting, regulatory compliance, reporting, or management responsibilities beyond those contemplated under the existing wheeling arrangement, the Parties agree to meet and confer in good faith to determine whether an adjustment to the existing wheeling charge is appropriate.

4.2 Billing and Payment Process. SGVMWD shall bill TVMWD for amounts due under Section 4.1 and shall include supporting documentation sufficient to identify the applicable DWR charges and the calculation of TVMWD's share. Amounts due shall be paid to SGVMWD within thirty (30) days after receipt of invoice.

4.3 True-Up. To the extent DWR adjusts or reconciles costs previously assessed to SGVMWD for the Golden Mussel Treatment Program, SGVMWD shall make a corresponding adjustment to amounts charged to TVMWD in accordance with the applicable cost allocation methodology under Section 4.1. Any resulting amount due to TVMWD shall be provided as a credit, and any additional amount due to SGVMWD shall be invoiced to TVMWD with supporting documentation.

4.4 Emergency Costs. In the event of an emergency involving actual or imminent Golden Mussel infestation, the Lead Party may incur reasonable emergency costs without prior approval where necessary to:

- protect public health or safety;
- prevent substantial infrastructure damage;
- comply with legal obligations; or
- contain or mitigate rapid infestation.

Emergency costs shall remain subject to cost allocation under this Agreement.

4.5 Audit Rights. TVMWD shall have the right, upon reasonable written notice of at least seventy-two (72) hours to SGVMWD, to inspect and audit records relating to costs and delivery quantities used to calculate amounts charged to TVMWD under this Agreement. If an audit identifies an error or discrepancy in amounts billed to TVMWD, SGVMWD shall promptly correct the billing and either issue a credit or refund to TVMWD for any overpayment or invoice TVMWD for any underpayment, together with supporting documentation. If the audit determines that TVMWD was overbilled by more than five percent (5%) of the amount properly due for the period audited, SGVMWD shall provide TVMWD an additional credit equal to four percent (4%) of the amount overbilled.

4.6 Cost Estimates and Notice of Changes. SGVMWD shall provide TVMWD with copies of DWR's estimated costs for the Golden Mussel Treatment Program and shall notify TVMWD of any material change in estimated costs for which DWR requests SGVMWD's concurrence. Such information shall be provided to TVMWD sufficiently in advance, to the extent practicable, to allow TVMWD to evaluate the anticipated financial impact.

5. LIABILITY ALLOCATION

5.1 General Allocation of Liability. Except as otherwise expressly provided herein, each Party shall be responsible for its own acts, omissions, negligence, gross negligence, willful misconduct, and violations of law;

5.2 Environmental Liability. Each Party shall remain responsible for:

- compliance with environmental laws applicable to its own facilities and operations;
- contamination or releases caused by its personnel, contractors, or agents; and
- obtaining permits specifically assigned to that Party.

5.3 Third-Party Claims. SGVMWD shall defend, indemnify, and hold harmless TVMWD and its directors, officers, employees, and agents from and against any third-party claims, liabilities, damages, losses, costs, or expenses, including reasonable attorneys' fees, to the extent arising out of or resulting from SGVMWD's negligence, willful misconduct, violation of applicable law, breach of this Agreement, or environmental contamination resulting from SGVMWD's activities under this Agreement.

TVMWD shall defend, indemnify, and hold harmless SGVMWD and its directors, officers, employees, and agents from and against any third-party claims, liabilities, damages, losses, costs, or expenses, including reasonable attorneys' fees, to the extent arising out of or resulting from TVMWD's negligence or willful misconduct in connection with this Agreement.

5.4 Limitation of Liability. Except for obligations relating to:

- indemnification;

- gross negligence;
- willful misconduct;
- fraud; or
- unpaid payment obligations,

no Party shall be liable to the other Party for consequential, incidental, exemplary, or punitive damages.

6. COORDINATION WITH DWR

6.1 Treatment Activities. SGVMWD will coordinate all Treatment Activities with DWR. SGVMWD will keep TVMWD and CVWC informed on at least a monthly basis of the status of Treatment Activities and of the effectiveness of those activities.

7. REGULATORY COMPLIANCE

7.1 Compliance Obligations. The Parties shall comply with all applicable laws, regulations, permits, and governmental directives with respect to their individual operations relating to:

- invasive species control;
- water treatment;
- environmental protection;
- chemical usage and disposal;
- worker safety; and
- public health.

7.2 Reporting. To the extent applicable, the Parties shall cooperate in preparing and submitting any required reports to Regulatory Authorities.

7.3 Permits; CEQA. SGVMWD shall be responsible for obtaining any necessary permits for the Treatment Activities, including any permit required by the Los Angeles Regional Water Quality Control Board. SGVMWD shall be the lead agency for CEQA purposes and has filed a Notice of Exemption for the Treatment Activities.

7.4 Monitoring and Sampling. The Parties acknowledge that monitoring and sampling activities are required to comply with applicable regulatory requirements associated with Golden Mussel mitigation activities. SGVMWD shall be responsible for maintaining and implementing monitoring and sampling activities required in connection with the Treatment Activities, including applicable sampling locations, frequency, analytical requirements, and regulatory reporting. SGVMWD shall keep TVMWD reasonably informed regarding such

activities and shall provide TVMWD with monitoring, sampling, and reporting information reasonably necessary for administration of this Agreement.

8. DATA SHARING AND CONFIDENTIALITY

8.1 Data Sharing. The Parties shall share reasonably necessary operational, monitoring, sampling, and treatment data related to the Treatment Activities and Golden Mussel mitigation.

8.2 Confidential Information. Confidential business, security-sensitive, or proprietary information shall be protected from unauthorized disclosure to the extent permitted by law.

8.3 Public Records. As public agencies, SGVMWD and TVMWD are subject to the California Public Records Act and will comply with that act's requirements as applicable.

9. TERM AND TERMINATION

9.1 Term. This Agreement shall commence on the Effective Date and continue until all Treatment Activities have ceased or as specified in Section 9.2.

9.2 Termination for Cause. A Party may terminate this Agreement for material breach if such breach is not cured within thirty (30) days after written notice.

9.3 Survival. The following provisions shall survive termination:

- payment obligations incurred prior to termination;
- indemnification;
- confidentiality;
- audit rights; and
- liability allocations relating to events occurring prior to termination.

10. DISPUTE RESOLUTION

10.1 Negotiation. The Parties shall first attempt in good faith to resolve disputes through executive-level negotiations.

10.2 Mediation. If unresolved within sixty (60) days after first negotiation meeting under Section 10.1, the dispute shall be submitted to mediation.

10.3 Litigation / Arbitration. Any dispute that is not resolved under Sections 10.1 and 10.2 shall be resolved by litigation in the Los Angeles County Superior Court.

10.4 Governing Law. This Agreement shall be governed by the laws of the State of California, without regard to conflict-of-law principles.

11. MISCELLANEOUS

11.1 Entire Agreement. This Agreement constitutes the entire agreement among the Parties relating to the subject matter herein.

11.2 Amendments. This Agreement may only be amended by a written instrument signed by authorized representatives of the Parties.

11.3 Assignment. No Party may assign this Agreement without prior written consent of the other Parties, except to a successor entity by merger or operation of law.

11.4 No Partnership. Nothing herein creates a partnership, joint venture, fiduciary relationship, or agency relationship among the Parties.

11.5 Notices. All notices shall be delivered to the addresses listed below or such other address as designated in writing.

11.6 Counterparts; Electronic Signatures. This Agreement may be executed in counterparts, each of which shall be deemed an original. This Agreement may be executed by signatures transmitted electronically, including by e-mail, PDF, DocuSign or similar application, and any such electronically transmitted signature shall be as valid as an original signature.

11.7 Severability. If any provision is held invalid or unenforceable, the remaining provisions shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

San Gabriel Valley Municipal Water District

By_____

Its:_____

Three Valleys Municipal Water District

By_____

Its:_____

EXHIBIT A

DIAGRAM OF PROJECT AREA

DCAP AND TREATMENT FACILITY

THREE VALLEYS
MUNICIPAL WATER DISTRICT

BOARD ACTION

BOARD OF DIRECTORS
STAFF REPORT

To: TVMWD Board of Directors

From: Matthew H. Litchfield, General Manager

Date: October 7, 2026

Subject: Miramar Southern Carports Upgrades Project

Staff Recommendation

Staff recommends that the Board of Directors:

1. Accept the termination of the construction contract with Kressa LLC for the Miramar Southern Carports Upgrades Project;
2. Award the construction contract for the Miramar Southern Carports Upgrades Project to Coast Patio Covers, the second-lowest responsive bidder, in an amount not to exceed $243,408; and
3. Authorize the General Manager to execute the contract, subject to non-substantive changes.

Background

The southern carport, constructed in 1984, consists of a painted wood frame and membrane roof. The structure spans more than 150 feet and provides 14 parking spaces for District vehicles. Dry rot and visible damage have created safety concerns, and the carport's low clearance no longer accommodates current fleet needs. Staff therefore engaged a structural engineer to design a replacement using a lightweight, weather-resistant aluminum structure.

Discussion

On August 25, 2026, Three Valleys received 13 bids for the Project through the PlanetBids portal. A summary of the bids received is provided below.

Vendor Name	Bid Amount	Responsive
Kressa LLC	$201,420.00	Yes
Coast Patio Covers	$243,408.00	Yes
Golden Gate Steel, Inc.	$293,800.00	Yes

Vendor Name	Bid Amount	Responsive
Hami Construction Inc	$299,500.00	Yes
Rainy Day Roofing	$318,306.72	Yes
Aza Construction	$346,216.00	Yes
Hooked on Solar	$352,018.54	Yes
Wakeco Inc.	$385,612.40	Yes
Gulati Construction Company, Inc.	$394,469.60	Yes
All American Building Services	$397,760.06	No
Southland Roofing Inc	$400,000.00	Yes
Aquaphoenix Builders	$497,963.00	No
Rooms Covers N Solar	$599,970.88	Yes

After reviewing and evaluating all bid proposals, staff awarded the Project to the lowest responsive bidder, Kressa LLC, and received the required payment and performance bonds. However, Kressa LLC encountered difficulty procuring the required materials and submitted its notice on September 17, 2026, to terminate its agreement with Three Valleys. On September 25, 2026, Kressa LLC provided supporting documentation for its request (Exhibit A). Three Valleys staff and legal counsel reviewed the request and recommend that the Board of Directors accept the termination of the agreement.

Staff subsequently contacted the second-lowest responsive bidder, Coast Patio Covers. The firm has successfully completed two previous projects for Three Valleys: the northern carport and the patio cover. Based on that experience, staff has determined that Coast Patio Covers is able to complete the Project.

Staff recommends that the Board of Directors award the construction contract for the Miramar Southern Carports Upgrades Project to Coast Patio Covers, the second-lowest responsive bidder, in an amount not to exceed $243,408.

Fiscal Impact

The Fiscal Year 2026–27 Budget includes a $150,000 rollover from the previous fiscal year for the Miramar Southern Carports Upgrades Project. Staff proposes transferring $93,592.13 from the Administration Building Improvements project to provide the remaining funds needed to complete the Project; that project is available as a funding source because its construction bids were significantly lower than the original cost estimate.

Environmental Impact

None

Strategic Plan Objective(s)

1.3 – Infrastructure Reliability
2.2 – Accountability

Attachment(s)

Exhibit A – Request for Agreement Termination from Kressa LLC
Exhibit B – Construction Contract with Coast Patio Covers

Meeting History

Board of Directors Meeting, March 4, 2026, Project Update
Board of Directors Meeting, April 15, 2026, Reject Carport Project Bids

NA/BP

September 24, 2026

Kressa LLC *DBA* Kressa Design Build
1260 E Portner St., West Covina, CA 91790
(626) 383-8664 / vero813mendo@gmail.com
CSLB #: 1076931 / DIR #: 2000007035 / Bonded & Insured

Three Valleys Municipal Water District
1021 E. Miramar Avenue
Claremont, CA 91711
bpen@tvmwd.com

Request for Mutual Release and Termination

Kressa LLC respectfully requests a mutual release and termination of the Southern Carport Upgrades contract with Three Valleys Municipal Water District.

Kressa LLC began procurement of the proprietary panel system specified for the project. We made repeated attempts to contact Four Seasons by phone, email, and their online call-request system on 8/20, 8/25, 9/1, and 9/8 to obtain pricing, technical information, and lead-time information, but were unable to establish communication with the manufacturer.

On 9/10, we informed Brian that we had been unable to secure the specified supplier and were referred to Duralum. The pricing obtained from Duralum was substantially higher from the pricing basis used in our original bid. The attached comparison documents the original Metalspan pricing used in our estimating process and the subsequent Duralum pricing obtained for the specified system.

We also evaluated whether a conventional panel system could be substituted. Based on our review, a direct 1-to-1 substitution is not possible under the current drawings and would require changes to structural design, mounting details, engineering, and installation methods.

As a result, Kressa LLC determined that proceeding under the current procurement conditions is not commercially feasible for our company. Kressa LLC has not commenced physical construction, demolition, or pre-construction submittals on the project.

Additionally, Article VI, Section 8.A of the Agreement provides that the Contractor may terminate the Agreement at any time, at will, for any reason or no reason, upon at least thirty (30) calendar days' written notice to the District.

Accordingly, Kressa LLC respectfully requests that the District and Kressa proceed with a mutual release and termination of the Agreement without penalty to either party.

Kressa LLC respectfully requests that the TVMWD Board of Directors approve:

1. Mutual release and termination of the contract without penalty to either party; and
2. Release and return of Kressa's payment and performance bonds, including written confirmation authorizing release of the bonds and return of the original bond documents to Kressa.

The attached exhibits are provided to document the procurement history, pricing differences, supplier correspondence, and Kressa's basis for requesting termination.

Thank you for your consideration.

Veronica Mendoza
CEO & Managing Member
Kressa LLC

Robert Kressa
Contractor & Managing Member
Kressa LLC

Exhibits

1. Pricing Basis Comparison – Original Bid vs. Specified Proprietary System

Scope	Supplier Duralum (Alum. Patio/Beam Package)	Supplier Metalspan (5" Insulated Metal Panels)
Primary Material	4" WWD IR Package	5" CF Mesa Stainless/Poly
Total Area Coverage	4,224 SF	4,224 SF
Panel Unit Price ($/SF)	**$25.53 / SF**	**$15.45 / SF**
Gross Total Quote	**$160,346.01**	**$65,260.80**
Blended Total Rate ($/SF)	**$37.96 / SF**	**$18.95 / SF**

FOR INFORMATIONAL PURPOSES – PROVIDED FOR DISTRICT STAFF AND BOARD REVIEW. This analysis is provided as a professional courtesy to assist Three Valleys Municipal Water District staff in evaluating the project specifications. It does not alter, condition, or waive Contractor's Notice of Termination pursuant to Article VI, Section 8.A.

2. Email response from Metalspan/ Nucore regarding possible re-engineering

Huang, Harley (NIPG) <harley.huang@nucor.com> Sep 16, 2026, 12:09 PM (8 days ago)
to Eamon, me

Veronica,

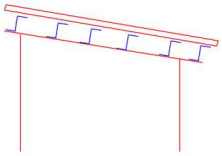
Theres 2 things that stand out on this project.

1. 16' span
2. 3'-6" projections

Our panels don't have the capacity to span 16' without any supports. Also, with the 3'-6" projection, our panels won't be able to pass deflection with even a small amount of load.

I would highly recommend utilizing some cold form Zee's or Cee's that run perpendicular to the panel. This will allow adequate support and stability.

Attached is a sketch of my suggestion



Let me know if you have any additional questions!

Thank you,

3. Email with Ben regarding Four Seasons non-responsiveness

Brian Pen Thu, Sep 10, 3:20 PM (13 days ago)
to me, Kevin, Sylvie, Robert

Hi Veronica,

Unfortunately, I do not have a direct contact with Four Seasons. Duralum is another common patio cover manufacturer in our area which may be an acceptable alternative if they are able to provide equal or similar materials to Four Seasons.

Regarding the October 15th start date of work, I would like to request Kressa to complete the demolition of the existing carports before October 21st as Three Valleys typically holds our board meetings during the 1st and 3rd Wednesdays of each month. I would also like to request that no work shall be performed during the mornings of our board meeting days. If Kressa needs additional time to complete the demolition, we can push forward the start date and begin work earlier in the week.

Thank you,

Brian Pen
Water Resources Analyst

1021 E. Miramar Avenue
Claremont, CA 91711

O: 909.621.5568 **M:** 909.293.7037
threevalleys.com

4. Attachment: Proof of no-response email from Four Seasons
5. Attachments: Duralum Panel Quote & Metalspan/Nucore Quote

Gmail

Veronica <vero813mendo@gmail.com>

Quote for Insulated Roof Panels

1 message

Veronica <vero813mendo@gmail.com> Tue, Sep 1, 2026 at 11:29 AM
To: info@fourseasonsbp.com

Hello,

I am looking for a quote for your insulated roof panels model: ICC-ES ESR-2229 for a carport canopy.

Total roof length/width (176 ft X 27 ft) overall plan envelope with 3-in insulated panels, including internal fan beam extrusions.

Please let me know if you have any questions.

Thank you,
Veronica

--

www.kressadesignbuild.com
Veronica Mendoza
(626) 383-8664
CSLB#1076931

Duralum Products, Inc.
2485 Railroad St.
Corona, CA 92878
(951)736-4500 Fax:(951)736-4035

QUOTATION

Order #	[redacted]
Order Date	09/15/26

Customer:	**006180 Phone: (626) 383-8664** **KRESSA LLC** **1260 E PORTNER ST** **WEST COVINA, CA 91790**	Ship To:	**SAME**
COR	***vero813mendo@gmail.com***		

Cust P.O.#	Terms	Job Name	Ship Via	Ship Date	PC
3V-MWD-CP	**CD NET - COD**	**3V-MWD-CP**	**WILL CALL**	**09/15/26**	

Line	Order	Ship	INITIAL	Item Number & Description	Whse	Location	Price	Extension
010	4224			4WIR32W SF: 4" WWD IR PACKAGE (WWD BEAM, POSTS, TRIM KI			25.52650	107823.936
020	528			FBU LF: FAN BEAM UPCHARGE (IR ROOF)			14.20250	7498.92
030				23' X 176' /COLOR?/CUT?				
040				NO POSTS, FREESTAND, DBL BEAM W/				
050				DBL U-BEAM PER DRAWING SENT				
060	528			38BW LF: 3" X 8" WWD BEAM WHITE			13.24300	6992.30
070				TOTAL BEAMS				
080				20 @ 21'				
090				4 @ 24'				
100				4 @ 25'6"				
110				4 @ 21'6"				
120	28			38IB 3" X 8" INSIDE BRACKET (7.75") BEAM TO WALL MIL			3.51500	98.42
130	6			38BECW 3" X 8" BEVEL END CAP WHITE			8.17000	49.02
140	177			2624RW LF: 2" X 6" WWD RAFTER (.024) WHITE			7.60000	1345.20
150	2			26BECW 2" X 6" BEVEL END CAP WHITE			7.09650	14.19
160	28			24UC12 24' U-CHANNEL 12 GAUGE - 3X8 INSERT GALVANIZED			707.29400	19804.23
170	4			30UC12 30' U-CHANNEL 12 GAUGE - 3X8 INSERT GALVANIZED			890.15000	3560.60
180	8			102X3DKW 10' DOWNSPOUT KIT (2"X 3") W/2 ELBOWS WHITE			32.22400	257.79
190				9 TOTAL				

Here is the quote you requested. Your Net after Tax And Disc - $ [redacted]

Sales Tax included is [redacted]

Quote Prepared By: [redacted]

Duralum File Copy

<pYeYfN><posP=0> terr|COR ibcust|0 posoib|

Please do not write in this area.

QT 6416042 006180

NUCOR INSULATED PANEL GROUP
CENTRIA METL SPAN

INVOICE

[redacted]
Lewisville, TX 75067-3701
USA

Phone: [redacted]
Toll Free: [redacted]
FAX: [redacted]

Invoice No: [redacted]
Invoice Date: [redacted]
Order ID [redacted]
Customer Id: [redacted]
Currency: USD
Commercial/Vertical: [redacted]
Job name: [redacted]

Bill To:	Ship To:
KRESSA LLC [redacted]	[redacted]

Job number	Ship-via	Shipper Id	Customer PO	Ship Date	Terms
[redacted]	See below	<Multiple>	[redacted]	<Multiple>	.5%10D N30

Qty shipped	Order unit	Part numbers	Mark Number	Site	Pricing qty	Pricing unit	Total price	Extended price
500.00	EA	#12 x 1'' PN SDS wo/washer		BC21	500.00	EA	$0.45	$225.00
1,250.00	EA	1/4''-14 x 7/8'' LL HWH Type 1 SDS w/BN washer,Color: 091 None		BC21	1,250.00	EA	$0.15	$187.50
50.00	EA	Non-Skinning Butyl Tube Sealant |Manus USDA 50AWH		BC21	50.00	EA	$4.14	$207.00
15.00	EA	Polyurethane Tube Sealant |White 10.01oz		BC21	15.00	EA	$6.47	$97.05
13.00	EA	Butyl Sealant Tape 1''		BC21	13.00	EA	$7.55	$98.15
9.00	ea	CF Mesa, Exterior: 26 Gauge, Stainless, 42" Width, 5" Thick, [redacted]	P2-1-1	BC21	[redacted]		$15.45	$14,032.93
20.00	ea	F5101 Corner Trim Outside - 6'' x 6''	F5101 - 120	BC21	216.60	SQFT	$7.28	$1,576.85
4.00	ea	F5609 6'' Mending Plate	F5609 - 120	BC21	23.32	SQFT	$7.28	$169.77
4.00	ea	F5435 4'' Channel Cover Trim - Ceiling	F5435 - 120	BC21	39.16	SQFT	$7.28	$285.08
20.00	ea	F5140 Corner Trim Inside - 2-1/2'' x 2-1/2''	F5140 - 120	BC21	100.00	SQFT	$5.87	$587.00
		Packing slip Nos: PS00060925 (Ship Date: 05/06/2026)						
34.00	ea	CF Mesa, Exterior: 26 Gauge, Stainless, 42" Width, 5" Thick, [redacted]	P1-1-1	BC21	[redacted]		$15.45	$25,739.70
		Packing slip Nos: PS00060924 (Ship Date: 05/06/2026)						
1.00	ea	Freight - Dedicated Carrier		BC21	1.00	EA	$888.13	$888.13
1.00	ea	Freight - Fuel Surcharge		BC21	1.00	EA	$148.92	$148.92
		Packing slip Nos: PS00061040 (Ship Date: 05/07/2026)						

CONTRACT

1.0 CONTRACT

THIS CONTRACT, made and entered into this 7th day of October 2026, by and between **Coast Patio Covers**, hereinafter referred to as "CONTRACTOR," and Three Valleys Municipal Water District located in Los Angeles, California, hereinafter referred to as "TVMWD".

WITNESSETH:

That for and in consideration of the promises and agreements hereinafter made and exchanged, TVMWD and the CONTRACTOR agree as follows:

A. CONTRACTOR agrees to perform and complete in a workmanlike manner, all Work required under the Request for Proposals FOR **Miramar Southern Carports Upgrades Project**, in accordance with the Request for Proposals, and to furnish at their own expense, all labor, materials, equipment, tools, and services necessary, except such materials, equipment, and services as may be stipulated in said Request for Proposals to be furnished by TVMWD, and to do everything required by this Contract and the said Request for Proposals.

B. For furnishing all said labor, materials, equipment, tools, and services, furnishing and removing all plant, temporary structures, tools and equipment, and doing everything required by this Contract and said Request for Proposals; also for all loss and damage arising out of the nature of the Work aforesaid, or from the action of the elements, or from any unforeseen difficulties which may arise during the prosecution of the Work until its acceptance by TVMWD, and for all risks of every description connected with the Work; also for all expenses resulting from the suspension or discontinuance of Work, except as in the said Request for Proposals are expressly stipulated to be borne by TVMWD; and for completing the Work in accordance with the requirements of said Request for Proposals, TVMWD will pay and said CONTRACTOR shall receive, in full compensation therefore, the price(s) set forth in this Contract.

C. That TVMWD will pay the CONTRACTOR progress payments and the final payment, in accordance with the provisions of the Contract Documents (Exhibit A), with warrants drawn on the appropriate fund or funds as required, at the

prices bid in the Request for Proposals, Contract Documents and accepted by TVMWD, and set forth in this below.

Total Bid Price ***Two hundred forty-three thousand, four hundred eight*** *Dollars and* ***zero*** *Cents* ($243,408.00).

If this is not a lump sum bid and the Contract Price is dependent upon the quantities constructed, TVMWD will pay and said CONTRACTOR shall receive, in full compensation for the Work the prices named in the Request for Proposals, Contract Documents.

D. TVMWD hereby employs the CONTRACTOR to perform the Work according to the terms of this Contract for the above-mentioned price(s), and agrees to pay the same at the time, in the manner, and upon the conditions stipulated in the said Request for Proposal; and the said parties for themselves, their heirs, executors, administrators, successors, and assigns, do hereby agree to the full performance of the covenants herein contained.

E. The Request for Proposals, Performance Bond, Payment Bond, and all Addenda issued by TVMWD with respect to the foregoing prior to the opening of bids, are hereby incorporated in and made part of this Contract, as if fully set forth.

F. The CONTRACTOR agrees to commence Work under this Contract on or before the date to be specified in a written "Notice To Proceed" and to complete said Work to the satisfaction of TVMWD **One hundred Eighty (180) calendar days** after Award of the Contract. All Work shall be completed before final payment is made.

G. Time is of the essence on this Contract.

H. TVMWD may deduct from any sums due or to become due to the CONTRACTOR, penalties and fines for violations of applicable local, state, and federal law.

I. That the CONTRACTOR shall carry Workers' Compensation Insurance and require all subcontractors to carry Workers' Compensation Insurance as required by the California Labor Code.

J. That the CONTRACTOR shall have furnished, prior to execution of the Contract, two bonds approved by TVMWD, one in the amount of one hundred (100) percent of the Contract Price, to guarantee the faithful performance of the Work, and one in the amount of one hundred (100) percent of the Contract Price to guarantee payment of all claims for labor and materials furnished.

K. The CONTRACTOR hereby agrees to protect, defend, indemnify and hold TVMWD and its employees, Engineer, agents, officers, directors, servants and volunteers free and harmless from any and all liability, claims, judgments, costs and demands, including demands arising from injuries or death of persons (including employees of TVMWD and the CONTRACTOR) and damage to property, arising directly or indirectly out of the obligation herein undertaken or out of the operations conducted by the CONTRACTOR, its employees agents, representatives or subcontractors under or in connection with this Contract to the fullest extent permitted by law.

The CONTRACTOR further agrees to investigate, handle, respond to, provide defense for and defend any such claims, demands or suit at the sole expense of the CONTRACTOR.

IN WITNESS WHEREOF, The CONTRACTOR and the General Manager of Three Valleys Municipal Water District, thereunto duly authorized, have caused the names of said parties to be affixed hereto, each in duplicate, the day and year first above written.

L. The CONTRACTOR, by signing the contract does swear under penalty of perjury that no more than one final unappealable finding of contempt of court by a Federal court has been issued against the CONTRACTOR within the immediately preceding two year period because of the CONTRACTOR's failure to comply with an order of a Federal court which orders the CONTRACTOR to comply with an order of the National Labor Relations Board (Public Contract Code 10296).

Three Valleys Municipal Water District,
Los Angeles County, California.

By _____
General Manager

CONTRACTOR

By _____

_____
Title

Bond Number _____

2.0 PERFORMANCE BOND

WHEREAS**,** the Three Valleys Municipal Water District ("TVMWD") has awarded **Coast Patio Covers** designated as the "Principal" herein, a contract for the Work described for the **Miramar Southern Carports Upgrades** as follows:

The Work consists of all materials, labor, tools, equipment, apparatus, facilities, transportation and incidentals necessary to furnish, install, commission, start up and deliver a complete and fully functional project in accordance with Request for Proposals. Project includes the demolition of the existing southern carports, install new alumawood carports at an increased height and extending over the uncovered handicapped space.

WHEREAS, on or about **October 7, 2026**, the Principal entered into a Contract with the TVMWD for the construction of the work of improvement, which Contract and all Contract Documents set forth therein are incorporated herein and made a part hereof by this reference; and

WHEREAS, Principal is required to furnish a bond guaranteeing the faithful performance of its obligations under the Contract Documents concurrently with delivery to TVMWD of the executed Contract.

NOW, THEREFORE, Principal and _____ ("Surety"), a duly admitted surety in the State of California, are held and firmly bound to TVMWD for payment of the penal sum of $_____ ("the Bonded Sum"), in lawful money of the United States, for payment of which sum Principal and Surety jointly and severally bind themselves and their heirs, executors, administrators, successors and assigns.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT if Principal shall promptly and faithfully perform all of its obligations under the Contract Documents, including any and all amendments and supplements thereto, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

The following terms and conditions shall apply with respect to this Bond:

A. The Principal and the Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to TVMWD for the complete and proper performance of the Contract, which is incorporated herein by reference.

B. If the Principal completely and properly performs all of its obligations under the Contract, the Surety and the Principal shall have no obligation under this Bond.

C. If there is no TVMWD Default, the Surety's obligation under this Bond shall arise after:

1. TVMWD has declared a Principal Default under the Contract pursuant to the terms of the Contract; and

2. TVMWD has agreed to pay the Balance of the Contract Sum to:

a. The Surety in accordance with the terms of this Bond and the Contract; or

b. The CONTRACTOR selected to perform the Contract in accordance with the terms of this Bond and the Contract.

c. If the Surety waives the right to perform Work under Paragraph D.4 below, TVMWD shall not be obligated to pay the Balance of the Contract Sum.

D. When TVMWD has satisfied the conditions of Paragraph C, the Surety shall promptly (within thirty (30) calendar days) and at the Surety's expense elect to take one of the following actions (provided, that unless and until TVMWD has actually terminated Principal for default, the Surety need only respond to TVMWD and commence a diligent investigation, not make an election):

1. Arrange for the Principal, with consent of TVMWD, to perform and complete the Contract (but TVMWD may withhold consent, in its sole discretion, in which case the Surety must elect an option described in Paragraphs D.2, D.3 or D.4, below); or

2. Undertake to perform and complete the Contract itself, through its agents or through independent contractors, but TVMWD may reject use of the contractor as an agent or independent contractor; or

3. Obtain bids from qualified contractors acceptable to TVMWD for a contract for performance and completion of the Contract (other than the original Principal), and, upon determination by TVMWD of the lowest responsible bidder, arrange for a contract to be prepared for execution by TVMWD and the contractor selected with TVMWD's concurrence, to be secured with performance and payment bonds executed by a qualified surety equivalent to the bonds issued on the Contract; and, if the Surety's obligations defined in Paragraph F, below, exceed the Balance of the Contract Sum, then the Surety shall pay to TVMWD the amount of such excess; or

4. Waive its right to perform and complete, arrange for completion, or obtain a new contractor and with reasonable promptness under the circumstances, and, after investigation and consultation with TVMWD, determine in good faith its monetary obligation for which it may then be liable to TVMWD under Paragraph F, below, for the performance and completion of the Contract and, as soon as practicable after the amount is determined, tender payment therefor to TVMWD with full explanation of the payment's calculation. If

TVMWD accepts the Surety's tender under this Paragraph 4.4, TVMWD may still hold Surety liable for future damages then unknown or unliquidated resulting from the Principal Default. If TVMWD disputes the amount of Surety's tender under this Paragraph 4.4, TVMWD may exercise all remedies available to it at law to enforce the Surety's liability under Paragraph F, below.

E. If the Surety does not proceed as provided in Paragraph D, above, then the Surety shall be deemed to be in default on this Bond ten (10) calendar days after receipt of an additional written notice from TVMWD to the Surety demanding that the Surety perform its obligations under this Bond. At all times TVMWD shall be entitled to enforce any remedy available to TVMWD by law or under the Contract including, without limitation, and by way of example only, rights to perform work, protect work, mitigate damages, or coordinate work with other consultants or contractors.

F. The Surety's monetary obligation under this Bond is limited to the amount of this Bond. Subject to these limits, the Surety's obligations under this Bond are commensurate with the obligations of the Principal under the Contract. The Surety's obligations shall include, but are not limited to:

1. The responsibilities of the Principal under the Contract for completion of the Contract and correction of defective work;
2. The responsibilities of the Principal under the Contract to pay liquidated damages, and for damages for which no liquidated damages are specified in the Contract, actual damages caused by non-performance of the Contract, including but not limited to, all valid and proper back charges, offsets, payments, indemnities, or other damages;
3. Additional legal, design professional and delay costs resulting from the Principal Default or resulting from the actions or failure to act of the Surety under Paragraph D, above.

G. No right of action shall accrue on this Bond to any person or entity other than TVMWD or its heirs, executors, administrators, or successors.

H. The Surety hereby waives notice of any change, alteration or addition to the Contract or to related subcontracts, purchase orders and other obligations, including changes of time. The Surety consents to all terms of the Contract, including provisions on changes to the Contract. No extension of time, change, alteration, modification, deletion, or addition to the Contract Documents, or of the work required thereunder, shall release or exonerate Surety on this Bond or in any way affect the obligations of Surety on this Bond.

I. Any proceeding, legal or equitable, under this Bond shall be instituted in any court of competent jurisdiction where a proceeding is pending between TVMWD and the

Principal regarding the Contract, or in the courts of the County of Los Angeles, or in a court of competent jurisdiction in the location in which the work is located.

J. Notice to the Surety, TVMWD or the Principal shall be mailed or delivered to the address shown on the signature page.

K. Any provision in this Bond conflicting with any statutory or regulatory requirement shall be deemed deleted here from and provisions conforming to such statutory requirement shall be deemed incorporated herein.

L. Definitions.

1. Balance of the Contract Sum: The total amount payable by TVMWD to the Principal pursuant to the terms of the Contract after all proper adjustments have been made under the Contract, for example, deductions for progress payments made, and increases/decreases for approved modifications to the Contract.

2. Contract: The agreement between TVMWD and the Principal identified on the signature page, including all Contract Documents and changes thereto.

3. Principal Default: Material failure of the Principal, which has neither been remedied nor waived, to perform or otherwise to comply with the terms of the Contract.

4. TVMWD Default: Material failure of TVMWD, which has neither been remedied nor waived, to pay the Principal progress payments due under the Contract or to perform other material terms of the Contract, if such failure is the cause of the asserted Principal Default and is sufficient to justify Principal termination of the Contract.

M. Qualification Regarding Extended Warranties. The Surety's liability for extended warranties for Subcontractors and suppliers shall not apply to a breach of any such extended warranty under the Contract that occurs more than one year after the applicable warranty commencement date under the Contract.

IN WITNESS WHEREOF, three (3) identical counterparts of this instrument, each of which shall for all purposes be deemed an original hereof, have been duly executed by Principal and Surety of the date set forth below, the name of each corporate party being hereto affixed and these presents duly signed by its undersigned representative(s) pursuant to authority of its governing body. Principal and Surety have caused this Bond to be duly executed and delivered as of this _____ day of _____, 20___.

SURETY:	PRINCIPAL:
Name	Name
Principal Place of Business	Address
By: _____ Signature	By: _____ Signature
Attorney-In-Fact	Printed Name
By:	Its: _____ Title

NOTARIAL CERTIFICATION OF ATTORNEY IN FACT, CORPORATION SEAL AND SURETY SEAL MUST BE ATTACHED

ACKNOWLEDGMENT OF PERFORMANCE BOND

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____)

On _____ before me, _____ personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they/ executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ **(Seal)**

Bond Number _____

3.0 PAYMENT BOND (Labor and Material Bond)

WHEREAS**,** the Three Valleys Municipal Water District ("TVMWD") has awarded **Coast Patio Covers** designated as the "Principal" herein, a contract for the Work described for the **Miramar Southern Carports Upgrades** as follows:

The Work consists of all materials, labor, tools, equipment, apparatus, facilities, transportation and incidentals necessary to furnish, install, commission, start up and deliver a complete and fully functional project in accordance with Request for Proposals. Project includes the demolition of the existing southern carports, install new alumawood carports at an increased height and extending over the uncovered handicapped space.

WHEREAS, on or about **October 7, 2026**, the Principal entered into a Contract with the TVMWD for the construction of the work of improvement, which Contract and all Contract Documents set forth therein are incorporated herein and made a part hereof by this reference; and

WHEREAS, by terms of the Contract, as well as California Civil Code § 9550 et seq. and Public Contract Code § 22165(a), Principal is required to furnish a bond guaranteeing payment of claims.

NOW, THEREFORE, Principal and _____ ("Surety"), a duly admitted surety in the State of California, are held and firmly bound to the TVMWD for payment of the penal sum of $_____ ("the Bonded Sum"), in lawful money of the United States, for payment of which sum Principal and Surety jointly and severally bind themselves and their heirs, executors, administrators, successors and assigns.

THE CONDITION OF THIS OBLIGATION IS SUCH THAT if Principal shall fail to pay any of the persons named in California Civil Code § 9100 for all labor, materials, equipment or services used or reasonably required for use in performance of the Work of the Project, then Surety shall pay for the same in an amount not-to-exceed the Bonded Sum, otherwise this obligation shall be null and void.

The following terms and conditions shall apply with respect to this Bond:

A. The Principal and the Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to TVMWD and to Claimants, to pay for labor, materials and equipment furnished for use in the performance of the Contract, which is incorporated herein by reference.

B. With respect to TVMWD, this obligation shall be null and void if the Principal:

1. Promptly makes payment, directly or indirectly, for all sums due Claimants, and

2. Defends, indemnifies and holds harmless TVMWD from all claims, demands, liens or suits by any person or entity who furnished labor, materials or equipment for use in the performance of the Contract, provided TVMWD has promptly notified the Principal and the Surety (at the address indicated below) of any claims, demands, liens or suits and tendered defense of such claims, demands, liens or suits to the Principal and the Surety, and provided there is no TVMWD Default.

C. With respect to Claimants, this obligation shall be null and void if the Principal promptly makes payment, directly or indirectly through its subcontractors, for all sums due Claimants. However, if Principal or its subcontractors fail to pay any of the persons named in California Civil Code §9100, or amounts due under the Unemployment Insurance Code with respect to work or labor performed under the Contract, or for any amounts required to be deducted, withheld, and paid over to the Employment Development Department from the wages of employees of Principal or subcontractors pursuant to the Unemployment Insurance Code § 13020, with respect to such work and labor, then Surety will pay for the same, and also, in case suit is brought upon this bond, a reasonable attorney's fee, to be fixed by the Court.

D. The Surety shall have no obligation to Claimants under this Bond unless the Claimant has satisfied all applicable notice requirements under Civil Code § 9560.

E. The Surety's total obligation shall not exceed the amount of this Bond, and the amount of this Bond shall be credited for any payments made in good faith by the Surety under this Bond.

F. Amounts due the Principal under the Contract shall be applied first to satisfy claims, if any, under any Construction Performance Bond and second, to satisfy obligations of the Principal and the Surety under this Bond.

G. TVMWD shall not be liable for payment of any costs, expenses, or attorney's fees of any Claimant under this bond, and shall have under this Bond no obligations to make payments to, give notices on behalf of, or otherwise have obligations to Claimants under this Bond.

H. The Surety hereby waives notice of any change, including changes of time, to the Contract or to related subcontracts, purchase orders and other obligations.

I. Suit against Surety on this Payment Bond may be brought by any Claimant, or its assigns, at any time after the Claimant has furnished the last of the labor or materials, or both, but, pursuant to California Civil Code § 9558, must be commenced before the expiration of six months after the period in which stop payment notices may be filed as provided in Civil Code § 9356.

J. Notice to the Surety, TVMWD or the Principal shall be mailed or delivered to the address shown on the signature page. Actual receipt of notice by Surety, TVMWD or the Principal, however accomplished, shall be sufficient compliance as of the date received at the address shown on the signature page.

K. This Bond has been furnished to comply with Civil Code § 9000 et seq. Any provision in this Bond conflicting with said statutory requirements shall be deemed deleted and provisions conforming to such statutory or other legal requirements shall be deemed incorporated herein. The intent is that this Bond shall be construed as a statutory bond and not as a common law bond.

L. Upon request by any person or entity appearing to be a potential beneficiary of this Bond, the Principal shall promptly furnish a copy of this Bond or shall permit a copy to be made.

M. DEFINITIONS

1. Claimant: An individual or entity having a direct contract with the Principal or with a subcontractor of the Principal to furnish labor, materials or equipment for use in the performance of the Contract, as further defined in California Civil Code § 9100. The intent of this Bond shall be to include without limitation in the terms "labor, materials or equipment" that part of water, gas, power, light, heat, oil, gasoline, telephone service or rental equipment used in the Contract, architectural and engineering services required for performance of the work of the Principal and the Principal's subcontractors, and all other items for which a stop payment notice might be asserted.
2. Contract: The agreement between TVMWD and the Principal identified on the signature page, including all Contract Documents and changes thereto.
3. TVMWD Default: Material failure of TVMWD, which has neither been remedied nor waived, to pay the Principal as required by the Contract, provided that failure is the cause of the failure of Principal to pay the Claimants and is sufficient to justify termination of the Contract.

IN WITNESS WHEREOF, three (3) identical counterparts of this instrument, each of which shall for all purposes be deemed an original hereof, have been duly executed by Principal and Surety of the date set forth below, the name of each corporate party

being hereto affixed, and these presents duly signed by its undersigned representative(s) pursuant to authority of its governing body. Principal and Surety have caused this Bond to be duly executed and delivered as of this _____ day of _____, 20___.

SURETY:	PRINCIPAL:
_____	_____
Name	Name
_____	_____
Principal Place of Business	Address
_____	_____
By: _____	By: _____
Signature	Signature
_____	_____
Attorney-In-Fact	Printed Name
By:	Its: _____
	Title

NOTARIAL CERTIFICATION OF ATTORNEY IN FACT, CORPORATION SEAL AND SURETY SEAL MUST BE ATTACHED

ACKNOWLEDGMENT OF PAYMENT BOND

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____)

On _____ before me, _____ personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they/ executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ **(Seal)**

4.0 WAIVER/RELEASE OF LIABILITY

I, the undersigned, on behalf of _____(hereinafter called Firm) fully understand that the storage or leaving of _____ at TVMWD's _____ facility, located at _____ _____California, during the period of _____ to_____ exposes Firm to the risk of, but not limited to, theft, fire damage, vandalism, water damage, wind damage, and possible personal injury to Firm's employees. For the privilege of storing/leaving _____at said location, Firm agrees to assume any and all such risk.

In consideration of being able to store/leave said item(s) at said location, Firm hereby releases, agrees not to sue, or bring any action against, the Three Valleys Municipal Water District, its officers, employees, agents, representatives, and volunteers for any and all liability, claims, or actions for injury or death to Firm' s employees, or damage or theft of said property arising out of, or in connection with, the storage or leaving of said item(s) at Three Valleys Municipal Water District's facility for whatever cause, excluding the purposeful actions or active negligence of the Three Valleys Municipal Water District, its officers, employees, agents, representatives, and volunteers.

I have carefully read this Waiver/Release of Liability and covenant not to sue, and fully understand its contents, and the possible exposures that Firm is agreeing to assume. I am aware that this Waiver/Release of Liability is a full release of any and all liability. I am signing such as the authorized agent of Firm, and of my own free will.

_____
Name of Firm

By: _____ _____
Representative's signature *Date*

_____ _____
Print Name *Title*

Approved: _____ _____
for TVMWD

MIRAMAR SOUTHERN CARPORTS UPGRRADE

CONTRACT DOCUMENTS – EXHIBIT A

1.0 BONDS

THE CONTRACTOR'S ATTENTION IS DIRECTED TO THE BONDING REQUIREMENTS BELOW. IT IS HIGHLY RECOMMENDED THAT THE CONTRACTOR CONFER WITH THEIR RESPECTIVE INSURANCE AGENT OR BROKER TO DETERMINE, IN ADVANCE OF BID SUBMISSION, THE AVAILABILITY OF THE BONDS AS PRESCRIBED AND PROVIDED FOR HEREIN. IF AN APPARENT LOW CONTRACTOR FAILS TO COMPLY STRICTLY WITH THE BONDING REQUIREMENTS, THAT CONTRACTOR MAY BE DISQUALIFIED FROM AWARD OF THE CONTRACT.

A. Performance Bond:

1. Before execution of the Contract by TVMWD, the successful Bidder shall file with TVMWD, on the forms furnished herewith, a performance bond in an amount equal to one hundred (100) percent of the Contract Price to guarantee faithful performance of all Work, within the time prescribed, in a manner satisfactory to TVMWD, and that all materials and workmanship will be free from original or developed defects.

2. The performance bond shall be effective through the one (1) year warranty period.

B. Payment Bond (Material and Labor Bond): Before execution of the Contract by TVMWD, the successful Bidder shall file with TVMWD, on the forms furnished herewith, a payment bond (material and labor bond) in an amount equal to one hundred (100) percent of the Contract Price, to satisfy claims of material suppliers and of mechanics and laborers employed by the CONTRACTOR to perform the Work.

C. Unsatisfactory Sureties: Should any Surety at any time be deemed unsatisfactory by TVMWD, notice will be given the CONTRACTOR to that effect. No further payments shall be deemed due or will be made under the Contract until a new Surety shall qualify and be accepted by TVMWD.

D. Effect of Changes in the Work/Extensions of Time on the Surety: Changes in the Work, or extensions of time, made pursuant to the Contract, shall in no way release the CONTRACTOR or the Surety from their obligations under the bond. Notice of such changes or extensions shall be waived by the Surety.

E. Insufficiency of the Bonds: Should any bond(s) required under this section become insufficient, the CONTRACTOR shall renew the bond(s) within ten (10) calendar days after receiving notice from TVMWD of the bond's insufficiency.

F. Procurement of Bonds:

1. All bonds required under this section, shall be procured from a California licensed and admitted surety company, per the California Code of Civil Procedure Section 995.120, current on the date of the Notice of Award.

2. All bonds required pursuant to this section shall be secured from a surety company satisfactory to TVMWD.

G. Term of Required Bonds: Except as provided otherwise in this section all bonds shall be maintained in full force and effect for a period of sixty (60) calendar days after completion and acceptance of the Work by TVMWD.

H. Attorney-in-Fact: The Attorney-in-Fact (Resident Agent) who executes the bonds on behalf of the Surety Company shall attach a notarized copy of their power-of-attorney as evidence of their authority to bond the Surety Company on the date of execution of the bonds.

I. How Bonds are to be Payable: All bonds shall be made payable to TVMWD (Three Valleys Municipal Water District).

J. Signatures Required on Bonds:

1. Each bond required under this section shall incorporate, by reference, the Contract and be signed by both the Bidder and the Surety.

2. The signature of the authorized agent of the Surety and the CONTRACTOR shall be notarized.

K. Cost of Bond Acquisition:

1. The Bidder shall be responsible for the cost of all bond premiums, costs, and incidentals necessary to secure the bonds.

2. The costs to secure all bonds required under this section shall be included in the CONTRACTOR's bid.

2.0 CONTRACTOR'S INSURANCE AND INDEMNIFICATION

INSURANCE REQUIREMENTS FOR CONTRACTORS: THE CONTRACTOR'S

ATTENTION IS DIRECTED TO THE INSURANCE REQUIREMENTS BELOW. IT IS HIGHLY RECOMMENDED THAT THE CONTRACTOR CONFER WITH THEIR RESPECTIVE INSURANCE CARRIERS OR BROKERS TO DETERMINE IN ADVANCE OF BID SUBMISSION THE AVAILABILITY OF INSURANCE CERTIFICATES AND ENDORSEMENTS AS PRESCRIBED AND PROVIDED HEREIN. IF AN APPARENT LOW CONTRACTOR FAILS TO COMPLY STRICTLY WITH THE INSURANCE REQUIREMENTS, THAT CONTRACTOR MAY BE DISQUALIFIED FROM AWARD OF THE CONTRACT.

The CONTRACTOR shall procure and maintain for the duration of the Contract insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the Work hereunder by the CONTRACTOR, their agents, representatives, employees or subcontractors. The cost of such insurance shall be included in the CONTRACTOR's bid.

A. Minimum Scope of Insurance:

1. General Liability: ($2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number Gl 0001-87, covering Commercial General Liability. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location, or the general aggregate limit shall be twice the required occurrence limit.

   The insurance shall include coverage for each of the following hazards:
   a. Premises – Operations
   b. Owners and Contractors Protective
   c. Broad Form Property Damage
   d. Contractual for Specific Contract
   e. Severability of Interests or Cross-Liability
   f. XCU hazards
   g. Personal injury-with the "Employee" exclusion

2. Automobile Liability: ($1,000,000) combined single limit per accident for bodily injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number CA 00 01 01 87, covering Automobile Liability, code 1 "any auto".

3. Workers' Compensation and Employers Liability: Workers' compensation limits as required by the Labor Code of the State of California and employers liability limits of ($1,000,000) per accident.

4. If the CONTRACTOR maintains broader coverage and/or higher limits than the minimums show above, the Agency requires and shall be entitled to the broader coverage and/or the higher limits maintained by the CONTRACTOR. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the Agency.

B. Deductibles and Self-Insured Retention: Any deductibles or self-insured retention must be declared to and approved by TVMWD. At the option of TVMWD, either the insurer shall reduce or eliminate such deductibles or self-insured retention (as respects TVMWD), its officers, officials, employees, volunteers, property owners and engineers under contract to TVMWD; or the CONTRACTOR shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

C. Other Insurance Provisions: The policies are to contain, or be endorsed to contain, the following provisions:

1. General Liability and Automobile Liability
   a. TVMWD, its officers, officials, employees, volunteers, property owners and any engineers under contract to TVMWD are to be covered as insureds, endorsement CG20 101185, as respects: liability arising out of activities performed by or on behalf of the CONTRACTOR, products and completed operations of the CONTRACTOR, premises owned, occupied or used by the CONTRACTOR, or automobiles owned, leased, hired or borrowed by the CONTRACTOR. The coverage shall contain no special limitations on the scope of protection afforded to TVMWD, its officers, officials, employees, volunteers, property owners or engineers under contract to TVMWD.

   b. The CONTRACTOR's insurance coverage shall be primary insurance as respects TVMWD, its officers, officials, employees, volunteers, property owners or engineers under contract to TVMWD. Any insurance or self-insurance maintained by TVMWD, its officers, officials, employees, volunteers, property owners or engineers under contract to TVMWD shall be excess of the CONTRACTOR's insurance and shall not contribute with it.

   c. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to TVMWD, its officers, officials, employees, volunteers, property owners or engineers under contract to TVMWD.

   d. The CONTRACTOR's insurance shall apply separately to each insured

against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

e. The CONTRACTOR may satisfy the limit requirements in a single policy or multiple policies. Any such additional policies written as excess insurance shall not provide any less coverage than that provided by the first or primary policy.

2. Workers' Compensation and Employers Liability Coverage: The insurer shall agree to waive all rights of subrogation against TVMWD, its officers, officials, employees, volunteers, property owners or engineers under contract to TVMWD for losses arising from Work performed by the CONTRACTOR for TVMWD. Original Waiver of Subrogation endorsement must be furnished to TVMWD.

3. Builders Risk Insurance (Course of Construction) utilizing an "All Risk" (Special Perils coverage form): TVMWD is to be named as the loss payee.

4. All Coverages: Each insurance policy required by this contract shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) calendar days prior written notice has been given to TVMWD.

D. Acceptability of Insurers: Insurance is to be placed with insurers with a Best's rating of no less than A: VII, and who are admitted insurers in the State of California.

E. Verification of Coverage: CONTRACTOR shall furnish TVMWD with certificates of insurance and with original endorsements effecting coverage required by TVMWD for themselves and all subcontractors, prior to commencing work or allowing any subcontractor to commence work under any subcontract. CONTRACTOR shall require and verify that all subcontractors maintain insurance meeting all requirements stated herein, and CONTRACTOR shall ensure that Agency is an additional insured on insurance required from subcontractors. Should the CONTRACTOR choose to absorb some of the risk associated with the thresholds, this does not remove the requirement to include the Agency as an additional insured on the subcontractor's policy. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be approved by TVMWD before Work commences. TVMWD reserves the right to require complete, certified copies of all required insurance policies, at any time.

F. Liability and Indemnity:

1. Other than in the performance of design professional services, and to the fullest extent permitted by law, CONTRACTOR shall, at its sole cost and expense, defend, hold harmless and indemnify the INDEMNITEES from and against any and all damages, costs, expenses, liabilities, claims, demands, causes of action, proceedings, judgments, penalties, liens and losses of any nature whatsoever, including fees of accountants, attorneys or other professionals, and all costs associated therewith, and the payment of all consequential damages, in law or equity, whether actual, alleged or threatened, which arise out of, are claimed to arise out of, pertain to, or relate to the acts or omissions of CONTRACTOR, its officers, agents, servants, employees, SUBCONTRACTORs, materialmen, contractors or their officers, agents, servants or employees (or any entity or individual that CONTRACTOR shall bear the legal liability thereof) in the performance of this AGREEMENT, including the INDEMNITEES' active or passive negligence, except for claims arising from the sole negligence or willful misconduct of the INDEMNITEES, as determined by final arbitration or court decision or by the agreement of the PARTIES. CONTRACTOR shall defend the INDEMNITEES in any action or actions filed in connection with any claim with counsel of the INDEMNITEES' choice, and shall pay all costs and expenses, including all attorneys' fees and experts' costs actually incurred in connection with such defense. CONTRACTOR shall reimburse the INDEMNITEES for any and all legal expenses and costs incurred by the INDEMNITEES in connection therewith.

2. CONTRACTOR shall pay all required taxes on amounts paid to CONTRACTOR under this AGREEMENT and indemnify and hold TVMWD harmless from any and all taxes, assessments, penalties, and interest asserted against TVMWD by reason of the independent contractor relationship created by this AGREEMENT. CONTRACTOR shall fully comply with the workers' compensation law regarding CONTRACTOR and CONTRACTOR's employees. CONTRACTOR shall indemnify and hold TVMWD harmless from any failure of CONTRACTOR to comply with applicable workers' compensation laws. TVMWD may offset against the amount of any fees due to CONTRACTOR under this AGREEMENT any amount due to TVMWD from CONTRACTOR as a result of CONTRACTOR's failure to promptly pay to TVMWD any reimbursement or indemnification arising under this Subparagraph.

3. CONTRACTOR shall obtain executed indemnity agreements provisions identical to those in this Section F from each and every SUBCONTRACTOR or any other person or entity involved by, for, with or on behalf of CONTRACTOR in the performance of this AGREEMENT. If CONTRACTOR fails to obtain such indemnities, CONTRACTOR shall be fully responsible and indemnify, hold harmless and defend the INDEMNITEES from and against any and all claims in law or equity, whether actual, alleged or threatened, which arise out of, are claimed to arise out of, pertain to, or relate to the acts or omissions of CONTRACTOR's SUBCONTRACTORs, its officers, agents, servants, employees, SUBCONTRACTOR, materialmen, contractors or their officers, agents, servants or employees (or any entity or individual that CONTRACTOR's SUBCONTRACTOR shall bear the legal liability thereof) in the performance of this AGREEMENT, including the INDEMNITEES' active or passive negligence, except for claims arising from the sole negligence *or* willful misconduct of the INDEMNITEES, as determined by final arbitration or court decision or by the agreement of the PARTIES.

   A. ***Workers' Compensation Acts not Limiting:*** CONTRACTOR's obligations under this Section F, or any other provision of this AGREEMENT, shall not be limited by the provisions of any workers' compensation act or similar act. CONTRACTOR expressly waives its statutory immunity under such statutes or laws as to TVMWD, its officers, agents, employees and volunteers.

   B. ***Insurance Requirements not Limiting:*** TVMWD does not, and shall not, waive any rights that it may possess against CONTRACTOR because of the acceptance by TVMWD, or the deposit with TVMWD, of any insurance policy or certificate required pursuant to this AGREEMENT. This hold harmless and indemnification provisions in this Section F shall apply regardless of whether or not any insurance policies are determined to be applicable to the liability, claim, tax, assessment, penalty or interest asserted against TVMWD.

   C. ***Survival of Terms:*** The indemnification in this Section F shall survive the expiration or termination of this AGREEMENT.

G. Loss or Damage: All loss or damage arising from obstructions or difficulties which may be encountered in the prosecution of the Work, from the action of the

elements, or from any act or omission on the part of the CONTRACTOR or any subcontractor, supplier, person, or agent employed by the CONTRACTOR shall be borne by the CONTRACTOR.

3.0 ACTS OF GOD

As provided in the California Public Contract Code Section 7105 the CONTRACTOR shall not be responsible for the cost of repairing or restoring damaged portions of the Work caused by an act of God, in excess of 5 percent of the contracted amount, provided, that the work damaged is built in accordance with accepted and applicable building standards and the plans and specifications. For purposes of this section, the term "Acts of God" shall include only the following occurrences or conditions and effects: earthquakes and tidal waves, when such occurrences or conditions and effects have been proclaimed a disaster or state of emergency by the Governor of California or by the President of the United States, or were of a magnitude at the site of the Work sufficient to have caused such a proclamation had they occurred in a populated area.

4.0 PAYMENTS TO CONTRACTOR

A. BASIS FOR PROGRESS PAYMENTS

1. Lump Sum Contract: The schedule of values established as specified in this section, shall serve as the basis for progress payment and will be incorporated into a form of application for payment acceptable to TVMWDs.
2. Lump Sum Work: Progress payment on account of lump sum work will be based on the number of units completed.
3. Schedule of Values shall be developed and incorporated into the cost loading function of the Project Control Schedule as specified in General Conditions, Section L. Monthly progress payment amounts shall be determined from the monthly progress updates of the Project Control Schedule activities.

B. APPLICATION OF PROGRESS PAYMENT

A. **Processing:** Once each calendar month, TVMWD will process a progress payment, based on TVMWD's standard Progress Pay Estimate form. The Progress Pay Estimate needs to be submitted to TVMWD no later than the 20th of each month and projected through the 20th of the month. Progress Pay Estimates shall be submitted and approved by TVMWD for the work completed during the preceding calendar month.

1. The first progress payment application shall not be applied until the PRELIMINARY BASELINE PROJECT CONTROL SCHEDULE is accepted.

The Progress Pay Estimates shall be prepared, submitted with an updated construction schedule, recorded drawings and signed by the CONTRACTOR who shall submit it to TVMWD.

B. Contents: The Progress Pay Estimate shall cover work performed by the CONTRACTOR during the preceding calendar month plus the paid invoice cost of materials and equipment suitably stored at the site of the Work. Payment for material and equipment stored shall be based on Vendors' paid invoices, which shall be listed by the CONTRACTOR.

1. The Progress Pay Estimate in which payment is requested for material and equipment suitably stored shall include a copy of the paid invoice covering the material and equipment; a warranty that the materials and equipment are free and clear of liens, charges, security interests, and encumbrances; and evidence that the materials and equipment are covered by appropriate property insurance and other arrangements to protect TVMWD's interest therein; all of which will be satisfactory to TVMWD.

The CONTRACTOR shall prepare and update for each Application for Payment a list of invoices showing:

a) the total amount of each invoice.
b) the invoice amount that has been incorporated in the Work.
c) the remaining invoice amount that is stored for which payment is requested that month.

2. Only material and equipment that will become an integral part of the Work may be included in the Progress Pay Estimate.

3. Payments for job site delivered material or equipment shall not reduce the CONTRACTOR's responsibility for such material or equipment until it has been installed.

C. Withholding: TVMWD will withhold five (5) percent of the progress payment amount.

D. Retention of Withholding: The CONTRACTOR may elect to receive 100% of the approved payments due to the CONTRACTOR under the Contract from time to time, without withholding of any portion of the payment by TVMWD. The CONTRACTOR may deposit securities with a value equivalent to the anticipated withholding, in accordance with Section 22300 of the Public Contracts Code of the State of California. Securities eligible for such deposit shall be limited to those listed in Section 16430 of the California Government Code and subject to the approval of the owner. Such securities, if deposited by the CONTRACTOR,

shall be valued by TVMWD, whose decision on the valuation of the securities is required to execute an Escrow Agreement. The Escrow Agreement shall be substantially in the form of the draft escrow agreement supplied by the Legislature in the above referenced section of the code. In addition, TVMWD requires that following paragraph shall be added to the Escrow Agreement, as follows:

"TVMWD shall have the right declaring (i) substandard performance, (ii) failure to perform, and/or (iii) the assessment of liquidated damages against the CONTRACTOR; to draw upon the funds held in the escrow account. Upon seven calendar days written notice to the Escrow Agent, the Escrow Agent shall immediately convert sufficient securities to cash to satisfy TVMWD's notice. Upon written authorization of TVMWD, the Escrow Agent shall distribute the cash as instructed by TVMWD."

E. No Payment for Temporary Work: No direct payment will be made to the CONTRACTOR for providing transportation, light, power, tools, and equipment, or for furnishing, building, and maintaining camps, construction plant, access road, sanitary conveniences, disposal works, water supply, fire protection, guards, trestles, telephone system, and other temporary works, or for the removal of all temporary structures, plant and materials, or for medical attendance or health protection, or for watchmen, magazine keepers or guards, or for any other service, thing or materials, unless payment therefore has been definitely provided in the Contract Documents. Compensation for all such services, facilities, things, or materials necessary or required to execute the Work in accordance with the provisions of the Contract shall be considered as having been included in the prices stipulated for the appropriate items.

F. Materials, Services and Facilities: It is understood that except as otherwise specifically stated in the Contract Documents, the CONTRACTOR shall provide and pay for all materials, labor, tools, equipment, light, power, transportation, superintendence, temporary construction of every nature, and all other services and facilities of every nature whatsoever necessary to execute, complete and deliver the Work within the specified time. Any work necessary to be performed after regular working hours, on Sundays or Legal Holidays, shall be performed without additional expense to TVMWD, except as provided for in the General Conditions, Section C- CHANGES TO THE CONTRACT.

C. CONTRACTOR'S WARRANTY OF TITLE

A. CONTRACTOR's Warranty and Guarantee: The CONTRACTOR warrants and guarantees that title to Work, materials and equipment covered by an Application for Payment, whether incorporated in the Work or not, shall pass to TVMWD no

later than the time of payment free and clear of liens, charges, security interests, and encumbrances.

B. Right of Property: Nothing in the Contract shall be construed as vesting in the CONTRACTOR any right of property in material and equipment used after they have been attached or affixed to the Work or the soil and accepted. Such materials and equipment shall become the property of TVMWD upon being so attached or affixed and accepted.

D. PARTIAL ACCEPTANCE

A. Partial Acceptance Limited: Unless otherwise specified in the Special Conditions or phased construction is required, no partial acceptance of the Work will be made, and no acceptance other than the final acceptance of the completed Work will be made.

B. Inspection and Acceptance of Parts of the Work: No inspection, progress payment, or acceptance pertaining to specific parts of the Work shall be construed as final acceptance by TVMWD.

C. Right to Use: TVMWD shall have the right to take possession of and use any completed or partially completed portions of the Work, notwithstanding the time for completing the entire Work or such portions may not have expired. If such prior use increases the cost of or delays the Work, the CONTRACTOR shall be entitled to such extra compensation, or extension of time or both, as TVMWD may determine. Should any portion of the Work in use be damaged thereby, TVMWD shall bear the expense for repairing such damage. However, if the portion being so used should reveal deficiencies of materials or Workmanship, it shall be the CONTRACTOR's responsibility to replace the defective construction.

D. Partial Acceptance of Work: Acceptance of any portion of the Work prior to acceptance of the whole shall not be construed as absolving the CONTRACTOR of responsibility for any item of construction or incidental work included in the Contract.

E. FINAL ACCEPTANCE

A. Notice of Readiness: After the CONTRACTOR has completed the Work in accordance with the Contract Documents, including the CONTRACTOR's testing and cleanup, the CONTRACTOR shall notify TVMWD by written memorandum that the Work has been completed and ready for final inspection by TVMWD.

B. Inspection: TVMWD will proceed to make an inspection within ten (10) calendar days after receipt of the CONTRACTOR's notification.

1. Items found by TVMWD to be defective will be noted to the CONTRACTOR.
2. After the CONTRACTOR has corrected the defective items, the procedure shall be the same as stipulated under the General Conditions, Section F – PAYMENTS TO CONTRACTOR, for the CONTRACTOR's Notice of Readiness and request for re-inspection.

F. FINAL PAYMENT AND FINAL ACCEPTANCE

A. TVMWD's Payment: For and in consideration of the faithful performance of the Work, TVMWD will pay the CONTRACTOR the amount earned as computed from the actual quantities of Work performed under the Contract and to make such payment in the manner and at the times stipulated.

B. Date of Actual Completion: The date upon which the Work will be considered as complete shall be that date upon which the Work is accepted by TVMWD.

G. PAYMENTS TO CONTRACTOR

After completion of certain phases of the Work, including all testing and other preparation necessary for operation of such portions by TVMWD as herein specified, but prior to final completion of the Work, provisions may be made for partial acceptance in writing by TVMWD for such portions only. The portions of the Work to be included for partial acceptance prior to final project completion will be noted at the preconstruction conference in accordance with CONTRACTOR's schedule, or by written notice to the CONTRACTOR at the earliest possible time.

The guarantee period for such portions of the Work shall commence with the date of their acceptance for use by TVMWD. However, full payment for such portions will not be made until final acceptance of the total Work.

H. ASSIGNMENTS OF PAYMENT

A. Assignments by CONTRACTOR: No assignment by the CONTRACTOR of the whole or any part of the Contract, or of funds to be received there under by the CONTRACTOR will be recognized by TVMWD unless such assignment has had prior written consent of TVMWD, and the CONTRACTOR's surety has been given due notice of such assignment in writing and has consented thereto in writing.

B. CONTRACTOR Assigns to TVMWD: In entering into a public works contract or a subcontract to supply goods, services, or materials pursuant to a public works contract, the CONTRACTOR or the subcontractor offers and agrees to assign to TVMWD all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Section 15) or under the Cartwright Act (Chapter 2 [commencing with Section 16600] of Part 2 of Division 7 of the

Business and Professions Code), arising from purchases of goods, services, or materials pursuant to this Contract or the subcontract.

C. Assignment Becomes Effective: This assignment shall be made and become effective at the time TVMWD tenders final payment to the CONTRACTOR, without further acknowledgement by the parties.

I. RESPONSIBILITY FOR INDEBTEDNESS

CONTRACTOR's Payment of Debt: Indebtedness incurred for any cause in connection with the Work shall be paid by the CONTRACTOR, and TVMWD is hereby relieved at all times from any indebtedness or claim other than payments under terms of the Contract or under applicable laws and regulations.

5.0 SECTION G – LEGAL RESPONSIBILITIES

A. CONTRACTORS CONTINUING OBLIGATION

A. CONTRACTOR's Obligation is Absolute: The CONTRACTOR's obligation to perform and complete the Work in accordance with the Contract Documents shall be absolute.

B. Noncompliance With Contract Documents: Neither recommendation of any progress or final payment by TVMWD, nor the issuance of a certificate of Final Completion, nor any payment by TVMWD to the CONTRACTOR under the Contract Documents, nor any use or occupancy of the Work or any part thereof by TVMWD, nor any act of acceptance by TVMWD nor any failure to do so, nor any review and approval of a shop drawing or sample submission, nor the issuance of a notice of acceptability by TVMWD, nor any correction of defective Work by TVMWD shall constitute an acceptance of Work not in accordance with the Contract Documents or a release of the CONTRACTOR's obligation to perform the Work in accordance with the Contract Documents.

B. PROVISIONS REQUIRED BY LAW

A. Compliance with Laws: The CONTRACTOR shall observe and comply with all Federal, State, and local laws, ordinances, codes, orders, and regulations, which in any manner affect those engaged or employed on the Work, the materials used in the Work, or the conduct of the Work. If any discrepancy or inconsistency should be discovered in this Contract in relation to any such law, ordinance, code, order, or regulation, the CONTRACTOR shall report the same in writing to TVMWD. Any particular law or regulation specified or referred to elsewhere in these Request for Proposals shall not in any way limit the obligation of the CONTRACTOR to comply with all other provisions of Federal, State and local laws

and regulations.

CONTRACTOR shall warrant that its employees and all subcontractors engaged for the performance of this Contract are persons authorized to work in the United States pursuant to the Immigration Reform and Control Act of 1986.

B. Inclusion: Each and every provision of law and clause required by laws and regulations to be inserted in the Contract shall be deemed to be inserted herein, and the Contract shall be read and enforced as though each such provision of law and clause were included herein, as if fully set forth.

C. Incorporation: If through mistake or otherwise any such provision of law and clause is not inserted, or is not correctly inserted, then upon the application of either party, the Contract shall forthwith be physically amended to make such insertion.

C. NOTICE AND SERVICE THEREOF

A. Notice to CONTRACTOR: Any Notice to the CONTRACTOR from TVMWD relative to any **part** of the Contract shall be in writing and considered delivered and the service thereof completed when said Notice is posted, by certified mail, to the CONTRACTOR at its last given address, or delivered in person to the CONTRACTOR or its representative on the work site.

D. LEGAL ADDRESS OF CONTRACTOR

The address given in the Request for Proposals, is hereby designated as the place to which all notices, letters, and other communications to the CONTRACTOR will be mailed or delivered. The mailing or delivering to said address of any notice, letter, or other communication shall be deemed sufficient service thereof upon the CONTRACTOR. The date of such service shall be the date of such mailing or delivery. Said address may be changed at any time by a written notice signed by the CONTRACTOR and delivered to TVMWD.

E. OTHER PROHIBITED INTERESTS

No official of TVMWD who is authorized in such capacity and on behalf of TVMWD to negotiate, make, accept or approve, or to take part in negotiation, making, accepting, or approving any architectural, engineering, inspection, construction or material supply contract or any subcontract in connection with the construction of the project, shall become directly or indirectly interested personally in this Contract or in any part hereof. No officer, employee, architect, attorney, engineer or inspector of or for TVMWD who is authorized in such capacity and on behalf of TVMWD to exercise any legislative, executive, supervisory or other similar functions in connection with the construction of the project, shall become directly or indirectly

interested personally in this Contract or in any part thereof, any material supply contract, subcontract, insurance contract, or any other contract pertaining to the project.

F. NONDISCRIMINATION

A. Prohibition of Discrimination: The CONTRACTOR is hereby given notice that this Contract is subject to the requirements of Section 1735 of the Labor Code of the State of California which prohibits discrimination in employment because of race, color, national origin or ancestry and sets penalties therefore in accordance with Section 1735, "no discrimination shall be made in the employment of persons upon public works because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, or sex of such persons, except as provided in Section 12940 of the Government Code, and every CONTRACTOR for public works violating this section is subject to all penalties imposed for a violation of this chapter."

B. In connection with the performance of Work under the Contract, the CONTRACTOR agrees not to discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin. The aforesaid provisions shall include, but not limited to, the following: employment upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post hereinafter in conspicuous places, available for employees and applicants for employment, notices to be provided by TVMWD setting forth the provisions of the nondiscrimination clause. The CONTRACTOR further agrees to insert the foregoing provisions in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

G. DISTURBANCE OF THE PEACE

Neither the CONTRACTOR, its officers, nor its employees shall engage in any act, which constitutes a disturbance of the peace as that term is defined in the Penal Code of the State of California. If the CONTRACTOR, its officers or its employees commit a disturbance of the peace, the CONTRACTOR shall be subject to being "shut– down".

Los Angeles County Registrar-Recorder/County Clerk

I, DEAN C. LOGAN, Registrar-Recorder/County Clerk of the County of Los Angeles, State of California, **DO HEREBY CERTIFY** that, as of the close of the candidate filing period, only two persons were nominated for the two available Board of Directors positions, Divisions 1 and 5, each for full terms ending **December 6, 2030**.

Three Valleys Municipal Water District

DIVISION 1

CARLOS GOYTIA

DIVISION 5

JODY ROBERTO

In accordance with **Section 10515 of the California Elections Code**, the election previously scheduled for **November 3, 2026**, will **not** be conducted, as the number of candidates equals the number of open seats and no petition requesting an election has been filed. The nominated persons shall be appointed in lieu of election and shall assume office and serve as though they had been elected, per the authority of the **Board of Supervisors**.

Dated this 21st day of September 2026

Dean C Logan

DEAN C. LOGAN
Registrar-Recorder/County Clerk
County of Los Angeles

THREE VALLEYS
MUNICIPAL WATER DISTRICT

BOARD INFORMATION

BOARD OF DIRECTORS
STAFF REPORT

To: TVMWD Board of Directors

From: Matthew H. Litchfield, General Manager

Date: October 7, 2026

Subject: Pension Funding Status Update

Staff Recommendation
No Action Necessary – Information Only

Discussion
This item provides the Board with the District's annual update on its pension funding status. No action is requested at this meeting.

TVMWD provides defined pension benefits to eligible employees through the California Public Employees' Retirement System (CalPERS). CalPERS performs an annual actuarial valuation that measures the District's accrued liability, plan assets, funded status, and required employer contributions.

The District also maintains an IRS Section 115 Pension Trust with PARS to prefund future pension costs. The District's Reserve Policy establishes an Employee Benefits funding objective of maintaining 90% of the pension liability through CalPERS and the external trust.

The latest CalPERS actuarial valuation, measured as of June 30, 2025, reports an accrued liability of $29,068,237 and plan assets of $23,380,116. This results in an unfunded accrued liability of $5,688,121 and an official CalPERS funded ratio of 80.4%.

As of June 30, 2026, the District's PARS Pension Trust held $1,209,337. When the PARS balance is considered together with CalPERS plan assets for policy-monitoring purposes, pension-designated assets total $24,589,453, or approximately 84.6% of the CalPERS accrued liability.

Funding Measure	Current Status
CalPERS Accrued Liability	$29,068,237
CalPERS Plan Assets	$23,380,116
Official CalPERS Funded Ratio	80.4%
PARS Pension Trust Assets	$1,209,337
Total Pension-Designated Assets	**$24,589,453**
Illustrative Combined Funding	**84.6%**
Remaining Gap to 90% Objective	$1,571,960

Note: The combined percentages are presented only to monitor progress toward the District's policy objective. PARS assets are legally restricted for pension purposes but are not included in CalPERS' official funded ratio unless and until they are used to pay CalPERS pension obligations.

Given the need to balance progress toward the District's pension funding objective with the District's other financial, capital, and liquidity priorities, staff is not recommending an additional discretionary contribution at this time. The District will continue to make all required CalPERS contributions, including the annual unfunded accrued liability payment and normal cost contributions. Staff will continue to evaluate pension funding annually based on updated actuarial information, investment performance, and the District's overall financial position.

Fiscal Impact
None. This report is informational only.

Environmental Impact
None

Strategic Plan Objective(s)
2.2 – Accountability

Attachment(s)
Exhibit A – CalPERS Annual Valuation Report as of June 30, 2025

Meeting History
None

NA/EG

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2026

All Rate Plans of the Three Valleys Municipal Water District in the Miscellaneous Risk Pool (CalPERS ID: 2388788625)
Annual Valuation Report as of June 30, 2025

Dear Employer,

Attached to this letter is Section 1 of the June 30, 2025, actuarial valuation report for the plan noted above. **Provided in this report is the determination of the minimum required employer contributions for fiscal year (FY) 2027-28**. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the following rate plan(s) including the development of the current and projected employer contributions.
  - 1670, Miscellaneous Plan
  - 26180, PEPRA Miscellaneous Plan
- Section 2 contains the Miscellaneous Risk Pool information as of June 30, 2025.

Section 2 can be found on the CalPERS website in the Forms & Publications section. Search for *"Risk Pool"* and from the results list download the Miscellaneous Risk Pool Actuarial Valuation Report for June 30, 2025.

Required Contributions

The table below shows the minimum required employer contributions and member contribution rates for FY 2027-28 along with an estimate of the required employer Unfunded Accrued Liability (UAL) contribution for FY 2028-29. **The required employer and member contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.**

Fiscal Year	Rate Plan	Employer Normal Cost Rate	Member Contribution Rate
2027-28	1670	13.11%	7.00%
	26180	8.05%	7.75%

Fiscal Year	Employer Amortization of Unfunded Accrued Liability
2027-28	$632,373
	Projected (Estimated)
2028-29	*$677,000*

The actual investment return for FY 2025-26 was not known at the time this report was prepared. The projected UAL payment above assumes the investment return for that year would be 6.8%. To the extent the actual investment return for FY 2025-26 differs from 6.8%, the actual UAL contribution requirement for FY 2028-29 will differ from that shown above. For additional information on future contribution requirements, please refer to Projected Employer Contributions. This section also contains projected required contributions through FY 2032-33.

Changes from Previous Year's Valuations

On November 19, 2025, the CalPERS Board of Administration (board) adopted new actuarial assumptions based on the recommendations in the *November 2025 CalPERS Experience Study and Review of Actuarial Assumptions*. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increase, the inflation assumption, and various other assumptions for public agencies. These new assumptions are incorporated in this actuarial valuation and impact the required contributions for FY 2027-28.

In addition, the board adopted changes to the CalPERS Total Fund Investment Policy, which provides the framework for the management of CalPERS assets. The board adopted a discount rate of 6.80%, which is unchanged from the prior year's valuation, and an increase in the price inflation assumption from 2.30% to 2.50% per year.

Besides the above-noted changes, there may also be changes specific to the plan such as contract amendments and funding changes such as additional discretionary payments and amortization schedule fresh starts.

A consolidated plan identifier has been added to the cover page of the report. As a result of the combination of some or all of the employer's rate plans in the Miscellaneous Risk Pool effective with the prior year's valuation, there is now one consolidated UAL value and actuarial valuation report for the group of component rate plans. This single identifier, set equal to the identifier of the component rate plan to which the UAL is attached, is intended to make it easier to identify a specific group of rate plans, the associated UAL, and the actuarial report.

PEPRA Member Contribution Rate

The employee contribution rate for PEPRA members can change based on the results of the actuarial valuation. See Member Contribution Rates for more information.

Report Navigation Features

The valuation report has a number of features to ease navigation and allow the reader to find specific information more quickly. The tables of contents are "clickable." This is true for the main table of contents that follows the title page and the intermediate tables of contents at the beginning of sections. The Adobe navigation pane on the left can also be used to skip to specific exhibits.

There are a number of links throughout the document in blue text. Links that are internal to the document are not underlined, while underlined links will take you to the CalPERS website. Examples are shown below.

Internal Bookmarks	CalPERS Website Links
Required Employer Contributions	Required Employer Contribution Search Tool
Member Contribution Rates	Public Agency PEPRA Member Contribution Rates
Summary of Key Valuation Results	Pension Outlook Overview
Funded Status – Funding Policy Basis	Interactive Summary of Public Agency Valuation Results
Projected Employer Contributions	Public Agency Actuarial Valuation Reports

Questions

A CalPERS actuary is available to answer questions about this report. Other questions may be directed to the Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

Sincerely,

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Fritzie Dorais, ASA, MAAA
Deputy Chief Actuary, Special Programs, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

Kurt Schneider, MPA, ASA, EA, MAAA
Supervising Actuary, CalPERS

California Public Employees' Retirement System

Actuarial Valuation for the Rate Plans of the Three Valleys Municipal Water District in the Miscellaneous Risk Pool

as of June 30, 2025

Consolidated Plan ID: 26180

(CalPERS ID: 2388788625)
(Rate Plan IDs: 1670, 26180)

Required Contributions for Fiscal Year

July 1, 2027 — June 30, 2028

CalPERS

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Section 2 – Miscellaneous Risk Pool Actuarial Information

Section 2 may be found on the CalPERS website in the Forms & Publications section.

Section 1

California Public Employees' Retirement System

Employer Specific Information for the Rate Plans of the Three Valleys Municipal Water District in the Miscellaneous Risk Pool

(CalPERS ID: 2388788625)
(Rate Plan IDs: 1670, 26180)

Actuarial Certification

It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles as well as the applicable Standards of Practice promulgated by the Actuarial Standards Board. While this report, consisting of Section 1 and Section 2, is intended to be complete, our office is available to answer questions as needed. All of the undersigned are actuaries who satisfy the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* of the American Academy of Actuaries with regard to pensions. The actuaries responsible for this report and their respective responsibilities are as follows.

Actuarial Methods and Assumptions

It is our opinion that the assumptions and methods, as recommended by the Chief Actuary and adopted by the CalPERS Board of Administration, are internally consistent and reasonable for this plan.

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Fritzie Dorais, ASA, MAAA
Deputy Chief Actuary, Special Programs, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

Actuarial Data and Rate Plan Results

The assumptions and methods in this report are the responsibility of the CalPERS Chief Actuary and Deputy Chief Actuaries named above. These were established pursuant to their responsibility for setting actuarial policy and are relied upon without independent assessment of the reasonableness of the assumptions and methods, as such an evaluation would have required substantial additional work beyond the scope of this assignment. To the best of my knowledge and having relied upon the information in Section 2 of this report, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the rate plans of the Three Valleys Municipal Water District in the Miscellaneous Risk Pool and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation and related validation work was performed by the CalPERS Actuarial Office. The valuation was based on the member and financial data as of June 30, 2025, provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Three Valleys Municipal Water District, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

Kurt Schneider, MPA, ASA, EA, MAAA
Supervising Actuary, CalPERS

Highlights and Executive Summary

- **Introduction** **3**
- **Purpose of Section 1** **3**
- **Summary of Key Valuation Results** **4**
- **Changes Since the Prior Year's Valuation** **5**
- **Subsequent Events** **5**

Introduction

This report presents the results of the June 30, 2025, actuarial valuation of the rate plans of the Three Valleys Municipal Water District in the Miscellaneous Risk Pool of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2027-28.

Purpose of Section 1

This Section 1 report for rate plans of the Three Valleys Municipal Water District in the Miscellaneous Risk Pool of CalPERS was prepared by the Actuarial Office using data as of June 30, 2025. This report contains actuarial information for the following rate plan(s).

- 1670, Miscellaneous Plan
- 26180, PEPRA Miscellaneous Plan

The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of these rate plans as of June 30, 2025;
- Determine the minimum required employer contributions for these rate plans for FY July 1, 2027, through June 30, 2028;
- Determine the required member contribution rate for FY July 1, 2027, through June 30, 2028, for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2025, to the CalPERS Board of Administration (board) and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available on the CalPERS website (www.calpers.ca.gov).

The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact a CalPERS actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; changes in plan provisions or applicable law; and differences between the required contributions determined by the valuation and the actual contributions made by the agency.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the guidance of the Actuarial Standards of Practice:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 5.8% and 7.8%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current post-retirement mortality assumptions adopted in 2025.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.
- The funded status on a termination basis.
- A low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date.

Summary of Key Valuation Results

Below is a brief summary of key valuation results along with page references where more detailed information can be found.

Required Employer Contributions — page 8

	Fiscal Year 2026-27	Fiscal Year 2027-28
Employer Normal Cost Rates		
Rate Plan 1670	12.56%	13.11%
Rate Plan 26180	7.93%	8.05%
Unfunded Accrued Liability (UAL) Contribution Amount	$599,944	$632,373
Paid either as		
Option 1) 12 Monthly Payments of	$49,995.33	$52,697.75
Option 2) Annual Prepayment in July	$580,531	$611,910

Member Contribution Rates — page 9

	Fiscal Year 2026-27	Fiscal Year 2027-28
Rate Plan 1670	7.00%	7.00%
Rate Plan 26180	7.75%	7.75%

Projected Employer Contributions — page 13

Fiscal Year	Normal Cost (% of payroll)		Annual UAL Payment
	Rate Plan 1670	Rate Plan 26180	
2028-29	13.1%	8.1%	$677,000
2029-30	13.1%	8.1%	$651,000
2030-31	13.1%	8.1%	$624,000
2031-32	13.1%	8.1%	$609,000
2032-33	13.1%	8.1%	$603,000

Funded Status — Funding Policy Basis — page 11

	June 30, 2024	June 30, 2025
Entry Age Accrued Liability (AL)	$27,481,565	$29,068,237
Fair Value of Assets (Assets)	21,005,557	23,380,116
Unfunded Accrued Liability (UAL) [AL – Assets]	$6,476,008	$5,688,121
Funded Ratio [Assets ÷ AL]	76.4%	80.4%

Summary of Valuation Data — page 28

	June 30, 2024	June 30, 2025
Active Member Count	24	24
Annual Covered Payroll	$3,496,460	$3,818,617
Transferred Member Count	5	6
Separated Member Count	10	10
Retired Members and Beneficiaries Count	28	30

Changes Since the Prior Year's Valuation

Investment Policy and Discount Rate

On November 19, 2025, the board adopted changes to the CalPERS Total Fund Investment Policy, which provides the framework for the management of CalPERS assets. Consistent with that policy, the board also adopted a discount rate of 6.80% for use in this valuation, which is unchanged from the prior year's valuation.

Actuarial Methods and Other Assumptions

On November 19, 2025, the board adopted new actuarial assumptions based on the recommendations in the *November 2025 CalPERS Experience Study and Review of Actuarial Assumptions*. This study assessed various assumptions including retirement rates, termination rates, mortality rates, rates of salary increase, and inflation. New assumptions stemming from the study are incorporated in this actuarial valuation and affect required contributions for fiscal year 2027-28. Among the changes were an increase in the price inflation assumption from 2.30% to 2.50% per year and an increase in the wage inflation assumption from 2.80% to 3.00% per year.

Plan Assets

Plan assets are measured at fair value. In the prior year's actuarial valuation report the term Market Value of Assets was used to describe the asset value used for funding purposes. The Actuarial Office has used this term interchangeably with Fair Value of Assets. Effective with the June 30, 2025, valuation, CalPERS will exclusively use the term Fair Value of Assets in actuarial reports. This is a change in terminology and does not represent any change in methodology.

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. For pooled rate plans, voluntary benefit changes by plan amendment are generally included in the first valuation with a valuation date on or after the effective date of the amendment.

Please refer to the Plan's Major Benefit Options in this report and Appendix B of the Section 2 Report for a summary of the plan provisions used in this valuation.

Plan Identification

A consolidated plan identifier has been added to the cover page of the report. As a result of the combination of some or all of the employer's rate plans in the Miscellaneous Risk Pool effective with the prior year's valuation, there is now one consolidated Unfunded Accrued Liability (UAL) value and actuarial valuation report for the group of component rate plans. This single identifier, set equal to the identifier of the component rate plan to which the UAL is attached, is intended to make it easier to identify a specific group of rate plans, the associated UAL, and the actuarial report.

Amendments to Regulations Regarding Participation in Risk Pools

On September 17, 2025, the board approved amendments to pooling regulations, which were endorsed by the Office of Administrative Law on May 12, 2026. Beginning with the June 30, 2026, actuarial valuation, it will be possible for pooled plans to be removed from the risk pool and become non-pooled plans. The general rule is that if an employer sponsors a pooled plan with at least 150 but less than 200 active members as of the valuation date, the employer may elect to remove that plan from the risk pool. If the plan has at least 200 active members, the plan will be automatically removed. More information can be found in Regulatory Actions on the CalPERS website under the heading Participation in Risk Pools.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2025, as well as statutory changes, regulatory changes and board actions through January 2026.

The 2025 annual benefit limit under Internal Revenue Code (IRC) section 415(b) and annual compensation limits under IRC section 401(a)(17) and Government Code section 7522.10 were used for this valuation and are assumed to increase 2.5% per year based on the price inflation assumption. The actual 2026 limits, determined in October 2025, are not reflected.

To the best of our knowledge, there have been no subsequent events that could materially affect current or future certifications rendered in this report.

Liabilities and Contributions

- **Determination of Required Contributions** 7
- **Required Employer Contributions** 8
- **Member Contribution Rates** 9
- **Breakdown of Entry Age Accrued Liability** 10
- **Allocation of Plan's Share of Pool's Experience** 10
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- **Employer Contribution History** 18
- **Funding History** 18

Determination of Required Contributions

Contributions to fund the plan are determined by an actuarial valuation performed each year. The valuation employs complex calculations based on a set of actuarial assumptions and methods. See Appendix A in Section 2 for information on the assumptions and methods used in this valuation. The valuation incorporates all plan experience through the valuation date and sets required contributions for the fiscal year that begins two years after the valuation date.

Contribution Components

Two components comprise required contributions:

- Normal Cost — expressed as a percentage of pensionable payroll
- Unfunded Accrued Liability (UAL) Contribution — expressed as a dollar amount

Normal Cost represents the value of benefits allocated to the upcoming year for active employees. If all plan experience exactly matched the actuarial assumptions, normal cost would be sufficient to fully fund all benefits. The employer and employees each pay a share of the normal cost with contributions payable as part of the regular payroll reporting process. The contribution rate for Classic members is set by statute based on benefit formula whereas for PEPRA members it is based on 50% of the total normal cost.

When plan experience differs from the actuarial assumptions, UAL emerges. The new UAL may be positive or negative. If the total UAL is positive (i.e., accrued liability exceeds assets), the employer is required to make contributions to pay off the UAL over time. This is called the UAL Contribution component. There is an option to prepay this amount during July of each fiscal year, otherwise it is paid monthly.

In measuring the UAL each year, plan experience is split by source. Common sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized, or paid off, over a specified period of time in accordance with the CalPERS Actuarial Amortization Policy. The UAL Contribution is the sum of the payments on all bases. See the Schedule of Amortization Bases section of this report for an inventory of existing bases and Appendix A in Section 2 for more information on the amortization policy.

Required Employer Contributions

The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees. For employee contribution rates, see Member Contribution Rates.

Required Employer Contributions	Fiscal Year 2027-28
Employer Normal Cost Rate	
Classic Rate Plan 1670	**13.11%**
PEPRA Rate Plan 26180	**8.05%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount†	**$632,373**
Paid either as	
1) Monthly Payment	**$52,697.75**
Or	
2) Annual Prepayment Option‡	**$611,910**

The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) and the Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).

†The required UAL contribution does not take into account any additional discretionary payment made after April 30, 2026.
‡Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**.

Development of Normal Cost as a Percentage of Payroll

	Fiscal Year 2026-27	Fiscal Year 2027-28
Classic Rate Plan 1670		
Base Total Normal Cost for Formula	18.85%	19.36%
Surcharge for Class 1 Benefits[1]	0.64%	0.69%
Plan's Total Normal Cost	19.49%	20.05%
Offset Due to Employee Contributions[2]	(6.93%)	(6.94%)
Employer Normal Cost for Rate Plan 1670	12.56%	13.11%
PEPRA Rate Plan 26180		
Base Total Normal Cost for Formula	15.68%	15.80%
Surcharge for Class 1 Benefits[1]	0.00%	0.00%
Plan's Total Normal Cost	15.68%	15.80%
Offset Due to Employee Contributions[2]	(7.75%)	(7.75%)
Employer Normal Cost for Rate Plan 26180	7.93%	8.05%

[1] See Surcharge for Class 1 Benefits in the supplementary information section of this report.

[2] This is the expected employee contributions, taking into account individual benefit formula and any offset from the use of a modified formula, divided by projected annual payroll. For member contribution rates above the breakpoint for each benefit formula, see Member Contribution Rates.

Member Contribution Rates

The required member contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Classic Members

Each member contributes toward their retirement based upon the retirement formula. The standard Classic member contribution rate above the breakpoint, if any, is as described below.

Benefit Formula	Percent Contributed above the Breakpoint
Miscellaneous, 1.5% at age 65	2%
Miscellaneous, 2% at age 60	7%
Miscellaneous, 2% at age 55	7%
Miscellaneous, 2.5% at age 55	8%
Miscellaneous, 2.7% at age 55	8%
Miscellaneous, 3% at age 60	8%

Auxiliary organizations of the CSU system may elect reduced contribution rates for Miscellaneous members, in which case the contribution rate above the breakpoint is 6% if members are not covered by Social Security and 5% if they are.

PEPRA Members

The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members … shall have an initial contribution rate of at least 50% of the normal cost rate." The normal cost rate for the plan is dependent on the benefit levels, actuarial assumptions and demographics of the risk pool, particularly members' entry age. Should the total normal cost rate of the plan change by more than 1% from the base total normal cost rate established for the plan, the new member rate shall be 50% of the new normal cost rate rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2027, based on 50% of the total normal cost rate as of the June 30, 2025, valuation.

		Basis for Current Rate		Rates Effective July 1, 2027			
Rate Plan Identifier	Benefit Group Name	Total Normal Cost	Member Rate	Total Normal Cost	Change in Normal Cost	Adj. Needed	Member Rate
26180	PEPRA Miscellaneous Plan	15.43%	7.75%	15.80%	0.37%	No	7.75%

Breakdown of Entry Age Accrued Liability

Active Members	$11,428,122
Transferred Members	988,880
Separated Members	860,939
Members and Beneficiaries Receiving Payments	15,790,296
Total	$29,068,237

Allocation of Plan's Share of Pool's Experience

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1.	Plan's Accrued Liability	$29,068,237
2.	Projected UAL Balance at 6/30/2025	6,457,445
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2025 for Asset Share	6,457,445
5.	Pool's Accrued Liability[1]	26,128,329,326
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2025[1]	5,408,106,113
7.	Pool's 2024-25 Investment (Gain)/Loss[1]	(1,023,922,845)
8.	Pool's 2024-25 Non-Investment (Gain)/Loss[1]	254,352,784
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	(1,117,348)
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	282,972
11.	Plan's New (Gain)/Loss as of 6/30/2025: (9) + (10)	(834,376)
12.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]	58,472,717
13.	Plan's Share of Pool's Change in Assumptions: (1) ÷ (5) × (12)	65,052
14.	Increase in Pool's Accrued Liability due to Funding Risk Mitigation[1]	0
15.	Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (5) × (14)	0
16.	Offset due to Funding Risk Mitigation	0
17.	Plan's Investment (Gain)/Loss: (9) – (16)	(1,117,348)

[1] Does not include plans that transferred to the pool on the valuation date.

Development of the Plan's Share of Pool's Assets

18.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$5,688,121
19.	Plan's Share of Pool's Fair Value of Assets: (1) - (18)	$23,380,116

For a reconciliation of the pool's Fair Value of Assets, information on the fund's asset allocation and a history of CalPERS investment returns, see Section 2, which can be found on the CalPERS website (www.calpers.ca.gov).

Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the fair value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability** (UAL) equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **Funded Ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2024	June 30, 2025
1. Present Value of Benefits	$33,309,173	$35,048,518
2. Entry Age Accrued Liability	27,481,565	29,068,237
3. Fair Value of Assets	21,005,557	23,380,116
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$6,476,008	$5,688,121
5. Funded Ratio [(3) ÷ (2)]	76.4%	80.4%

A funded ratio of 100% (UAL of $0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	$32,887,122	$29,068,237	$25,881,168
2. Fair Value of Assets	23,380,116	23,380,116	23,380,116
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$9,507,006	$5,688,121	$2,501,052
4. Funded Ratio [(2) ÷ (1)]	71.1%	80.4%	90.3%

The Risk Analysis section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

Additional Employer Contributions

The CalPERS amortization policy provides a systematic methodology for paying down a plan's unfunded accrued liability (UAL) over a reasonable period of years. The projected schedule of required payments for this plan under the amortization policy is provided in Amortization Schedule and Alternatives. Certain aspects of the policy such as 1) layered amortization bases (positive and negative) with different remaining payoff periods, and 2) the phase-in of required payments toward investment gains and losses, can result in volatility in year-to-year projected UAL payments. Provided below is information on how an Additional Discretionary Payment (ADP), together with your required UAL payment of $632,373 for FY 2027-28, may better accomplish your agency's specific objectives with regard to either smoothing out projected future payments or achieving a greater reduction in UAL than would otherwise occur when making only the minimum required payment. Such additional payments are allowed at any time and can also result in significant long-term savings.

Fiscal Year 2027-28 Employer Contribution Versus Agency Funding Objectives

The interest-to-payment ratio for the FY 2027-28 minimum required UAL payment is 53%, which means the required payment of $632,373 includes $337,938 of interest cost and results in a $294,435 reduction in the UAL, as can be seen in Amortization Schedule and Alternatives (see columns labelled Current Amortization Schedule). If the interest-to-payment ratio is close to 100%, and the reduction in the UAL is small, it may indicate that required contributions will be increasing in the coming years, which would be shown in Projected Employer Contributions. An alternative metric that provides similar information about the FY 2027-28 required UAL payment is the number of years it would take that payment, if held constant, to pay off the existing UAL (note: actual required UAL payments will vary each year). An annual payment of $632,373 would pay off the current UAL in 12.1 years (ignoring any unexpected changes in UAL occurring after June 30, 2025). If the agency would like their FY 2027-28 payment toward the UAL to be consistent with a faster pace for reaching 100% funded, an ADP can be added to the required minimum payment.

Provided below are select ADP options for consideration. Making such an ADP during FY 2027-28 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see Amortization Schedule and Alternatives. Agencies considering making an ADP should contact CalPERS for additional information.

Fiscal Year 2027-28 Employer Contributions — Illustrative Scenarios

If the Annual UAL Payment Each Year Were…	The Current UAL Would be Paid Off in…	This Would Require an ADP[1] in FY 2027-28 of…	Plus the Estimated Normal Cost of…	Estimated Total Contribution
$632,373	12.1 years	$0	$445,487	$1,077,860
720,813	10 years	88,440	445,487	1,166,300
1,239,573	5 years	607,200	445,487	1,685,060

[1] The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

The calculations above are based on the projected UAL as of June 30, 2027, as determined in the June 30, 2025, actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions, and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Additional Discretionary Payment History

The following table provides a recent history of actual ADPs made to the plan through April 30, 2026.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	$0	2023-24	$0
2020-21	0	2024-25	0
2021-22	0	2025-26	0
2022-23	0		

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 2025-26 is assumed to be 6.80% per year, net of investment and administrative expenses. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

The normal cost rates for each rate plan are assumed to remain constant. The employer normal cost rate for pooled plans is relatively constant from year to year when there are no assumption changes. Beginning with the June 30, 2026, actuarial valuation, it will be possible for pooled plans to be removed from the risk pool, in which case the employer normal cost would be based only on the members of that plan and will be different than the projections below. Plans with at least 200 active members on a valuation date will be automatically removed from the risk pool.

If the normal cost rates do remain constant, the employer contribution amounts will vary due to changes in payroll. The actuarial valuation does not include payroll beyond the valuation date. For the most realistic projections, the employer should apply projected payroll amounts to the rates below based on the most recent information available, such as current payroll as well as any plans to fill vacancies or add or remove positions.

		Required Contribution	**Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2025-26 and Beyond)**				
		2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Rate Plan Identifier	**Covered Payroll June 30, 2025**	Normal Cost Rates (Percentage of Payroll)					
1670	$2,355,942	13.11%	13.1%	13.1%	13.1%	13.1%	13.1%
26180	1,462,675	8.05%	8.1%	8.1%	8.1%	8.1%	8.1%
	UAL Payment	$632,373	$677,000	$651,000	$624,000	$609,000	$603,000

Unlike the normal cost rates, the required UAL payments are expected to vary significantly from the projections above due to experience, particularly investment experience. For projected contributions under alternate investment return scenarios, please see the Future Investment Return Scenarios exhibit. Our online pension plan projection tool, Pension Outlook, is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

For ongoing plans, investment gains and losses are amortized using an initial 5-year ramp. For more information, please see Amortization of Unfunded Actuarial Accrued Liability in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the initial ramp period could result in contributions that are less than interest on the UAL (i.e. negative amortization) while the contribution impact of the increase in the UAL is phased in.

Schedule of Amortization Bases

Below is the schedule of the plan's amortization bases. Note that there is a two-year lag between the valuation date and the start of the contribution year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date: June 30, 2025.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2027-28.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for FY 2025-26 is based on the actuarial valuation two years ago, adjusted for additional discretionary payments made on or before April 30, 2026, if necessary, and the expected payment for FY 2026-27 is based on the actuarial valuation one year ago.

Reason for Base	Date Est.	Ramp Level 2027-28	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/25	Expected Payment 2025-26	Balance 6/30/26	Expected Payment 2026-27	Balance 6/30/27	Minimum Required Payment 2027-28
Investment (Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	18	1,464,987	114,266	1,446,519	117,466	1,423,488	120,755
Non-Investment (Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	18	(14,082)	(1,098)	(13,905)	(1,129)	(13,684)	(1,161)
Share of Pre-2013 Pool UAL	6/30/13	No Ramp		2.80%	10	815,476	85,888	782,168	88,293	744,110	90,765
Assumption Change	6/30/14	100%	Up/Dn	2.80%	9	570,332	76,194	530,373	78,328	485,491	80,521
Investment (Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	19	(1,178,277)	(88,537)	(1,166,902)	(91,016)	(1,152,192)	(93,565)
Non-Investment (Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	19	1,259	95	1,246	97	1,230	100
Investment (Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	20	777,448	56,429	771,998	58,009	764,545	59,633
Non-Investment (Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	20	(61,445)	(4,460)	(61,014)	(4,585)	(60,425)	(4,713)
Assumption Change	6/30/16	100%	Up/Dn	2.80%	11	266,755	30,196	253,689	31,042	238,860	31,911
Investment (Gain)/Loss	6/30/16	100%	Up/Dn	2.80%	21	1,012,450	71,154	1,007,763	73,146	1,000,699	75,194
Non-Investment (Gain)/Loss	6/30/16	100%	Up/Dn	2.80%	21	(121,185)	(8,517)	(120,624)	(8,755)	(119,779)	(9,000)
Assumption Change	6/30/17	100%	Up/Dn	2.80%	12	336,035	35,481	322,218	36,474	306,435	37,496
Investment (Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	22	(543,961)	(37,095)	(542,615)	(38,134)	(540,104)	(39,202)
Non-Investment (Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	22	(27,193)	(1,854)	(27,126)	(1,906)	(27,001)	(1,960)
Assumption Change	6/30/18	100%	Up/Dn	2.80%	13	575,973	57,119	556,110	58,718	533,244	60,362
Investment (Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	23	(174,885)	(11,595)	(174,794)	(11,920)	(174,361)	(12,254)
Method Change	6/30/18	100%	Up/Dn	2.80%	13	154,268	15,299	148,948	15,727	142,824	16,167
Non-Investment (Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	23	84,491	5,602	84,447	5,759	84,238	5,920
Investment (Gain)/Loss	6/30/19	100%	Up Only	0.00%	14	89,553	9,052	86,288	9,052	82,801	9,052
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	14	75,593	7,641	72,837	7,641	69,893	7,641

Schedule of Amortization Bases (continued)

Reason for Base	Date Est.	Ramp Level 2027-28	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/25	Expected Payment 2025-26	Balance 6/30/26	Expected Payment 2026-27	Balance 6/30/27	Minimum Required Payment 2027-28
Investment (Gain)/Loss	6/30/20	100%	Up Only	0.00%	15	461,227	36,760	454,601	45,951	438,026	45,951
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	15	67,879	6,635	65,638	6,635	63,245	6,635
Assumption Change	6/30/21	No Ramp		0.00%	16	106,849	10,131	103,645	10,130	100,224	10,131
Net Investment (Gain)	6/30/21	100%	Up Only	0.00%	16	(2,350,507)	(141,328)	(2,364,287)	(188,437)	(2,330,320)	(235,546)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	16	(96,610)	(9,160)	(93,713)	(9,160)	(90,619)	(9,160)
Investment (Gain)/Loss	6/30/22	80%	Up Only	0.00%	17	3,324,430	136,658	3,409,263	204,987	3,429,251	273,316
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	17	377,587	34,822	367,276	34,822	356,264	34,822
Partial Fresh Start	6/30/22	80%	Up Only	0.00%	17	61,946	2,546	63,527	3,820	63,899	5,093
Investment (Gain)/Loss	6/30/23	60%	Up Only	0.00%	18	142,355	3,060	148,873	6,120	152,672	9,180
Non-Investment (Gain)/Loss	6/30/23	No Ramp		0.00%	18	452,898	40,726	441,607	40,726	429,548	40,726
Investment (Gain)/Loss	6/30/24	40%	Up Only	0.00%	19	(556,825)	0	(594,689)	(12,783)	(621,917)	(25,565)
Non-Investment (Gain)/Loss	6/30/24	No Ramp		0.00%	19	362,624	0	387,282	34,826	377,627	34,826
Assumption Change	6/30/25	No Ramp		0.00%	20	65,052	0	69,476	0	74,200	6,672
Investment (Gain)/Loss	6/30/25	20%	Up Only	0.00%	20	(1,117,348)	0	(1,193,328)	0	(1,274,474)	(27,394)
Non-Investment (Gain)/Loss	6/30/25	No Ramp		0.00%	20	282,972	0	302,214	0	322,765	29,024
Total						**5,688,121**	**532,110**	**5,525,009**	**599,944**	**5,280,703**	**632,373**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in Allocation of Plan's Share of Pool's Experience earlier in this report. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page(s) shows the minimum contributions required according to the CalPERS amortization policy. Each year, many agencies express a desire for a more stable pattern of payments or indicate interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative “fresh start” amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. To initiate a fresh start, please contact a CalPERS actuary.

The current amortization schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single “fresh start” base and amortizing it over an appropriate period.

The current amortization schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS Actuarial Amortization Policy.

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternative Schedules			
			10 Year Amortization		5 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2027	5,280,703	632,373	5,280,703	720,813	5,280,703	1,239,573
6/30/2028	4,986,268	676,530	4,894,873	720,813	4,358,765	1,239,572
6/30/2029	4,626,183	651,416	4,482,807	720,813	3,374,137	1,239,573
6/30/2030	4,267,564	623,576	4,042,720	720,813	2,322,553	1,239,573
6/30/2031	3,913,326	608,867	3,572,707	720,813	1,199,461	1,239,572
6/30/2032	3,550,206	603,420	3,070,733	720,812		
6/30/2033	3,168,022	597,295	2,534,626	720,813		
6/30/2034	2,766,177	582,731	1,962,063	720,812		
6/30/2035	2,352,062	557,639	1,350,567	720,813		
6/30/2036	1,935,716	511,172	697,488	720,813		
6/30/2037	1,539,081	363,374				
6/30/2038	1,268,215	329,990				
6/30/2039	1,013,429	303,456				
6/30/2040	768,739	286,029				
6/30/2041	525,419	238,118				
6/30/2042	315,067	180,762				
6/30/2043	149,684	154,690				
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total	**7,901,438**		**7,208,128**		**6,197,863**	
Interest Paid	**2,620,735**		**1,927,425**		**917,160**	
Estimated Savings			**693,310**		**1,703,575**	

Employer Contribution History

The table below provides a recent history of the employer contribution requirements for the plan, as determined by the annual actuarial valuation. Changes due to prepayments or plan amendments after the valuation report was finalized are not reflected.

Valuation Date	Contribution Year	Employer Normal Cost Rate		Unfunded Liability Payment
		Rate Plan 1670	Rate Plan 26180	
06/30/2016	2018-19	9.409%	6.842%	$179,187
06/30/2017	2019-20	10.221%	6.985%	226,422
06/30/2018	2020-21	11.031%	7.732%	265,273
06/30/2019	2021-22	10.88%	7.59%	320,228
06/30/2020	2022-23	10.87%	7.47%	376,131
06/30/2021	2023-24	12.47%	7.68%	352,742
06/30/2022	2024-25	12.52%	7.87%	444,080
06/30/2023	2025-26	12.58%	7.96%	532,110
06/30/2024	2026-27	12.56%	7.93%	599,944
06/30/2025	2027-28	13.11%	8.05%	632,373

Funding History

The table below shows the recent history of the actuarial accrued liability, share of the pool's fair value of assets, unfunded accrued liability, funded ratio and annual covered payroll.

Valuation Date	Accrued Liability	Share of Pool's Fair Value of Assets	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2016	$14,303,278	$10,893,527	$3,409,751	76.2%	$2,451,179
06/30/2017	15,477,102	12,095,317	3,381,785	78.1%	2,493,632
06/30/2018	16,991,507	12,972,988	4,018,519	76.3%	2,835,577
06/30/2019	19,406,754	15,101,370	4,305,384	77.8%	2,784,937
06/30/2020	20,871,866	16,032,616	4,839,250	76.8%	2,752,603
06/30/2021	22,409,178	19,524,592	2,884,586	87.1%	2,863,932
06/30/2022	24,156,913	18,168,581	5,988,332	75.2%	3,190,156
06/30/2023	25,745,437	19,170,174	6,575,263	74.5%	3,062,875
06/30/2024	27,481,565	21,005,557	6,476,008	76.4%	3,496,460
06/30/2025	29,068,237	23,380,116	5,688,121	80.4%	3,818,617

Risk Analysis

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Future Investment Return Scenarios

Analysis using the investment return scenarios from the Asset Liability Management process completed in 2025 was performed to determine the effects of various future investment returns on required employer UAL contributions. The CalPERS Funding Risk Mitigation Policy stipulates that when the investment return exceeds the discount rate by at least 2% the board will consider adjustments to the discount rate. The projections below use a discount rate of 6.8% for all scenarios even though an annual return of 11.6% is high enough to trigger a board discussion on the discount rate. The projections also assume that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur.

The employer normal cost rates are not affected by Investment returns, and since no future assumption changes are being reflected, the projected employer normal cost rates for every future investment return scenario are the same as those shown earlier in this report. See Projected Employer Contributions for more information on projecting the employer normal cost.

The first table shows projected UAL contribution requirements if the fund were to earn either 1.9% or 11.6% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2045.

Assumed Annual Return FY 2025-26 through FY 2044-45	Projected Employer UAL Contributions				
	2028-29	2029-30	2030-31	2031-32	2032-33
1.9% (5th percentile)	$705,000	$736,000	$794,000	$894,000	$1,034,000
11.6% (95th percentile)	$649,000	$566,000	$0	$0	$0

Required UAL contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.9% or greater than 11.6% over a 20-year period, the likelihood of a single investment return less than 1.9% or greater than 11.6% in any given year is much greater. The following analysis illustrates the effect of an extreme, single year investment return.

The portfolio has an expected volatility (or standard deviation) of 12.7% per year. Accordingly, in any given year there is a 16% probability that the annual return will be -5.9% or less and a 2.5% probability that the annual return will be -18.6% or less. These returns represent one and two standard deviations below the expected return of 6.8%.

The following table shows the effect of one and two standard deviation investment losses in FY 2025-26 on the FY 2028-29 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2028-29.

Assumed Annual Return for Fiscal Year 2025-26	Required Employer UAL Contributions	Projected Employer UAL Contributions
	2027-28	2028-29
(18.6%) (2 standard deviation loss)	$632,373	$822,000
(5.9%) (1 standard deviation loss)	$632,373	$749,000

- Without investment gains (returns higher than 6.8%) in FY 2026-27 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2025-26.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2028-29 as well as to model other investment return scenarios.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.3% and 2.5%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2025, assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Discount Rate Due to Varying the Real Rate of Return Assumption

As of June 30, 2025	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	2.5%	2.5%	2.5%
Real Rate of Return	**3.3%**	**4.3%**	**5.3%**
a) Total Normal Cost			
Rate Plan 1670	25.26%	20.05%	16.08%
Rate Plan 26180	19.87%	15.80%	12.71%
b) Accrued Liability	$32,887,122	$29,068,237	$25,881,168
c) Fair Value of Assets	$23,380,116	$23,380,116	$23,380,116
d) Unfunded Liability/(Surplus) [(b) - (c)]	$9,507,006	$5,688,121	$2,501,052
e) Funded Ratio	71.1%	80.4%	90.3%

Sensitivity to the Discount Rate Due to Varying the Price Inflation Assumption

As of June 30, 2025	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	**1.5%**	**2.5%**	**3.5%**
Real Rate of Return	4.3%	4.3%	4.3%
a) Total Normal Cost			
Rate Plan 1670	21.42%	20.05%	18.43%
Rate Plan 26180	16.95%	15.80%	14.46%
b) Accrued Liability	$30,615,153	$29,068,237	$27,316,757
c) Fair Value of Assets	$23,380,116	$23,380,116	$23,380,116
d) Unfunded Liability/(Surplus) [(b) - (c)]	$7,235,037	$5,688,121	$3,936,641
e) Funded Ratio	76.4%	80.4%	85.6%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2025, plan costs and funded status under two different longevity scenarios, namely assuming rates of post-retirement mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2025. This type of analysis highlights the impact on the plan of a change in the mortality assumption.

As of June 30, 2025	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost			
Rate Plan 1670	20.39%	20.05%	19.73%
Rate Plan 26180	16.08%	15.80%	15.54%
b) Accrued Liability	$29,680,953	$29,068,237	$28,504,199
c) Fair Value of Assets	$23,380,116	$23,380,116	$23,380,116
d) Unfunded Liability/(Surplus) [(b) - (c)]	$6,300,837	$5,688,121	$5,124,083
e) Funded Ratio	78.8%	80.4%	82.0%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan sponsor to tolerate risk is important in understanding how the pension plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions.

Since it is the employer that bears the risk, it is appropriate to perform this analysis on a pension plan level considering all rate plans. The following measures include only the rate plans covered in this report. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio increases. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2024	June 30, 2025
1. Retiree Accrued Liability	$15,270,202	$15,790,296
2. Total Accrued Liability	$27,481,565	$29,068,237
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	56%	54%

Another measure of the maturity level of CalPERS and its plans is the ratio of actives to retirees, also called the support ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures and members retire, the ratio declines. A mature plan will often have a ratio near or below one.

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, may be less informative than the ratio of retiree liability to total accrued liability above.

Support Ratio	June 30, 2024	June 30, 2025
1. Number of Actives	24	24
2. Number of Retirees	28	30
3. Support Ratio [(1) ÷ (2)]	0.86	0.80

Maturity Measures (continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary increases, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of fair value of assets to payroll. Plans that have a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an AVR of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as a plan matures.

Liability Volatility Ratio

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, a plan with an LVR of 8 is expected to have twice the contribution volatility of a plan with an LVR of 4 when there is a change in accrued liability, such as when there is a change in actuarial assumptions. It should be noted that this ratio indicates a longer-term potential for contribution volatility, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2024	June 30, 2025
1. Fair Value of Assets	$21,005,557	$23,380,116
2. Payroll	$3,496,460	$3,818,617
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	6.0	6.1
4. Accrued Liability	$27,481,565	$29,068,237
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	7.9	7.6

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	31%	1.44	4.9	6.2
06/30/2018	33%	1.32	4.6	6.0
06/30/2019	50%	1.25	5.4	7.0
06/30/2020	60%	1.00	5.8	7.6
06/30/2021	56%	0.96	6.8	7.8
06/30/2022	56%	0.92	5.7	7.6
06/30/2023	55%	0.85	6.3	8.4
06/30/2024	56%	0.86	6.0	7.9
06/30/2025	54%	0.80	6.1	7.6

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimated range for the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2025. The accrued liability on a termination basis (termination liability) is calculated differently from the plan's ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

A more conservative investment policy and asset allocation strategy was adopted by the board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the remainder of the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The discount rate used for actual termination valuations is a weighted average of the 10-year and 30-year Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the following analysis are based on 20-year Treasury bonds, which is a good proxy for most plans. The discount rate upon contract termination will depend on actual Treasury rates on the date of termination, which varies over time, as demonstrated below.

Valuation Date	20-Year Treasury Rate	Valuation Date	20-Year Treasury Rate
6/30/2016	1.86%	6/30/2021	2.00%
6/30/2017	2.61%	6/30/2022	3.38%
6/30/2018	2.91%	6/30/2023	4.06%
6/30/2019	2.31%	6/30/2024	4.61%
6/30/2020	1.18%	6/30/2025	4.79%

As Treasury rates are variable, the table below shows a range for the termination liability using discount rates 1% below and above the 20-year Treasury rate on the valuation date. The price inflation assumption is the 20-year Treasury breakeven inflation rate, that is, the difference between the 20-year inflation indexed bond and the 20-year fixed-rate bond.

The Fair Value of Assets also varies with interest rates and will fluctuate depending on other market conditions on the date of termination. Since it is not possible to approximate how the assets will change in different interest rate environments, the results below use the plan's share of the pool's Fair Value of Assets as of the valuation date.

	Discount Rate: 3.79% Price Inflation: 2.47%	Discount Rate: 5.79% Price Inflation: 2.47%
1. Termination Liability[1]	$41,122,175	$31,309,897
2. Fair Value of Assets	23,380,116	23,380,116
3. Unfunded Termination Liability [(1) – (2)]	$17,742,059	$7,929,781
4. Funded Ratio [(2) ÷ (1)]	56.9%	74.7%

[1] The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

In order to terminate, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow a CalPERS actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan's assets and liabilities. Before beginning this process, please consult with a CalPERS actuary.

Funded Status – Low-Default-Risk Basis

Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, requires the disclosure of a low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date using a discount rate based on the yields of high quality fixed income securities with cash flows that replicate expected benefit payments. Conceptually, this measure represents the level at which financial markets would value the accrued plan costs, and would be approximately equal to the cost of a portfolio of low-default-risk bonds with similar financial characteristics to accrued plan costs.

As permitted in ASOP No. 4, the Actuarial Office uses the Entry Age Actuarial Cost Method to calculate the LDROM. This methodology is in line with the measure of "benefit entitlements" calculated by the Bureau of Economic Analysis and used by the Federal Reserve to report the indebtedness due to pensions of plan sponsors and, conversely, the household wealth due to pensions of plan members.

As shown below, the discount rate used for the LDROM is 5.58%, which is the Standard FTSE Pension Liability Index[1] discount rate as of June 30, 2025.

Selected Measures on a Low-Default-Risk Basis	**June 30, 2025**
Discount Rate	5.58%
1. Accrued Liability – Low-Default-Risk Basis (LDROM)	
a) Active Members	$13,816,595
b) Transferred Members	1,214,630
c) Separated Members	1,066,798
d) Members and Beneficiaries Receiving Payments	17,729,120
e) Total	$33,827,143
2. Fair Value of Assets	23,380,116
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	$10,447,027
4. Unfunded Accrued Liability – Funding Policy Basis	5,688,121
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	$4,758,906

The difference between the unfunded liabilities on a low-default-risk basis and on the funding policy basis represents the present value of the investment risk premium that must be earned in future years to keep future contributions for currently accrued plan costs at the levels anticipated by the funding policy.

Benefit security for members of the plan relies on a combination of the assets in the plan, the investment income generated from those assets, and the ability of the plan sponsor to make necessary future contributions. If future returns fall short of 6.8%, benefit security could be at risk without higher than currently anticipated future contributions.

The funded status on a low-default-risk basis is not appropriate for assessing the sufficiency of plan assets to cover the cost of settling the plan's benefit obligations (see Funded Status – Termination Basis), nor is it appropriate for assessing the need for future contributions (see Funded Status – Funding Policy Basis).

[1] This index is based on a yield curve of hypothetical AA-rated zero-coupon corporate bonds whose maturities range from 6 months to 30 years. The index represents the single discount rate that would produce the same present value as discounting a standardized set of liability cash flows for a fully open pension plan using the yield curve. The liability cash flows are reasonably consistent with the pattern of benefits expected to be paid from the entire Public Employees' Retirement Fund for current and former plan members. A different index, hence a different discount rate, may be needed to measure the LDROM for a subset of the fund, such as a single rate plan or a group of retirees.

Supplementary Information

- **Normal Cost by Benefit Group** **27**
- **Summary of Valuation Data** **28**
- **Status of PEPRA Transition** **29**
- **Surcharge for Class 1 Benefits** **29**
- **Plan's Major Benefit Options** **30**

Normal Cost by Benefit Group

The table below displays the Total Normal Cost broken out by benefit group for FY 2027-28. The Total Normal Cost is the annual cost of service accrual for the fiscal year for active employees and can be viewed as the long-term contribution rate for the benefits contracted. Generally, the normal cost for a benefit group subject to more generous benefit provisions will exceed the normal cost for a group with less generous benefits. Future measurements of the Total Normal Cost for each group may differ significantly from the current values due to such factors as changes in economic and demographic assumptions, changes in plan benefits, or changes in applicable law.

Rate Plan Identifier	Benefit Group Name	Total Normal Cost FY 2027-28	Offset due to Employee Contributions FY 2027-28	Employer Normal Cost FY 2027-28	Number of Actives	Payroll on 6/30/2025
1670	Miscellaneous Plan	20.05%	6.94%	13.11%	12	$2,355,942
26180	PEPRA Miscellaneous Plan	15.80%	7.75%	8.05%	12	1,462,675
	Total				24	$3,818,617

Note that if a Benefit Group above has multiple bargaining units, each of which has separately contracted for different benefits such as Employer Paid Member Contributions, then the Normal Cost shown for the respective benefit level does not reflect those differences.

Summary of Valuation Data

The table below shows a summary of the plan's member data upon which this valuation is based:

	June 30, 2024	June 30, 2025
Active Members		
Counts	24	24
Average Attained Age	45.3	45.8
Average Entry Age to Rate Plan	35.5	35.7
Average Years of Credited Service	9.8	10.1
Average Annual Covered Pay	$145,686	$159,109
Annual Covered Payroll	$3,496,460	$3,818,617
Present Value of Future Payroll	$32,331,917	$34,607,271
Transferred Members		
Counts	5	6
Separated Members		
Counts	10	10
Retired Members and Beneficiaries*		
Counts	28	30
Average Annual Benefits	$41,244	$40,735
Total Annual Benefits	$1,154,839	$1,222,042

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Average Annual Benefits represents benefit amounts payable by this plan only. Some members may have service in another plan and would therefore have a larger total benefit than would be included as part of the average shown here.

* Values include community property settlements

Status of PEPRA Transition

The California Public Employees' Pension Reform Act of 2013 (PEPRA), which took effect in January 2013, changed CalPERS retirement benefits and placed compensation limits on new members joining CalPERS on or after January 1, 2013. One of the objectives of PEPRA was to improve the ability of employers to manage the costs of retirement benefits for their members. While such changes can reduce future benefit costs in a meaningful way, the full impact on employer contributions will not occur until all active members are subject to the rules and provisions of PEPRA. The table below illustrates the status of this transition as of June 30, 2025.

	Classic	PEPRA	PEPRA as a Percent of Total
Active Members			
Count	12	12	50.0%
Average Attained Age	51.3	40.2	
Average Entry Age	35.6	35.7	
Average Years of Credited Service	15.8	4.5	
Average Annual Covered Payroll	$196,329	$121,890	
Annual Covered Payroll	$2,355,942	$1,462,675	38.3%
Present Value of Future Payroll	$16,622,520	$17,984,751	52.0%
Transferred Members			
Count	5	1	16.7%
Separated Members			
Count	6	4	40.0%
Retired Members and Beneficiaries Receiving Payments			
Count	30	0	0.0%
Average Annual Benefit	$40,735	$0	
Total Annual Benefits	$1,222,042	$0	0.0%
Accrued Liabilities			
Active Members	$10,206,349	$1,221,773	10.7%
Transferred Members	984,591	4,289	0.4%
Separated Members	852,966	7,973	0.9%
Retired Members and Beneficiaries	15,790,296	0	0.0%
Total	$27,834,202	$1,234,035	4.2%

Surcharge for Class 1 Benefits

This plan has the following Class 1 benefit provisions which result in the surcharges indicated:

Class 1 benefit provisions	Rate Plan 1670	Rate Plan 26180
One Year Final Compensation (FAC 1)	0.69%	N/A
Surcharge for Class 1 Benefits	0.69%	0.00%

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

Rate Plan 1670	**Benefit Group**		
Member Category	**Misc**	**Misc**	
Demographics			
Actives	Yes	No	
Transfers/Separated	Yes	No	
Receiving	Yes	Yes	
Benefit Provision			
Benefit Formula	2% @ 55		
Social Security Coverage	No		
Full/Modified	Full		
Employee Contribution Rate	7.00%		
Final Average Compensation Period	One Year		
Sick Leave Credit	Yes		
Non-Industrial Disability	Standard		
Industrial Disability	No		
Pre-Retirement Death Benefits			
Optional Settlement 2	Yes		
1959 Survivor Benefit Level	Level 4		
Special	No		
Alternate (firefighters)	No		
Post-Retirement Death Benefits			
Lump Sum	$2,000	$2,000	
Survivor Allowance (PRSA)	No	No	
COLA	2%	2%	

Plan's Major Benefit Options (Continued)

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

Rate Plan 26180	**Benefit Group**		
Member Category	**Misc**		
Demographics			
Actives	Yes		
Transfers/Separated	Yes		
Receiving	No		
Benefit Provision			
Benefit Formula	2% @ 62		
Social Security Coverage	No		
Full/Modified	Full		
Employee Contribution Rate	7.75%		
Final Average Compensation Period	Three Year		
Sick Leave Credit	Yes		
Non-Industrial Disability	Standard		
Industrial Disability	No		
Pre-Retirement Death Benefits			
Optional Settlement 2	Yes		
1959 Survivor Benefit Level	Level 4		
Special	No		
Alternate (firefighters)	No		
Post-Retirement Death Benefits			
Lump Sum	$2,000		
Survivor Allowance (PRSA)	No		
COLA	2%		

Section 2

California Public Employees' Retirement System

Risk Pool Actuarial Valuation Information

Section 2 may be found on the CalPERS website
in the Forms & Publications section

THREE VALLEYS MUNICIPAL WATER DISTRICT

BOARD INFORMATION

BOARD OF DIRECTORS
STAFF REPORT

To: TVMWD Board of Directors

From: Matthew H. Litchfield, General Manager

Date: October 7, 2026

Subject: OPEB Section 115 Funding Update

Staff Recommendation
No Action Necessary – Information Only

Discussion
This item provides the Board with the District's annual update on its Other Post-Employment Benefits (OPEB) funding status and presents staff's anticipated recommendation for a $500,000 contribution to the District's Section 115 OPEB Trust. No action is requested at this meeting.

TVMWD provides limited retiree healthcare benefits through direct premium payments to ACWA/JPIA and reimbursements administered by the District. An annual GASB 75 actuarial report is prepared to measure the District's OPEB obligations for financial reporting purposes. A full actuarial valuation, including updated participant data, is completed biennially.

The District established an IRS Section 115 Trust with PARS in November 2016 to prefund these obligations. The District's Reserve Policy establishes an Employee Benefits funding objective of maintaining approximately 90% of the OPEB liability in an external trust. Annual contributions are evaluated together with trust performance, actuarial results, and the District's overall financial position.

At the annual update on January 7, 2026, the District reported an OPEB liability of $1,674,424 and trust assets of $1,308,785, representing a 78.2% funded status. On February 4, 2026, the Board approved a revised Retiree Health Benefits Policy effective January 1, 2026.

Compared with the prior program applicable to employees retiring through December 31, 2025, the revised program increased the maximum monthly benefit from $600 to $1,000 and

added a 2.5% annual escalator. It also reinstated a shorter 10-to-15-year vesting schedule, added District-sponsored dental and vision coverage, and allowed unused benefit allowances to be applied toward a spouse's premiums. The changes apply only to employees retiring on or after January 1, 2026; they do not apply to existing retirees and are not retroactive.

The FY 2026 GASB 75 actuarial report reflects the financial effect of the revised benefit program. The program enhancements increased the actuarial value of benefits expected to be paid in future years. As a result, the Total OPEB Liability increased by $791,699, or 47.3%, to $2,466,123. Of this increase, $762,882 was attributable to the cost of the plan changes. Over the same period, trust assets increased by $168,868, or 12.9%, to $1,477,653. Accordingly, the reduction in funded status from 78.2% to 59.9% was driven primarily by the expanded benefit obligation, not by a decline in trust assets.

The proposed $500,000 contribution would increase trust assets to $1,977,653 and increase the funded status to approximately 80.2%, as shown below:

Category	FYE 2025	FYE 2026	Proposed Contribution	Projected After Contribution
Total OPEB Liability	$1,674,424	$2,466,123	-	$2,466,123
Section 115 Trust Assets	$1,308,785	$1,477,653	$500,000	$1,977,653
Unfunded OPEB Liability	$365,639	$988,470	($500,000)	$488,470
Funded Status	78.2%	59.9%		80.2%

The proposed contribution is a measured step toward the Reserve Policy's 90% external funding objective while balancing the District's other financial, capital, and liquidity priorities. Staff intends to return on October 21, 2026, with an action item requesting authorization for the $500,000 contribution. Future contributions can be considered annually based on updated actuarial information, investment performance, retiree benefit costs, and the District's overall financial position.

Fiscal Impact

There is no fiscal impact associated with receiving this informational report. If authorized on October 21, 2026, the proposed contribution would transfer $500,000 of District cash to the PARS Section 115 OPEB Trust. The funds would remain District assets but would be restricted for payment of OPEB obligations.

Environmental Impact
None

Strategic Plan Objective(s)
2.2 – Accountability

Attachment(s)
Exhibit A – GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2026

Meeting History
Board of Directors Meeting, February 4, 2026, Board approved the revised Retiree Health Benefits Policy, effective January 1, 2026.
Special Board of Directors Workshop Meeting, January 26, 2026, Board reviewed actuarially evaluated benefit-enhancement scenarios.

NA/EG

MacLeod Watts

September 11, 2026

Erika Gomez
Chief Financial Officer
Three Valleys Municipal Water District
1021 E. Miramar Avenue
Claremont, CA 91711

Re: Three Valleys Municipal Water District Other Post-Employment Benefits
GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2026

Dear Ms. Gomez:

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of the Three Valleys Municipal Water District (the District). The report's text describes our analysis and assumptions in detail.

The primary purpose of this report is to 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 June 30, 2026. The exhibits presented in this report reflect that the District is contributing, on average, 100% or more of the Actuarially Determined Contribution each year.

The exhibits presented are based on a roll forward of the results of the April 1, 2025, actuarial valuation, and on the employee and plan data used for that valuation. The District also provided information on OPEB contributions and total covered employee payroll for the fiscal year. As with any analysis, the soundness of the report is dependent on the inputs. Please review the information shown in the report to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of District employees 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,

Raegann Conner

Raegann E. Conner, ASA, ACA, MAAA
Consulting Actuary

Enclosure

Three Valleys Municipal Water District

GASB 75 Actuarial Report
Measured as of June 30, 2026
For Fiscal Year End June 30, 2026 Financial Reporting

Submitted September 2026

MacLeod Watts

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A. Executive Summary

This report presents actuarial information regarding the other post-employment benefit (OPEB) program of the Three Valleys Municipal Water District (the District). The purpose of this report is to provide the actuarial information necessary for financial reporting under Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2026.

The results are based on a roll-forward of liabilities from the April 1, 2025, full actuarial valuation to the current measurement date. No new participant data was collected for this roll-forward. The results reflect expected changes due to the passage of time, benefit payments, and updated plan asset information, but do not reflect actual demographic experience since the prior valuation.

The District should plan for the next full valuation as of April 1, 2027. Results of that valuation will first be applied to prepare the District's GASB 75 report for the fiscal year ending June 30, 2027.

OPEB Obligations

The District provides continuation of certain types of post-employment coverage to its retiring employees. See Retiree Benefit Provisions for a description of these benefits. Post-employment coverage may create one or more types of OPEB liabilities:

- **Explicit subsidy liabilities**: An "explicit subsidy" exists when the employer contributes directly toward the cost of a retiree's coverage, such as contributing toward the cost of healthcare premiums.

- **Implicit subsidy liabilities**: An "implicit subsidy" may exist when premiums paid for retiree coverage are not expected to cover retiree claims, and the cost difference is expected to be borne by the employer. This commonly occurs when the employer is charged the same premium for active and retired employees, even though retirees generally incur higher claims.

We determine explicit subsidy liabilities using the expected direct payments promised by the plan toward retiree coverage. We determine the implicit subsidy liability as the projected difference between (a) estimated retiree claim costs by age and (b) premiums charged for retiree coverage, to the extent borne by the District.

Important Dates

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	June 30, 2026
Measurement Date	June 30, 2026
Measurement Period	July 1, 2025 to June 30, 2026
Valuation Date	April 1, 2025

Executive Summary
(Continued)

Summary of Results

The plan's impact on Net Position will be the sum of the difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. The plan's impact on Net Position and Expense for the current fiscal year is shown below.

Summary of Results for Fiscal Year Ending June 30, 2026	**District**
Total OPEB Liability	$ 2,466,123
Fiduciary Net Position	(1,477,653)
Net OPEB Liability	**$ 988,470**
Adjustment for Deferred Resources:	
Deferred (Outflows)	(70,467)
Deferred Inflows	275,933
Impact on Statement of Net Position	**$ 1,193,936**
OPEB Expense, FYE 6/30/2026	**$ 876,477**

OPEB Funding Policy

The District's OPEB funding pattern over the most recent 5-year period has been to contribute 100% or more of the Actuarially Determined Contribution each year. When fully funding, GASB 75 prescribes the expected long-term trust earnings rate as the discount rate for determining liabilities for plan disclosures.

With the District's approval, we used 6.05% as the discount rate to develop accounting disclosures and Actuarially Determined Contributions for plan funding. Information on how this rate was determined is provided in the Expected Return on Trust Assets section of Accounting Information.

Executive Summary
(Concluded)

Updates Since the Prior Report

This report is based on a roll forward of the April 1, 2025, valuation. The District has reported benefit changes during the measurement period. The new benefits are summarized in the Retiree Benefit Provisions section of the report and the financial impact is shown in the Reconciliation provided in the Results Measured as of June 30, 2026 section. A description of the changes can be found in the Changes section of Actuarial Methods and Assumptions. Investment experience (the difference between actual and expected trust earnings) was determined as well.

Use and Reliance

This report is intended to present actuarial information related to other post-employment benefits (OPEB) for the District's financial statements in accordance with GASB Statement No. 75. The results and conclusions are appropriate for this purpose but may not be suitable for other uses, as different assumptions, methods, or actuarial standards of practice may be required or more suitable.

The actuarial valuation reflects plan provisions and related information as provided by the District. The District is assumed to have access to, and to rely upon, its own legal counsel for advice on legal matters, including the compliance of plan provisions with applicable laws, regulations, Board requirements, or other governing authorities. MacLeod Watts does not practice law, and nothing in this report should be construed as legal advice. While MacLeod Watts is not a public accounting firm, any financial reporting information herein has been prepared in accordance with our understanding of applicable reporting requirements. The District should coordinate with its internal accounting staff and external auditors regarding the application of these results to the District's financial statements.

B. Results Measured as of June 30, 2026

The District's OPEB liability measured as of June 30, 2026, was determined based on a roll-forward of the April 1, 2025, full actuarial valuation. A roll-forward valuation projects the prior year's liabilities to the current measurement date based on expected changes due to the passage of time, benefit payments, and interest on liabilities.

For this type of valuation, we reflect actual plan assets as of the new measurement date, but no new participant data was collected, and no changes were made to actuarial assumptions or plan provisions, except as noted below. Under GASB 75, any changes in the municipal bond index, the expected long-term rate of return on plan assets, and/or the OPEB funding pattern over the most recent 5-year period must be reflected in determining the discount rate as of the measurement date. In addition, the change in retiree benefits effective January 1, 2026, is reflected as well.

GASB allows roll-forward valuations to be used in the year following a full biennial valuation, provided that no material changes have occurred that would require a new valuation. Changes to plan provisions during the current measurement period were reflected in this report. No changes to the plan or plan membership were identified that would require a new full valuation.

The chart below reconciles the Net OPEB Liability reported as of June 30, 2025, to that determined by this roll-forward valuation as of June 30, 2026.

Reconciliation of Changes During Measurement Period	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2025*	$ 1,674,424	$ 1,308,785	$ 365,639
Expected Changes During the Period:			
Service Cost	42,812		42,812
Interest Cost	100,431		100,431
Expected Investment Income		79,181	(79,181)
District Contributions		114,426	(114,426)
Benefit Payments	(114,426)	(114,426)	-
Total Expected Changes During the Period	28,817	79,181	(50,364)
Expected at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2026*	$ 1,703,241	$ 1,387,966	$ 315,275
Unexpected Changes During the Period:			
Change Due to Investment Experience		89,687	(89,687)
Change Due to Benefit Changes	762,882		762,882
Total Unexpected Changes During the Period	762,882	89,687	673,195
Balance at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2026*	$ 2,466,123	$ 1,477,653	$ 988,470

C. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year ending June 30, 2026.

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 June 30, 2026 *Measurement Date is June 30, 2026*	**District**
Items Included in Net Position:	
Total OPEB Liability	$ 2,466,123
Fiduciary Net Position	(1,477,653)
Net OPEB Liability (Asset)	988,470
Deferred items affecting Net Position:	
Deferred Outflows	(70,467)
Deferred Inflows	275,933
Deferred Contributions	-
Impact on Statement of Net Position, FYE 6/30/2026	**$ 1,193,936**
Items Included in OPEB Expense:	
Service Cost	$ 42,812
Interest Cost	100,431
Expected Earnings on Assets	(79,181)
Ongoing financial cost of the plan Represents the recurring components of OPEB expense for the measurement period, before plan changes and deferred recognition.	$ 64,062
Adjustments to arrive at OPEB Expense:	
Recognition of Cost of Plan Changes	762,882
Recognition of Deferred Outflows	119,999
Recognition of Deferred Inflows	(70,466)
OPEB Expense, FYE 6/30/2026	**$ 876,477**

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*	**6/30/2025** *6/30/2025*	**6/30/2026** *6/30/2026*	**Change During Period**
Total OPEB Liability	$ 1,674,424	$ 2,466,123	$ 791,699
Fiduciary Net Position	(1,308,785)	(1,477,653)	(168,868)
Net OPEB Liability (Asset)	365,639	988,470	622,831
Deferred (Outflows) Due to:			
Assumption Changes	(101,812)	(48,054)	53,758
Plan Experience	(49,183)	(22,413)	26,770
Investment Experience	(39,471)	-	39,471
Deferred Contributions	-	-	-
Deferred Inflows Due to:			
Assumption Changes	102,051	85,294	(16,757)
Plan Experience	71,723	59,946	(11,777)
Investment Experience	82,938	130,693	47,755
Impact on Statement of Net Position	$ 431,885	$ 1,193,936	$ 762,051

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2025	$ 431,885
OPEB Expense	876,477
District Contributions During Fiscal Year	(114,426)
Impact on Statement of Net Position, FYE 6/30/2026	$ 1,193,936

OPEB Expense	
District Contributions During Fiscal Year	$ 114,426
Deterioration (Improvement) in Net Position	762,051
OPEB Expense, FYE 6/30/2026	$ 876,477

Accounting Information
(Continued)

Change in Fiduciary Net Position During the Measurement Period

Fiduciary Net Position at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2025*	**$**	**1,308,785**
Changes During the Period:		
Investment Income		168,868
District Contributions		114,426
Benefit Payments		(114,426)
Net Changes During the Period		168,868
Fiduciary Net Position at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2026*	**$**	**1,477,653**

Expected Long-term Return on Trust Assets

PARS last updated their projected future investment returns in July 2025. The expected return was determined for each major asset class. The target allocation and best estimates of geometric returns for each major class are summarized in this table.

		Expected Returns	
PARS Portfolio	PARS Moderate	Years 1-5	Years 1-30
US Large Cap Equity	28.5%	7.0%	7.2%
US Small Cap Equity	1.5%	7.9%	7.9%
Int'l. Developed Equity	11.3%	6.9%	6.9%
Emerging Markets Equity	3.8%	7.4%	7.4%
REITs	2.5%	7.2%	7.0%
Listed Infrastructure	2.5%	6.8%	7.4%
Core Bonds	44.5%	4.5%	5.0%
High Yield	3.5%	6.0%	6.1%
Cash	2.0%	3.3%	2.9%

To derive the expected future trust return specifically for the District, we first analyzed the returns, risk, and correlations of each major asset class to produce the portfolio's long-term expected geometric rate of return over a 5-year and 30-year horizon. We then adjusted PARS' future return expectations to align with the 2.50% general inflation assumption used in this report and deducted 60 basis points to account for investment expenses not incorporated in the published returns. Then applying the plan specific benefit payments (as determined from the April 1, 2025, valuation) to PARS' bifurcated return expectations, we determined the single equivalent long-term rate of return to be 6.05%.

Accounting Information
(Continued)

Deferred Resources and Expected Future Recognition

The exhibit below shows deferred resources used in the current fiscal year. The plan's Expected Average Remaining Service Life ("EARSL") is 7.09 years. This period is used to recognize any non-investment related deferred resources established as of the measurement date. Investment related deferred resources are always recognized over five years. Details of deferred resources used in the current fiscal year are presented in the Schedule of Deferred Resources.

Three Valleys Municipal Water District	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 48,054	$ 85,294
Differences Between Expected and Actual Experience	22,413	59,946
Net Difference Between Projected and Actual Earnings on Investments	-	130,693
Deferred Contributions	-	-
Total	$ 70,467	$ 275,933

The exhibit below shows future recognition of all deferred resources.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2027	$ (4,719)
2028	(66,249)
2029	(57,293)
2030	(46,101)
2031	(28,534)
Thereafter	(2,570)

Accounting Information
(Continued)

Sensitivity of Liabilities

The discount rate used for accounting purposes for the fiscal year ending June 30, 2026, is 6.05%. Future healthcare cost increases were assumed to start at 5.5% (increase effective January 1, 2027) 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% 5.05%**	**Current 6.05%**	**Current + 1% 7.05%**
Total OPEB Liability	2,721,448	2,466,123	2,247,345
Increase (Decrease)	255,325		(218,778)
% Increase (Decrease)	10.4%		-8.9%
Net OPEB Liability (Asset)	1,243,795	988,470	769,692
Increase (Decrease)	255,325		(218,778)
% Increase (Decrease)	25.8%		-22.1%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Total OPEB Liability	2,407,110	2,466,123	2,524,800
Increase (Decrease)	(59,013)		58,677
% Increase (Decrease)	-2.4%		2.4%
Net OPEB Liability (Asset)	929,457	988,470	1,047,147
Increase (Decrease)	(59,013)		58,677
% Increase (Decrease)	-6.0%		5.9%

Accounting Information
(Continued)

Schedule of Changes in the Net OPEB Liability

Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability										
Service Cost	$ 42,812	$ 57,815	$ 56,131	$ 61,158	$ 59,377	$ 50,376	$ 48,909	$ 35,365	$ 34,335	$ 22,989
Interest Cost	100,431	98,296	96,020	91,573	88,487	77,554	73,742	84,221	65,379	63,032
Cost of Plan Changes	762,882	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(83,500)	-	6,209	-	99,602	(13,757)	-	110,332	-
Changes of assumptions	-	(118,808)	-	9,374	-	262,184	(267,276)	-	140,935	143,737
Benefit payments	(114,426)	(117,761)	(104,816)	(87,797)	(95,064)	(85,295)	(53,555)	(47,587)	(41,611)	(23,007)
Change in total OPEB liability	791,699	(163,958)	47,335	80,517	52,800	404,421	(211,937)	71,999	309,370	206,751
Total OPEB liability - beginning	1,674,424	1,838,382	1,791,047	1,710,530	1,657,730	1,253,309	1,465,246	1,393,247	1,083,877	877,126
Total OPEB liability - ending	$ 2,466,123	$ 1,674,424	$ 1,838,382	$ 1,791,047	$ 1,710,530	$ 1,657,730	$ 1,253,309	$ 1,465,246	$ 1,393,247	$ 1,083,877
Fiduciary Net Position										
Contributions - employer	$ 114,426	$ 117,761	$ 104,817	$ 87,797	$ 95,064	$ 85,295	$ 53,555	$ 47,588	$ 41,611	$ 138,561
Net investment income	168,868	128,147	102,451	63,980	(136,378)	185,799	38,250	55,386	45,031	52,341
Benefit payments	(114,426)	(117,761)	(104,817)	(87,797)	(95,064)	(85,295)	(55,908)	(49,800)	(43,769)	(24,164)
Change in fiduciary net position	168,868	128,147	102,451	63,980	(136,378)	185,799	35,897	53,174	42,873	166,738
Fiduciary net position - beginning	1,308,785	1,180,638	1,078,187	1,014,207	1,150,585	964,786	928,889	875,715	832,842	666,104
Fiduciary net position - ending	$ 1,477,653	$ 1,308,785	$ 1,180,638	$ 1,078,187	$ 1,014,207	$ 1,150,585	$ 964,786	$ 928,889	$ 875,715	$ 832,842
Net OPEB liability - ending	$ 988,470	$ 365,639	$ 657,744	$ 712,860	$ 696,323	$ 507,145	$ 288,523	$ 536,357	$ 517,532	$ 251,035
Covered-employee payroll	$ 4,561,636	$ 3,940,256	$ 3,578,491	$ 3,461,391	$ 3,181,568	$ 2,863,454	$ 2,743,774	$ 2,750,395	$ 2,662,296	$ 2,539,815
Net OPEB liability as a percentage of covered-employee payroll	21.67%	9.28%	18.38%	20.59%	21.89%	17.71%	10.52%	19.50%	19.44%	9.88%

Accounting Information
(Continued)

Notes to the Schedule of Changes in the Net OPEB Liability

Used in Development of the NOL for the Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Measurement date	6/30/2026	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Valuation date	4/1/2025	4/1/2025	4/1/2023	4/1/2023	4/1/2021	4/1/2021	7/1/2019	7/1/2017	7/1/2017	7/1/2015
Discount rate	6.05%	6.05%	5.35%	5.35%	5.30%	5.30%	6.15%	6.15%	6.15%	7.50%
Investment rate of return	6.05%	6.05%	5.35%	5.35%	5.30%	5.30%	6.15%	6.15%	6.15%	7.28%
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.25%	2.75%	2.75%	Not available
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.75%
Healthcare cost trend rates	5.5% in 2027 3.9% by 2075	5.5% in 2027 3.9% by 2075	10% in 2024 3.9% by 2076	10% in 2024 3.9% by 2076	5.7% in 2022 4% by 2076	5.7% in 2022 4% by 2076	6.0% in 2019 4.5% by 2022	5.5% in 2019 4.5% by 2022	5.5% in 2019 4.5% by 2022	6.0% in 2019 4.5% by 2022
Retirement age	50 to 65	50 to 65	50 to 65	50 to 65	50 to 75	50 to 75	50 to 65	2014 CalPERS OPEB Assumptions Model	2014 CalPERS OPEB Assumptions Model	50-63 for 2% at 55; 52-67 for 2% at 62
Mortality	CalPERS 2021	CalPERS 2021	CalPERS 2021	CalPERS 2021	CalPERS 2017	CalPERS 2017	RP-2014 Healthy Annuitant	CalPERS 2014	CalPERS 2014	CalPERS 2014
Mortality Improvement	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2020	MacLeod Watts 2020	Graded % of scale MP-2016 generational projection	20 years BB; see CalPERS 2014 experience study report	20 years BB; see CalPERS 2014 experience study report	20 years BB; see CalPERS 2014 experience study report

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	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	$ 70,822	$ 95,874	$ 93,023	$ 90,087	$ 85,926	$ 83,411	$ 38,993	$ 47,588	$ 41,611	$ 39,410
Contributions in relation to the ADC	114,426	117,761	104,817	87,797	95,064	85,295	53,555	47,588	41,611	138,561
Contribution deficiency (excess)	$ (43,604)	$ (21,887)	$ (11,794)	$ 2,290	$ (9,138)	$ (1,884)	$ (14,562)	$ -	$ -	$ (99,151)
Covered-employee payroll	$ 4,561,636	$ 3,940,256	$ 3,578,491	$ 3,461,391	$ 3,181,568	$ 2,863,454	$ 2,743,774	$ 2,750,395	$ 2,662,296	$ 2,539,815
Contributions as a percentage of covered-employee payroll	2.51%	2.99%	2.93%	2.54%	2.99%	2.98%	1.95%	1.73%	1.56%	5.46%

Used in Development of the ADC for the Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Valuation Date	4/1/2025	4/1/2023	4/1/2023	4/1/2023	4/1/2021	4/1/2021	7/1/2019	7/1/2017	7/1/2017	7/1/2015
Discount rate/Trust return	6.05%	5.35%	5.35%	5.35%	5.30%	5.30%	6.15%	6.15%	6.15%	7.28%
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.25%	2.75%	2.75%	Not available
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.75%
Healthcare cost trend rates	5.5% in 2027 3.9% by 2075	10% in 2024 3.9% by 2076	10% in 2024 3.9% by 2076	10% in 2024 3.9% by 2076	5.7% in 2022 4% by 2076	5.7% in 2022 4% by 2076	6.0% in 2019 4.5% by 2022	5.5% in 2019 4.5% by 2022	5.5% in 2019 4.5% by 2022	6.0% in 2019 4.5% by 2022
Retirement age	50 to 65	50 to 65	50 to 65	50 to 65	50 to 75	50 to 75	50 to 65	CalPERS 2014	CalPERS 2014	50 to 67
Mortality	CalPERS 2021	CalPERS 2021	CalPERS 2021	CalPERS 2021	CalPERS 2017	CalPERS 2017	RP-2014 Healthy Annuitant	CalPERS 2014	CalPERS 2014	CalPERS 2014
Mortality Improvement	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2020	MacLeod Watts 2020	Graded % of scale MP-2016 projected	CalPERS 2014	CalPERS 2014	CalPERS 2014
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Amortization period	27 years	28 years	27 years	28 years	29 years	30 years	Not available	Not available	Not available	Not available
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value

Accounting Information
(Continued)

Progress in Plan Funding

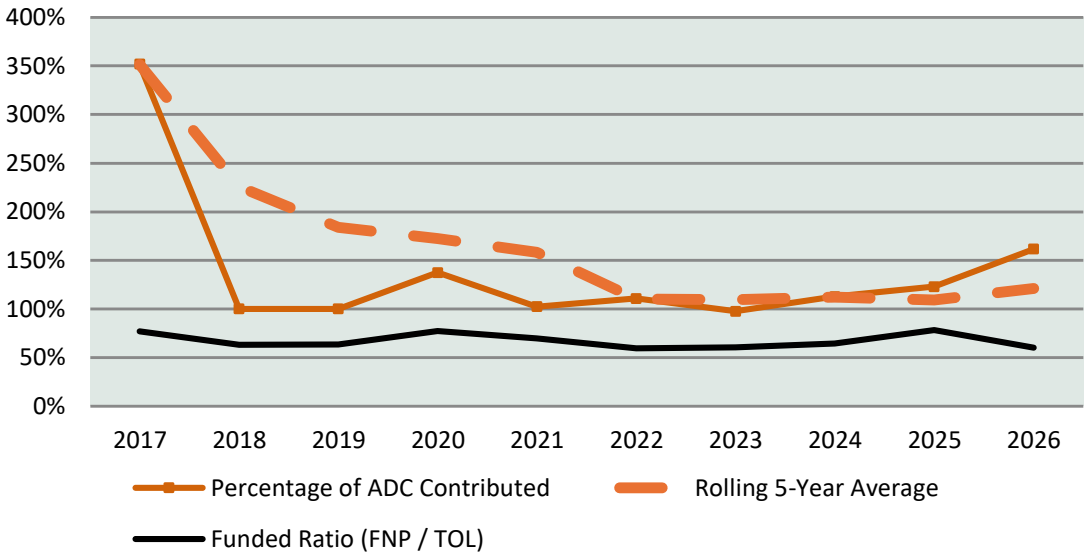
The District's contribution history and progress in funding is shown below. This chart is not a required disclosure but may assist the District in monitoring plan funding. The measures shown include:

- *Contribution Percentage*: Annual percentage of Actuarially Determined Contributions (ADCs) contributed by the District.
- *Average Contribution Ratio*: The rolling 5-year average of the Contribution Percentage above. Paragraph 38 of GASB 75 states that the most recent 5-year history of contributions should be considered when developing the liability discount rate in partially funded plans.
- *Funded Ratio*: The ratio of plan assets (Fiduciary Net Position) to the Total OPEB Liability is a standard measure of plan funded status at a point in time. See Funded Status in the Glossary.

	Contribution History				GASB 75 Funded Status History			
Fiscal Year Ending	Actuarially Determined Contribution (ADC)	Contribution	Percentage of ADC Contributed	Rolling 5-Year Average	Total OPEB Liability (TOL)	Fiduciary Net Position (FNP)	Net OPEB Liability (Asset)	Funded Ratio (FNP / TOL)
2017	39,410	138,561	352%	352%	1,083,877	832,842	251,035	77%
2018	41,611	41,611	100%	226%	1,393,247	875,715	517,532	63%
2019	47,588	47,588	100%	184%	1,465,246	928,889	536,357	63%
2020	38,993	53,555	137%	172%	1,253,309	964,786	288,523	77%
2021	83,411	85,295	102%	158%	1,657,730	1,150,585	507,145	69%
2022	85,926	95,064	111%	110%	1,710,530	1,014,207	696,323	59%
2023	90,087	87,797	97%	110%	1,791,047	1,078,187	712,860	60%
2024	93,023	104,817	113%	112%	1,838,382	1,180,638	657,744	64%
2025	95,874	117,761	123%	109%	1,674,424	1,308,785	365,639	78%
2026	70,822	114,426	162%	121%	2,466,123	1,477,653	988,470	60%

Note: Rolling average based on latest 5 years, or maximum number available if less.

The relevant ratios are shown in the chart below.



Accounting Information
(Continued)

Detail of Changes to Net Position

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

Three Valleys Municipal Water District	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows:				(e) Deferred Inflows:			Impact on Statement of Net Position (f) = (c) - (d) + (e)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Assumption Changes	Plan Experience	Investment Experience	
Balance at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2025*	$ 1,674,424	$ 1,308,785	$ 365,639	$ 101,812	$ 49,183	$ 39,471	$ -	$ 102,051	$ 71,723	$ 82,938	$ 431,885
Changes During the Period:											
Service Cost	42,812		42,812								42,812
Interest Cost	100,431		100,431								100,431
Expected Investment Income		79,181	(79,181)								(79,181)
District Contributions		114,426	(114,426)								(114,426)
Cost of Plan Changes	762,882		762,882								762,882
Benefit Payments	(114,426)	(114,426)	-								-
Assumption Changes	-		-					-			-
Plan Experience	-		-						-		-
Investment Experience		89,687	(89,687)							89,687	-
Recognized Deferred Resources				(53,758)	(26,770)	(39,471)		(16,757)	(11,777)	(41,932)	49,533
Contributions After Measurement Date											-
Net Changes in Fiscal Year 2025-2026	791,699	168,868	622,831	(53,758)	(26,770)	(39,471)	-	(16,757)	(11,777)	47,755	762,051
Balance at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2026*	$ 2,466,123	$ 1,477,653	$ 988,470	$ 48,054	$ 22,413	$ -	$ -	$ 85,294	$ 59,946	$ 130,693	$ 1,193,936

Accounting Information
(Continued)

Schedule of Deferred Resources

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

Deferred Outflow or (Inflow)						Scheduled Recognition in Expense						
Source	Date Created	Initial Amount	Period (Yrs)	Annual Recognition	Balance as of Jun 30, 2026	2025-26 (FYE 2026)	2026-27 (FYE 2027)	2027-28 (FYE 2028)	2028-29 (FYE 2029)	2029-30 (FYE 2030)	2030-31 (FYE 2031)	Thereafter
Assumption Changes	6/30/2019	126,100	8.50	14,835	7,420	14,835	7,420	-	-	-	-	-
	6/30/2021	262,184	6.97	37,616	36,488	37,616	36,488	-	-	-	-	-
	6/30/2023	9,374	7.17	1,307	4,146	1,307	1,307	1,307	1,307	225	-	-
	6/30/2025	(118,808)	7.09	(16,757)	(85,294)	(16,757)	(16,757)	(16,757)	(16,757)	(16,757)	(16,757)	(1,509)
Investment Earnings	6/30/2022	197,359	5.00	39,472	-	39,471	-	-	-	-	-	-
	6/30/2023	(10,227)	5.00	(2,045)	(2,047)	(2,045)	(2,047)	-	-	-	-	-
	6/30/2024	(44,766)	5.00	(8,953)	(17,907)	(8,953)	(8,953)	(8,954)	-	-	-	-
	6/30/2025	(64,983)	5.00	(12,997)	(38,989)	(12,997)	(12,997)	(12,997)	(12,995)	-	-	-
	6/30/2026	(89,687)	5.00	(17,937)	(71,750)	(17,937)	(17,937)	(17,937)	(17,937)	(17,939)	-	-
Plan Experience	6/30/2019	98,718	8.50	11,614	5,806	11,614	5,806	-	-	-	-	-
	6/30/2021	99,602	6.97	14,290	13,862	14,290	13,862	-	-	-	-	-
	6/30/2023	6,209	7.17	866	2,745	866	866	866	866	147	-	-
	6/30/2025	(83,500)	7.09	(11,777)	(59,946)	(11,777)	(11,777)	(11,777)	(11,777)	(11,777)	(11,777)	(1,061)

Accounting Information
(Continued)

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 retiree benefits ("explicit subsidies") and/or indirect payments to retirees in the form of indirect payments to retirees for claims costs not expected to be fully supported by retiree premiums ("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 more details, see the Implicit Subsidy definition in the Glossary.

District contributions during the fiscal year are shown below.

For the Fiscal Year, Jul 1, 2025 through Jun 30, 2026		**District**
District		
(f) Contribution To PARS	$	-
(g) Benefits Paid Directly To or On Behalf of Retirees		78,824
(h) Implicit Subsidy Payment		35,602
PARS		
(i) Benefits Paid Directly To or On Behalf of Retirees		-
(j) Reimbursements to District		-
Total Benefits Paid During the Current FY, (g)+(h)+(i)		114,426
District Contribution During the Current FY, (f)+(g)+(h)-(j)		114,426

Accounting Information
(Concluded)

Sample Journal Entries

OPEB Accounts at Beginning of Fiscal Year	*By Source* Debit	*By Source* Credit	*Sources Combined* Debit	*Sources Combined* Credit
Net OPEB Liability		365,639		365,639
Deferred Outflow:				
Assumption Changes	101,812			
Plan Experience	49,183			
Investment Experience	39,471			
Contribution Subsequent to MD	-			
Deferred Outflows			190,466	
Deferred Inflow:				
Assumption Changes		102,051		
Plan Experience		71,723		
Investment Experience		82,938		
Deferred Inflows				256,712

Record Benefits Paid to Retirees	Debit	Credit
Net OPEB Liability	78,824	
Cash		78,824

Record Implicit Subsidy Payment	Debit	Credit
Net OPEB Liability	35,602	
Premium Expense		35,602

Record End of Year Updates to OPEB Accounts	*By Source* Debit	*By Source* Credit	*Sources Combined* Debit	*Sources Combined* Credit
Net OPEB Liability		737,257		737,257
Deferred Outflow:				
Assumption Changes		53,758		
Plan Experience		26,770		
Investment Experience		39,471		
Contribution Subsequent to MD				
Deferred Outflows				119,999
Deferred Inflow:				
Assumption Changes	16,757			
Plan Experience	11,777			
Investment Experience		47,755		
Deferred Inflows				19,221
OPEB Expense	876,477		876,477	

D. Summary of Employee Data

A new employee census is not used for roll-forward valuations. Rather, liabilities from the prior valuation are moved forward according to the prior valuation assumptions. Therefore, employee and retiree counts are not available as of the roll-forward measurement date as the new liabilities assume a certain degree of terminations, retirements, etc., according to the assumptions disclosed in the prior valuation report.

As of the prior full actuarial valuation date, April 1, 2025, there were 24 active members. Of these, 18 were enrolled in the medical program and 6 employees were waiving coverage. There were 10 retirees who were participating in the medical program and 5 retirees with outside coverage who were receiving benefits. The District has indicated that there were no material changes to the plan population since the prior measurement date that might indicate a roll-forward valuation is inappropriate.

For a fuller description of the data used in the prior full actuarial valuation, see the April 1, 2025, valuation report.

E. Retiree Benefit Provisions

OPEB provided: The District reported that it offers lifetime retiree medical coverage and pays a limited amount toward post-retirement healthcare costs for qualifying retirees. Employees qualify upon reaching age 50, achieving at least 10 years of District service, and retiring from the District.

Access to coverage: Medical, dental and vision coverage is currently provided through ACWA – JPIA. Retirees may continue medical coverage through the District or may instead choose other (non-District) medical coverage and still receive the benefit described below. Retirees *may not* continue dental or vision coverage through the District.

Retiree Health Benefits provided: The District pays a portion of each retiree's healthcare costs. The maximum monthly benefit provided is based on the employee's retirement date, their employment date and the retiree's years of District service, as shown in the two charts below:

Maximum Monthly Benefit	
Retired prior to January 1, 2015	$ 355
Retired on or after January 1, 2015 but before January 1, 2026	$ 600
Retired on or after January 1, 2026	$ 1,000*

*increasing each year by 2.5%

Percent of Cap		
District Years of Service	Hired before January 1, 2005 or Retired on/after January 1, 2026 (Tier I)	Hired on/after January 1, 2005 (Tier II)
10	50%	50%
11	60%	55%
12	70%	60%
13	80%	65%
14	90%	70%
15	100%	75%
16	100%	80%
17	100%	85%
18	100%	90%
19	100%	95%
20+	100%	100%

The maximum monthly amount paid by the District for a specific retiree is *the lesser of*:

(a) The applicable maximum monthly benefit, based on retirement date, from the chart on the left *multiplied by* the percentage of the cap in the chart on the right, determined from the retiree's years of District service and taken from the column corresponding to the employment date.

(b) The retiree's actual monthly healthcare costs.

Actual costs may include District or non-District medical premiums, non-District dental and/or vision premiums, Medicare Part B and/or Medicare Advantage or Supplemental plan premiums. Retirees requesting reimbursement for costs other than District medical premiums must provide periodic documentation of expenses incurred.

Employees who retired before December 5, 2018, may apply a portion of their benefit amount only toward single party medical coverage, including Medicare Part B premiums. Employees retiring on or after December 5, 2018, may also apply their benefit amount toward retiree only dental, vision, or Medicare Part B premiums.

Retiree Benefit Provisions
(Concluded)

Dependent Coverage: The District does not pay any portion of healthcare costs for retiree dependents. Employees who retire on or after January 1, 2015, but before January 1, 2026, may cover their spouse or other dependents on the District's medical plan by paying 100% of the additional dependent premiums. Employees who retire on or after January 1, 2026, may cover their spouse and apply any unused portion of the District subsidy towards the spouse's healthcare premiums while the retiree is living.

Medical premium rates: The 2026 monthly healthcare premium rates were used to prepare the April 2025 valuation. These rates are shown below:

ACWA LA 2026 Monthly Medical Premium Rates				
	Active & Pre-MCare Retirees		Medicare Eligible Retirees	
Plan	Employee Only	Employee & Spouse	Employee Only	Employee & Spouse
Anthem Blue Cross Classic PPO	977.28	1,954.56	N/A	N/A
Anthem Blue Cross CDHP	781.81	1,563.62	N/A	N/A
Kaiser Traditional HMO	846.30	1,692.60	212.45	424.90
United Healthcare PPO	N/A	N/A	557.45	1,114.90

F. Actuarial Assumptions and Methods

The ultimate real cost of an employee benefit plan is the payment 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 future benefits that will be paid and determine the current value of those payments. The actuarial cost allocation method spreads the expected costs over the life of the plan.

Roll-forward valuations use liabilities from an earlier valuation and then move those plan liabilities forward to a new measurement date. All assumptions used by the prior valuation are assumed to be exactly realized when moving plan liabilities forward. Assumptions are then changed if needed. For a list of the full set of assumptions used in the valuation upon which this roll-forward report is based, see the April 1, 2025, valuation report.

Plan Changes Since the Prior Measurement Date

Benefits for employees retiring on or after January 1, 2026	Employees retiring after January 1, 2026, receive $1000, increasing by 2.5% per year for life. The unused portion of the benefit may be used for spouse coverage. The benefit ends at retiree's death. Previously these retirees would have received $600 per month, with no yearly increase. Any unused portion was forfeited and could not be applied to spouse premiums.

G. Certification

The purpose of this report is to provide actuarial information for other postemployment benefits (OPEB) provided by the Three Valleys Municipal Water District (the District) in compliance with Statement No. 75 of the Governmental Accounting Standards Board (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The results are based on a roll-forward of the actuarial valuation as of April 1, 2025, adjusted to reflect the plan's estimated financial condition as of the current measurement date.

This roll-forward was prepared without collecting new participant census data. Participant data, plan provisions, and actuarial assumptions are consistent with those used in the prior valuation, except as otherwise noted. Updates provided by the District to reflect changes in plan assets, benefit payments, and other relevant financial information since that date were incorporated. We relied, without audit, on information supplied by the District and performed limited reviews for reasonableness and internal consistency, finding it suitable for roll-forward purposes. The results depend on the completeness and accuracy of that information; if any of the data provided was incomplete or inaccurate, the results herein may differ materially.

As a roll-forward rather than a full actuarial valuation, the results reflect expected changes due to the passage of time, benefit payments, and interest on liabilities and assets, and do not reflect actual demographic experience since the prior valuation. Differences between expected and actual experience will be reflected in the next full actuarial valuation when updated data becomes available.

We consider the actuarial methods and assumptions used in this roll-forward to be reasonable and appropriate for the purposes of this report and consistent with generally accepted actuarial principles and practices. This report has been prepared in accordance with applicable Actuarial Standards of Practice. The results represent estimates as of the measurement date. Actual future results may differ materially due to differences between actual and expected demographic or economic experience, changes in plan provisions, changes in applicable law, or other factors. Alternative assumptions or methods may also be reasonable; evaluating such alternatives was beyond the scope of this engagement. These results are intended solely for financial reporting purposes and may be materially different from results developed for other purposes.

This report has been prepared solely for the use and benefit of the Three Valleys Municipal Water District. It may not be distributed to third parties without the prior written consent of MacLeod Watts, except as required by law or to the District's professional advisors subject to confidentiality obligations. No part of this report may be used as the basis for any representation or warranty without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that would impair the objectivity of this work. Nothing in this report should be construed as legal or accounting advice. The signing actuaries are members of the American Academy of Actuaries and meet the Qualification Standards to issue this opinion.

Signed: September 11, 2026

Raegann E. Conner, ASA, ACA, MAAA

Michael J. Papendieck, EA, FCA, MAAA

Appendix 1: Valuation Process

The valuation process begins with the collection of participant data and a description of the plan's benefit provisions. These materials are reviewed for completeness and reasonableness, though the review is not a formal audit. The results of the valuation therefore rely on the accuracy of the information provided.

The following steps outline how these data are transformed into the key valuation measures.

Projecting Future Benefits

We begin by estimating the future stream of benefit payments (e.g., premiums) for each current retiree and active employee, incorporating both:

- **Explicit subsidies** – direct employer payments toward retiree benefits or premiums; and
- **Implicit subsidies** – indirect employer payments occurring when retiree claims costs are not expected to be fully supported by retiree premiums, and the cost difference is expected to be borne by the employer.

To develop these projections, assumptions are applied about future benefit cost trends, the ages at which benefits will end, and the likelihood that employees will continue working and elect coverage for themselves and their dependents.

Calculating Present Values

Each projected payment is then discounted to the valuation date using a discount rate. This produces the *Present Value of Projected Benefits (PVPB)* — the current value of all expected future benefit payments for participants who are already in the plan. Anticipated future participants are not included in this measure.

The chart below represents the present value of all benefits expected to be paid to current employees, beneficiaries, and retirees of the plan.

Present Value of Projected Benefit (PVPB)
Value on the valuation date of all future benefits expected to be paid to all current participants.

Attributing Benefits to Service

When accounting for the plan, or determining contributions to the plan, it's necessary to divide the value of all expected future benefits into two pieces:

1. Past service benefits -- the value of benefits already earned through past service, and
2. Future service benefits -- the value of benefits expected to be earned through future service of current employees.

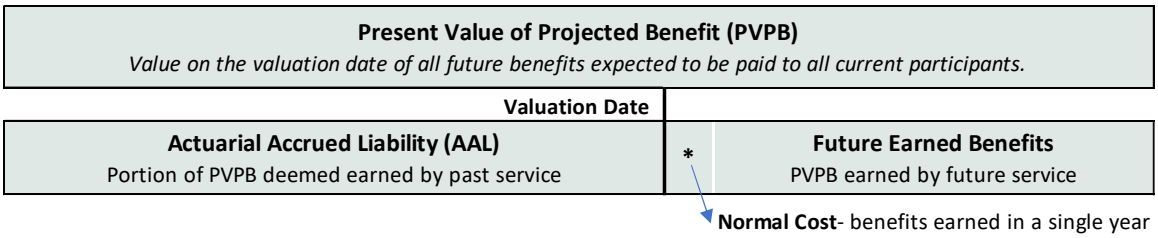
An *attribution method* – also referred to as the actuarial cost method -- is used to divide the PVPB into past service and future service components.

Valuation Process
(Continued)

For public-sector financial reporting, GASB requires use of the *Entry Age Normal (EAN)* attribution method. The EAN method spreads total expected future costs for an individual as a level percentage of pay so that the value of compensation earned to date over the value of all expected pay earned over an individual's career represents the fraction of the PVPB earned to date.

The portion of all future benefits attributed to past service is called the *Actuarial Accrued Liability (AAL)*. In GASB statements, the AAL is called the Total OPEB Liability or Total Pension Liability. The portion of the PVPB attributed to a single additional year of employee service is called the *Normal Cost* or *Service Cost*.

The chart below shows the PVPB split between past and future service.

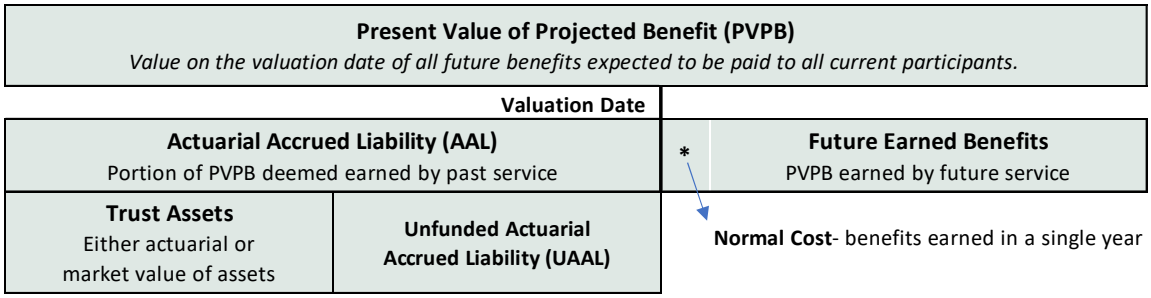


Funding Liabilities

When contributions are set aside in a trust, those funds and their investment earnings accumulate to pay future benefits or to reimburse the employer for benefit payments made directly. One measure of the plan's funding progress — the *Unfunded Actuarial Accrued Liability (UAAL)* — is found by subtracting the trust's *Market Value of Assets (MVA)* or *Actuarial Value of Assets (AVA)* from the Actuarial Accrued Liability (AAL). The UAAL shows, at a single point in time, how much of the benefits earned to date are already funded by the trust.

A plan is considered *fully funded* when the UAAL equals zero (i.e., past service benefits are covered by current trust assets). Even then, however, new contributions are needed each year to fund benefits earned by continued employee service. If no trust assets are held, the Unfunded Actuarial Accrued Liability equals the Actuarial Accrued Liability itself, since all benefits earned to date remain unfunded.

The chart below adds the split of the accrued liability between trust assets and the unfunded liability. Note that if assets exceed the Actuarial Accrued Liability, then the unfunded liability is negative, and a "surplus" exists.



Valuation Process
(Concluded)

Contributing to a Trust

When a trust is present, future trust contributions are generally designed to:

1. Fund the annual Normal Cost, the value of benefits earned by current service, and
2. Pay down (or, if applicable, recognize credits for) any difference between assets and actuarial accrued liabilities.

In terms of the chart shown on the previous page, funding contributions generally are the sum of the Normal Cost plus a slice of the unfunded actuarial accrued liability (with interest and administrative expenses, if applicable). The timing and pattern of these contributions can vary, but spreading the recognition of funding deficits or surpluses over a number of years helps maintain long-term stability in funding levels.

Managing Uncertainty

Actuarial valuations rely on long-term projections — often extending 70 years or more — and depend on many economic and demographic assumptions. Actual plan experience will differ from these assumptions, so plan costs evolve over time.

The methods and assumptions used in an actuarial valuation are intended to be reasonable and consistent with professional standards. However, valuation results should be viewed as point-in-time estimates rather than precise forecasts.

Plan sponsors assume certain risks when providing long-term post-retirement benefits. Frequent actuarial valuations and monitoring of results can help manage these risks, though unplanned variation in results cannot be eliminated.

Understanding Terminology

Certain actuarial and accounting terms describe the same underlying concepts and may be used interchangeably for discussion purposes. The table below summarizes common actuarial measures and their corresponding terms used in GASB statements for OPEB and pension plans.

Actuarial Term	GASB 68 / 75 Equivalent
Present Value of Projected Benefits (PVPB)	No equivalent term
Actuarial Accrued Liability (AAL)	Total Pension Liability (TPL) / Total OPEB Liability (TOL)
Market Value of Assets (MVA)	Fiduciary Net Position (FNP)
Actuarial Value of Assets (AVA)	No equivalent term
Unfunded Actuarial Accrued Liability (UAAL)	Net Pension Liability (NPL) / Net OPEB Liability (NOL)
Normal Cost	Service Cost

While terminology varies between actuarial and accounting contexts, these measures describe the same fundamental relationships between plan benefits, assets, and liabilities. The Glossary has more detailed definitions for these and other topics.

Appendix 2: MacLeod Watts Age Rating Methodology

Accounting standards such as GASB 75 and actuarial standards such as ASOP No. 6 require actuaries to measure retiree healthcare liabilities using expected claims, not premiums. In many valuations, credible claims experience is unavailable or too limited to rely on directly. In these cases, actuaries estimate expected claims by "age rating" the premiums paid by the plan sponsor.

Premiums for active employees and non-Medicare retirees are typically uniform across most ages and sexes. Though total premiums are designed to cover total expected costs, they do not capture the variations in healthcare costs typically incurred at older ages or the variation by sex. Younger participants generally pay more in premiums than their expected cost; older participants generally pay less. Age rating reallocates the total premium to approximate the expected claims at each age and sex.

The process involves three steps:

1. **Develop relative age/sex cost factors.**

   Claims cost curves show how expected costs vary by age and sex (e.g., a factor of 1.00 for a 55-year-old male, 1.25 for a 50-year-old female, 0.40 for a 30-year-old male, etc.). These factors come from industry studies or other credible sources.

2. **Identify the covered population and premiums.**

   The participants enrolled in coverage, their coverage elections, and their applicable premiums are used to model the group supporting the premium rates. Dependents are included for rating purposes; when dependent data is incomplete, assumptions about spouse age and child demographics are applied.

3. **Allocate total premium dollars based on expected claims.**

   Total premiums for the group are spread across participants in proportion to their age/sex cost factors, producing **estimated per-capita claims** for the current year. These estimates are then projected using the valuation's medical trend assumptions.

This approach provides a reasonable estimate of expected claims when plan-specific experience is not credible, or not available, and aligns with applicable actuarial standards.

Appendix 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards (ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP No. 6, Measuring Retiree Group Benefits Obligations) require actuaries to reflect future mortality improvement when valuing long-term retiree obligations. Because credible improvement rates must be based on large national datasets, actuaries rely on published research rather than plan-specific experience.

Best practices for building mortality improvement scales generally recommend that the actuary:

1. Set **short-term** improvement rates using recent mortality experience.

2. Set **long-term** improvement rates using expert judgment.

3. Join short- and long-term rates smoothly over an **appropriate transition period**.

MacLeod Watts Scale 2022 follows these principles. In developing the scale, we relied on sources from the Society of Actuaries (SOA) and the Social Security Administration (SSA).

Society of Actuaries (SOA) – For historical and short-term improvement rates we used the SOA's MP-2021 Improvement scale, published in October 2021. We duplicate MP-2021's historical rates of improvement from 1951-2017 and utilize their projected improvement rates for years 2018-2020.

Social Security Administration (SSA) – To set long-term expected mortality improvement rates, we looked to the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance (OASDI) Trust Funds (August 2021), specifically the SSA's Intermediate mortality improvement assumptions. This report uses constant long-term improvement rates for various age bands for the years 2030-2044 with a final step down for years 2045 and beyond.

The short-term and long-term rates were joined by a linear transition over the 10-year period 2021-2030. For ages 95 to 117, we graded improvement rates to zero.

The SOA's MP-2021 materials and the SSA Trustees Report assumptions are available on their respective public websites.

Appendix 4: Funding Considerations

This appendix outlines key considerations in financing retiree benefit obligations. Public employers generally use one of three approaches: (1) Pay-As-You-Go (PAYGO), (2) designated reserves, or (3) prefunding through an irrevocable trust. Each approach affects financial reporting, long-term costs, and budget flexibility. The following discussion summarizes these differences to support long-term planning and budgeting.

Pay-As-You-Go (PAYGO) Financing

Under PAYGO financing, retiree benefits are paid from current revenues as they come due. PAYGO requires minimal administration and provides maximum near-term budget flexibility. Because no assets are set aside, employer costs track the pattern of benefit payments directly.

Over time, PAYGO costs typically rise as retiree populations increase or healthcare trend elevates premiums. For financial reporting, unfunded OPEB and pension liabilities must be discounted using a municipal bond index rate under GASB Statements 67, 68, 74, and 75, which typically produces higher reported liabilities and annual expense than under a prefunded arrangement. Also, rating agencies may view large unfunded liabilities as an indicator of long-term fiscal stress.

PAYGO may be reasonable when obligations are small, stable, or diminishing, or when the employer provides benefits solely through an implicit subsidy (see Glossary). In these cases, annual costs may remain manageable without establishing a trust.

Potentially Beneficial For:

- Employers with small, stable, or declining liabilities.
- Plans providing short-term benefits or those offering only an implicit subsidy.
- Closed plans with short remaining duration.
- Employers requiring maximum near-term budget flexibility.
- Agencies without capacity for trust governance, investment oversight, or formal funding policy development.

Informal Funding Through Designated Reserves

Some employers set aside resources within governmental funds—such as the General Fund or an Internal Service Fund—as designated reserves for future retiree benefit payments. These reserves can help smooth future PAYGO volatility, support multi-year planning, and demonstrate internal fiscal discipline while preserving budget flexibility.

Designated reserves remain employer assets and are not plan assets under GASB. They do not reduce reported liabilities or allow use of the trust discount rate when measuring obligations. Rating agencies generally view such reserves as part of available liquidity rather than evidence of prefunding and may note that designated funds can be repurposed or borrowed during fiscal stress or changing priorities.

Funding Considerations
(Continued)

Even with these limitations, designated reserves can be useful when employers anticipate rising costs but are not prepared to commit assets to an irrevocable trust. They also provide a practical transitional step toward prefunding.

Potentially Beneficial For:

- Employers seeking planning structure without irrevocable commitment.
- Agencies accumulating resources before establishing a trust.
- Organizations valuing flexibility while preparing for rising costs.
- Plans with modest obligations where GASB benefits of prefunding may be limited.
- Employers adopting a gradual or transitional funding strategy.

Formal Prefunding Through an Irrevocable Trust

Prefunding involves contributing assets to an irrevocable trust dedicated exclusively to retiree benefits. Trust assets may be invested for long-term growth, allowing investment earnings to offset future employer contributions and enhance cost stability.

Under GASB 67, 68, 74, and 75, projected benefit payments expected to be covered by trust assets may be discounted using the trust's long-term expected rate of return, which is typically higher than the municipal bond rate applied to unfunded periods. As a result, prefunding generally produces lower reported liabilities, lower annual expense, and improved funded ratios. Rating agencies often view ongoing prefunding as evidence of disciplined financial management and long-range planning.

Prefunding supports intergenerational equity by better matching benefit costs to the periods in which those benefits are earned. It may be especially valuable when retiree populations are expected to grow, producing steeply rising retiree benefit payments in future years.

Prefunding requires maintaining a funding policy, adopting an investment policy, providing governance oversight, and making regular contributions. Trust assets are legally restricted and may not be redirected for other purposes; however, under the terms of most OPEB trusts, the employer may request reimbursement from the trust for eligible retiree benefit payments made directly to or on behalf of retirees during the fiscal year.

Potentially Beneficial For:

- Employers with material, ongoing obligations and long time horizons
- Agencies prioritizing cost stability, intergenerational equity, and long-term planning
- Employers seeking to reduce reported liabilities and annual expense
- Organizations aiming to strengthen their credit profile
- Employers able to sustain regular, structured contributions
- Plans with growing retiree populations or rising subsidy costs
- Employers seeking greater assurance that resources will be available to pay retiree benefits over the long term

Funding Considerations
(Continued)

Hybrid Approaches

Employers are not limited to choosing exclusively among PAYGO, designated reserves, or full prefunding. Many agencies use hybrid approaches that apply different strategies to different segments of the obligation or phase in prefunding over time.

One common hybrid method treats the plan as having two components—current retirees and current active employees. Because retiree obligations are a shorter duration and already in pay status, some employers continue to finance these payments on a PAYGO basis. At the same time, they establish an irrevocable trust for active employees, prefunding Normal Cost and amortizing the portion of the actuarial accrued liability attributable to active service.

Another hybrid approach applies different funding strategies to different benefit tiers. For example, a plan may include a higher-cost legacy tier and a lower-cost tier for newer hires. An employer might prefund the newer tier while using PAYGO for the legacy tier, gradually improving the plan's overall funding outlook as legacy benefits decline over time.

Other hybrid strategies include prefunding a portion of annual costs, contributing to a trust in surplus years, or combining trust contributions with designated reserves. Hybrid methods allow employers to balance long-term planning with near-term flexibility and support gradual movement toward stronger funding practices without requiring an abrupt transition to full prefunding.

Potentially Beneficial For:

- Employers tailoring funding approaches to specific goals or constraints
- Agencies seeking to prefund long-duration obligations while managing short-duration liabilities on a PAYGO basis
- Employers transitioning from pay-as-you-go financing toward prefunding over time
- Plans with multiple tiers or differing benefit structures
- Organizations balancing budget flexibility with long-term cost control

Funding Approaches and Long-Term Financial Risk

The funding approaches described above differ not only in administration and accounting treatment, but also in how benefit costs are distributed across time and which revenue sources—current or future—are expected to bear those costs. From a long-term financial perspective, these differences influence the timing of cash outlays, the degree of reliance on future operating revenues, and the variability of required budgetary resources over time.

Pay-As-You-Go Financing

Under a pay-as-you-go approach, benefit costs are largely deferred to future operating budgets as payments come due. This structure places primary reliance on future revenues to absorb both expected benefit costs and any adverse experience. As a result, long-term affordability depends on the employer's future revenue capacity and its ability to accommodate rising benefit payments alongside other budget priorities. Effective use of a PAYGO approach therefore requires an understanding of the full projected path of benefit payments, rather than a focus limited to near-term costs.

Funding Considerations
(Continued)

Designated Reserves

Designated reserves alter the timing of cash flows by setting aside current resources to support future benefit payments. When used consistently, reserves can moderate year-to-year budget volatility and reduce short-term pressure during periods of rising costs or constrained revenues. However, because these assets remain available for other employer purposes, designated reserves generally do not change the extent to which long-term benefit costs ultimately depend on future operating revenues. Their primary effect is on budget smoothing rather than on the long-term allocation of plan costs across periods.

Prefunding Through an Irrevocable Trust

Prefunding through an irrevocable trust shifts a greater portion of plan costs toward periods in which benefits are earned or recognized, reducing reliance on future operating revenues to finance benefit payments. Investment earnings on trust assets can offset a portion of future cash outlays, contributing to more stable contribution patterns over time. While prefunding does not alter the underlying benefit obligations, it can improve predictability by spreading funding requirements more evenly across periods and by reducing the concentration of plan costs in future budgets.

Hybrid Funding Approaches

Hybrid funding approaches combine elements of these strategies by allocating different portions of the obligation to different revenue sources. By determining which costs are funded in advance and which are paid as incurred, employers can tailor the timing of benefit costs to their fiscal capacity, risk tolerance, and planning objectives. Hybrid approaches provide flexibility to manage long-term budget exposure without committing to a single funding method for all components of the plan.

Long-Term Perspective

Regardless of the funding strategy adopted, long-term benefit obligations require long-term planning. In practice, funding decisions for retiree benefit plans are often made in the context of an employer's broader financial obligations, including the funding status and contribution requirements of multiple benefit plans and other long-term commitments. Understanding how these funding choices affect the timing of costs and reliance on future revenues is central to managing financial uncertainty and maintaining budgetary sustainability.

Funding Considerations
(Concluded)

Comparison Summary

The table below summarizes key differences among PAYGO financing, designated reserves, and formal trust prefunding. Hybrid approaches are not shown in a separate column because they blend elements of the three methods in ways that vary by employer policy and plan design.

Feature / Consideration	1. PAYGO	2. Designated Reserves	3. Irrevocable Trust
Asset Status	No assets accumulated	Earmarked but unrestricted	Legally restricted
Legal Restrictions	None	None (policy only)	Irrevocable; For plan benefit only
GASB Discount Rate	Municipal bond rate	Municipal bond rate	Long-term expected return
Impact on Reported Liabilities & Expense	Highest liability and expense	Same as PAYGO	Lower reported liability and expense
Long-Term Cost Profile	Usually rising costs over time	Rising costs Reserves provide smoothing	Investment earnings reduce long-term contributions
Deferral of Plan Costs	High in early years; None once benefits mature	Moderate; reduced to extent reserves offset future costs	Minimal - trust funding alligns costs with periods of accrual
Intergenerational Cost Allocation	Costs largely borne by future taxpayers or ratepayers	Partial alignment; depends on reserve use consistency	Strong alignment of costs with periods of service
Governance & Oversight Requirements	Minimal	Minimal	Requires funding investment policies; Investment oversight
Investment Return	None	Typically low pooled returns	Potential for higher long-term returns
Rating Agency Perspective	Unfunded liability may be a credit risk	Viewed as liquidity, not prefunding	Viewed favorably as structured prefunding

Glossary

Actuarial Accrued Liability (AAL) – The portion of the actuarial present value of projected benefits that is not covered by future normal costs; the accumulated value of benefits attributed to past service under the actuarial cost method. See also: Service Cost; Total OPEB Liability; Total Pension Liability

Actuarial Cost Method – A procedure used to allocate the present value of projected benefits to periods of employee service. It determines how benefit costs and liabilities are assigned over time, based on actuarial assumptions about future events such as salary increases, retirement, and mortality.

Actuarial cost methods are defined in actuarial standards (such as ASOP Nos. 4 and 6) and may be used for various purposes, including funding, accounting, or plan design. In accounting standards such as GASB 68 & 75, this concept is referred to as the attribution method.

See also: Attribution Method; Actuarial Funding Method

Actuarial Funding Method – An actuarial funding method determines the pattern of contributions required to finance a benefit plan's obligations over time. It combines the actuarial cost method, which allocates the present value of projected benefits between past and future service, with an additional step specifying how any unfunded actuarial accrued liability (UAAL) will be recognized and amortized.

Under a funding method, the normal cost (the cost of benefits accruing for active employees during the year) is added to an amortization payment designed to eliminate the UAAL over a prescribed period. The resulting total is the Actuarially Determined Contribution (ADC).

Actuarial funding methods are typically used for funding valuations, not for financial reporting under GASB 68 & 75. GASB 68 & 75 focuses solely on the measurement of liabilities using the actuarial cost method (referred to in the standard as the attribution method) and does not prescribe contribution requirements.

See also: Actuarial Cost Method; Attribution Method

Actuarial Present Value of Projected Benefits (APVPB) – The amount currently required to fund all projected plan benefits of current employees and retirees. This value is determined by discounting expected future benefit payments using an appropriate interest rate and the estimated probability of payment.

Actuarial Valuation Report – A formal report prepared by an actuary that presents the results of an actuarial valuation of plan liabilities.

Actuarial Value of Assets (AVA) – A smoothed measure of plan assets sometimes used in valuations to limit the impact of short-term investment swings. The AVA averages market gains and losses over several years to show a steadier trend in the plan's funding progress. Under GASB standards, a plan's financial reporting must use market value of assets, but an AVA may be used in the determination of funding contributions. See also: Market Value of Assets

Glossary
(Continued)

Actuarially Determined Contribution (ADC) – The contribution amount calculated by the actuary for a given fiscal period to fund the employer's obligations for Pension or Other Post-Employment Benefits (OPEB). It generally consists of the normal cost (the portion of benefits earned during the current year) plus an amortization payment to reduce the unfunded actuarial accrued liability. Actuarial Standards of Practice No. 4 and No. 6 require the ADC to be determined consistent with the trust being able to pay plan benefits when due (see ASOP No. 4 §3.11 and ASOP No. 6 §3.12). Note that the ADC represents a recommended contribution level based on actuarial methods and assumptions and may or may not be a required contribution depending on the plan and it's governing authority.

Amortization Policy – Amortization Policy refers to a prescribed or adopted set of rules governing how unfunded actuarial accrued liabilities (UAALs) are paid down over time through a series of contributions or, for accounting, a series of expense recognition. The policy defines the amortization method, amortization period, and treatment of new gains and losses (e.g., whether separate "bases" are established for each year's changes). Common amortization methods include level dollar (a fixed annual payment) and level percentage of payroll (a payment that grows with expected payroll). A well-designed amortization policy balances intergenerational equity, contribution stability, and funding progress, ensuring that unfunded liabilities are reduced systematically and within a reasonable timeframe.

Assumption Changes – Revisions to the demographic or economic actuarial assumptions used in determining a plan's liabilities, reflecting updated expectations of future plan experience. Assumption changes may involve updates to the discount rate, mortality tables, retirement or termination rates, salary or payroll growth, retiree participation rates, healthcare cost trends, or other relevant assumptions.

Under GASB 68 & 75, the changes in liability resulting from assumption changes are recognized as deferred outflows or inflows of resources and amortized as expense over the Expected Average Remaining Service Lifetime (EARSL) of active and inactive members.

Attribution Method – The attribution method is the term used in accounting standards—such as GASB Statements No. 68 and 75 or FASB ASC 715-30 and 715-60—to describe how the total projected benefit, and therefore the related cost, is assigned or *attributed*, to periods of employee service for financial reporting purposes.

Conceptually, this is equivalent to the actuarial cost method used in actuarial practice. GASB 68 & 75 specifies the Entry Age Normal (level percentage of pay) method as the required attribution method for OPEB and pension plans.

See also: Actuarial Cost Method; Actuarial Funding Method

Closed Group – A closed group actuarial valuation includes only the current members of the plan as of the valuation date—active, inactive, retired, and beneficiaries—and does not assume any future entrants. The valuation projects future benefit payments, contributions, and liabilities solely for this fixed population, reflecting assumptions regarding future terminations, retirements, or deaths, without regard to future workforce growth. Closed group valuations are commonly used for establishing near-term plan contributions and for financial reporting purposes (e.g., under GASB 67, 68, 74, or 75).

Glossary
(Continued)

Covered Payroll – The payroll on which contributions to the plan are based, typically representing the pensionable or contributory earnings of employees currently covered by the plan. Under GASB Statement No. 82, covered payroll replaced covered-employee payroll for use in certain ratios presented in financial statement disclosures when plan contributions are determined with reference to payroll.

Covered-Employee Payroll – The total payroll of employees who are eligible, or who through continued service can become eligible, for retirement benefits through the plan, regardless of whether contributions are based on payroll or whether the benefits themselves are related to pay. For plans whose contributions are not payroll-based (for example, most OPEB plans), this measure represents the aggregate payroll of employees potentially eligible for retirement benefits and remains the appropriate denominator for certain ratios in financial statement disclosures required by GASB.

Because GASB does not prescribe a specific payroll measure, covered-employee payroll generally reflects the employer's total gross or W-2 payroll for employees potentially eligible for OPEB. Consultation with auditors may be appropriate to consider whether employee-specific or nonrecurring items included in gross payroll could materially affect reported ratios. Whatever measure is adopted should be documented, applied consistently, administratively sustainable, and reflect the spirit of the GASB concept of 'total payroll of covered employees.

Crossover Test – Also called the Trust Sufficiency Test, the Crossover Test is a projection required under GASB 68 & 75 to determine whether a plan's fiduciary net position (trust assets) is expected to be sufficient to make all projected benefit payments given the sponsor's pattern of contributions. The Crossover Test is only required for plans whose funding policy provides for contributions that are less than the Actuarially Determined Contribution (ADC). When the sponsor contributes the full ADC—calculated in accordance with Actuarial Standards of Practice—the actuarial funding method itself ensures that, if all assumptions are realized, assets will be sufficient to pay benefits when due. When a Crossover Test is required, the projection determines the effective discount rate to be used in valuing plan liabilities, based on a blend between the long-term expected trust earnings rate and the municipal bond rate, reflecting the relative periods during which plan assets are and are not projected to be sufficient. See GASB 68 paragraphs 29–31 and GASB 75 paragraphs 30-32.

Deferred Resources – Deferred Resources represent the difference between the timing of recognition of certain events and their impact on expense. They include Deferred Outflows of Resources (assets consumed before they are recognized as expenses) and Deferred Inflows of Resources (resources received before they are recognized as revenue or reductions in expense). In the context of GASB 68 & 75, deferred resources are established for actuarial gains or losses (i.e., plan and investment experience), and assumption changes. For cost-sharing plans, deferred resources are also established for changes in proportions and the difference between actual and proportionate share of employer contributions. Deferred resources are recognized over time in the calculation of benefit expense.

Defined Benefit (DB) Plan – A pension or OPEB plan that specifies the amount of benefits a plan member will receive, typically based on factors such as age, years of service, and salary history.

Defined Contribution (DC) Plan – A pension or OPEB plan that establishes an individual account for each member and specifies how contributions are determined and distributed after separation from employment.

Glossary
(Continued)

Demographic Assumptions – Rates and patterns used to model how members enter, move through, and exit the plan. They reflect expected future experience and may vary by age, service, benefit tier, and (when relevant) sex. Typical components include mortality (pre and post retirement) and mortality improvement, retirement, termination of employment, disability incidence, benefit option elections (e.g., form of payment), participation in coverage at and after retirement, spouse & dependent coverage and spouse-age differentials, and marriage assumptions. Demographic assumptions are selected using plan experience, relevant industry tables or studies, and professional judgment, and are reviewed periodically for continued reasonableness.

Discount Rate (GASB) – The interest rate used to convert projected future benefit payments into present values as of the valuation date. Under GASB standards, the discount rate depends on the plan's funding policy. For prefunded plans that consistently contribute the Actuarially Determined Contribution (ADC), the rate is based on the long-term expected return on plan investments. For pay-as-you-go plans, the rate is based on a 20-year, tax-exempt, AA/Aa-rated municipal bond index composed of general obligation bonds (not revenue or other special-purpose bonds). When contributions are made at levels below the ADC, GASB requires a blended discount rate—reflecting both the expected return on trust assets and the municipal bond rate—determined through a crossover test that measures when projected trust assets are expected to be depleted. See also: Crossover Test

Economic Assumptions – Financial variables that affect the timing and amount of projected benefits and contributions. Core elements typically include the discount rate (and, where applicable, the long-term expected return on assets), general price inflation, salary-increase scale (merit and longevity plus inflation), payroll growth, cost-of-living adjustments (COLAs) if provided, and (for OPEB) the health care cost trend. Economic assumptions are selected to be internally consistent and appropriate for the measurement objective and are reviewed periodically alongside demographic assumptions.

Entry Age Normal Actuarial Cost Method – An actuarial cost allocation method in which, 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 potential retirement age at which benefits are paid. Under GASB 68 & 75, the Entry Age Normal (Level Percent of Pay) method is required for financial reporting.

Expected Average Remaining Service Lifetime (EARSL) – The average of the expected remaining service lives of all current and former employees covered by the plan. Former employees receiving or expected to receive benefits are included in the average with zero future service. Used to determine the period over which certain deferred resources are recognized under GASB standards.

Expense – The annual accounting recognition of the cost of benefits under applicable GASB standards. Expense includes the normal cost (service cost), interest on the total liability, expected earnings on plan assets, and the amortization of deferred items such as differences between expected and actual experience or assumption changes.

Experience Study – A periodic (commonly 3–5 year) statistical review of actual plan experience versus current assumptions, conducted to assess the continued appropriateness of demographic (and, where applicable, economic) assumptions. The study summarizes observed rates (e.g., retirement, termination, mortality, disability, elections), evaluates credibility, and recommends assumption updates to better reflect expected future experience. Results are documented, adopted by the appropriate authority, and incorporated prospectively into valuations.

Glossary
(Continued)

Explicit Subsidy – An explicit subsidy occurs when an employer makes a direct contribution toward the cost of retiree health coverage. This may take the form of a fixed dollar amount, a percentage of premium, or payment of the entire premium on behalf of the retiree. The value of these payments represents a direct employer cost and is recognized as part of the employer's Other Postemployment Benefits (OPEB) liability under GASB 75.

Explicit subsidies are typically easier to measure and track than implicit subsidies because they are typically defined in plan documents, labor agreements, or employer policy, and the payments are made directly by or on behalf of the employer.

Fiduciary Net Position – The value of assets held in trust for the payment of benefits, reduced by any liabilities of the trust. It represents the net position restricted for future benefit payments and is measured at fair value.

Fully Funded – Fully Funded describes a plan whose assets are sufficient to cover the actuarial present value of accrued or projected benefit obligations as of a specific measurement date, based on the valuation method and assumptions in use. The term applies differently under various measurement bases:

- In funding valuations, a plan is fully funded when the Actuarial Value of Assets equals or exceeds the Actuarial Accrued Liability (AAL).
- For financial reporting, a plan is fully funded when the Plan Fiduciary Net Position equals or exceeds the Total Pension or OPEB Liability under GASB standards.

However, *fully funded* does not mean that no further contributions will be required. Even when a plan is fully funded on the valuation date, future normal cost accruals (i.e., employees earning additional benefits due to service), investment experience, assumption changes, or demographic events typically create new funding needs. Accordingly, "fully funded" reflects a momentary actuarial condition rather than a permanent financial destination.

Funded Ratio – A point-in-time measure of funding status. Under GASB financial reporting, it is typically defined as Plan Fiduciary Net Position divided by Total Pension (or OPEB) Liability at the measurement date. In funding valuations, a comparable measure may be shown as Actuarial Value of Assets divided by Actuarial Accrued Liability.

Glossary
(Continued)

Funded Status – Represents the relationship between a plan's assets and its benefit obligations at a specific measurement date, based on the applicable actuarial or accounting valuation. It is typically expressed as the difference between plan assets and the actuarial present value of liabilities, or as a ratio comparing those two values.

Funded status is commonly presented using either the Actuarial Value of Assets and Actuarial Accrued Liability (AAL) for funding purposes, or the Plan Fiduciary Net Position and Total Pension or OPEB Liability (TPL/TOL) for financial reporting under GASB Statements No. 67, 68, 74, and 75. Funded status provides a point-in-time measure of a plan's financial position.

The degree of funding can be described using the following generalized categories.

- *Underfunded* - Assets are less than the AAL. The shortfall represents the Unfunded Actuarial Accrued Liability (UAAL). In this category, assets do not yet cover the value of benefits earned by past service.
- *Fully Funded* - Assets equal the AAL. The plan's assets cover benefits earned to date.
- *Overfunded* - Assets exceed the AAL but are less than the Present Value of Projected Benefits (PVPB). The plan holds a surplus relative to the Actuarial Accrued Liability so that current assets cover a portion of expected benefits that will be earned by future employee service.
- *Super-Funded* - Assets equal or exceed the Present Value of Projected Benefits (PVPB). The plan's assets are expected to be sufficient to cover all expected future benefits for current participants if the plan were frozen to new entrants.

If Assets			
< AAL	= AAL	> AAL but < PVPB	>= PVPB
Underfunded	Fully Funded	Overfunded	Super-funded

A plan sponsor may shift these relationships to meet their particular view on plan funding. For example, "fully funded" could be viewed as anywhere between 95% and 110% of the Actuarial Accrued Liability. In this case, each category could be used to change the funding strategy depending on the funding level.

Funding Policy – The formal strategy adopted by a plan sponsor or governing board to determine how contributions will be made to systematically fund benefit obligations. The funding policy establishes the principles and methods used to calculate the Actuarially Determined Contribution (ADC), including the actuarial cost method, amortization policy, and asset valuation method.

A sound funding policy aims to achieve and maintain a sustainable, fully funded plan over the long term while balancing the need for predictable and affordable contribution levels. Under ASOP No. 4 (Measuring Pension Obligations and Determining Pension Plan Costs or Contributions) and 6 (Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions), an actuarially sound funding policy should be designed so that, if contributions are made as intended and all assumptions are realized, plan assets will be sufficient to pay benefits when due.

Funding policy decisions often reflect both actuarial considerations (such as risk, smoothing, and amortization) and budgetary or statutory constraints.

Glossary
(Continued)

Gain/Loss Analysis – A reconciliation that decomposes period-to-period changes in liabilities and assets into expected changes (based on prior assumptions) and experience gains/losses. Typical components include demographic experience (e.g., retirements, terminations, mortality), economic experience (e.g., actual salary growth, actual health claims or premiums), assumption changes, plan/method changes, investment gains/losses relative to expectation, and contribution differences. For GASB reporting, many of these items create deferred outflows/inflows of resources recognized in expense over prescribed periods; for funding, they may establish new amortization bases that affect the Actuarially Determined Contribution.

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

Health Care Trend – The assumed annual rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to medical inflation, utilization, and technological advancements.

Implicit Subsidy – An implicit subsidy occurs when retiree benefit claims are expected to exceed the premiums charged for retiree coverage. The difference must be paid from another source of funds that is said to implicitly subsidize the retiree benefit. GASB 75 and applicable actuarial standards specify when such a subsidy must be recognized as an employer liability and how that liability is recognized in expense and extinguished over time as retiree benefits are paid.

The simplest situation creating an implicit subsidy arises when active and retired employees are covered under the same medical plan, the employer's actives and retirees are the only experience used to determine premiums, and a single blended premium rate is charged for both groups even though retirees generally have higher expected health costs. In these cases, employer premiums for active employees indirectly subsidize retiree coverage. Although the subsidy is not a separate or explicitly identified payment, it represents a real economic transfer from the employer to retirees—hidden within the plan's blended rate structure.

Under GASB 75, this type of implicit subsidy is recognized as an OPEB liability during employees' active service as the benefit is earned over their careers. When retirees later participate in the plan and their estimated claims exceed their premiums, the difference represents an implicit benefit payment to retirees and is treated as a benefit paid by the plan. To the extent the employer is not reimbursed by a trust for these payments, the employer is credited with a plan contribution.

Other, more complex situations can also create implicit subsidies, but those arrangements do not lend themselves to a simple general definition.

Intergenerational Equity – Intergenerational Equity refers to the principle that the cost of benefits should be borne equitably by the generations of taxpayers, employers, and employees who receive the benefit of associated services or compensation. In the context of pension and OPEB funding, it means that each generation's contributions should be sufficient to cover the benefits earned during that generation's period of employment, without shifting significant costs to future participants or taxpayers. Funding policies that align contributions closely with benefit accruals—such as those using the Entry Age Normal actuarial cost method and level percentage of payroll amortization—are designed to promote intergenerational equity. Conversely, policies that defer or extend payments long after the associated services are provided potentially violate intergenerational equity principles by transferring costs from current to future taxpayers or employees.

Glossary
(Continued)

Investment experience – Investment experience reflects the difference between actual investment returns on plan assets and the expected returns based on the assumptions used in the prior valuation. Favorable differences produce investment gains; unfavorable differences produce losses.

For GASB 68 & 75 reporting, plan assets are measured at market value. Investment gains or losses are recognized as deferred outflows or inflows of resources and are amortized as expense over a period of five years.

Level Dollar Amortization – An amortization method in which the annual payment toward unfunded actuarial accrued liabilities (UAAL) is a fixed dollar amount each year over the amortization period. This approach results in declining payments as a percentage of payroll if payroll is expected to grow, since the dollar payment remains constant while payroll increases. This method is generally most appropriate for benefit programs not directly tied to payroll, such as OPEB plans where benefits are based on fixed-dollar medical subsidies or premium-sharing arrangements rather than a percentage of salary.

Level Percentage of Payroll Amortization – An amortization method in which the annual payment toward unfunded actuarial accrued liabilities (UAAL) is a constant percentage of expected payroll over the amortization period. As payroll is assumed to grow each year, the dollar amount of the contribution increases, maintaining a stable contribution rate relative to payroll. This method is generally most appropriate for benefit programs that are payroll-related, such as defined benefit pension plans where liabilities and normal costs are expressed as a percentage of covered payroll. When both benefits and contributions are tied to payroll, using a constant contribution rate as a percent of payroll better maintains intergenerational equity between current and future taxpayers or employers. However, this approach may be less suitable for OPEB plans or flat-dollar benefit structures, where payroll growth is not related to benefit growth.

Market Value of Assets (MVA) – The Market Value of Assets (MVA) represents the fair value of plan assets as of the measurement date. Fair value is the amount that could be realized if all plan assets were sold in an orderly transaction between willing market participants on that date. In most cases fair value is determined by market or quoted prices.

In contrast to a smoothed or actuarial value of assets (AVA) — which averages asset gains and losses over time to reduce short-term volatility — the MVA represents the plan's assets at actual market value on the reporting date. GASB 68 & 75 requires use of the MVA for financial reporting purposes.

Measurement Date – The date as of which the Total OPEB Liability or Total Pension Liability and the plan's Fiduciary Net Position are measured for financial reporting. Under GASB Statements 67, 68, 74, and 75, the measurement date must fall within the employer's reporting period and cannot rely on an actuarial valuation older than 30 months and 1 day before the employer's fiscal year-end. When the valuation date precedes the measurement date, results must be updated to the measurement date using roll-forward procedures. See also: Valuation Date; Roll-Forward Valuation

Net OPEB Liability (NOL) – The total OPEB liability minus the fiduciary net position. This represents the employer's liability for OPEB benefits provided through a defined benefit plan.

Net Pension Liability (NPL) – The Total Pension Liability minus the fiduciary net position. This represents the employer's liability for Pension benefits provided through a defined benefit plan.

Glossary
(Continued)

Net Position – The residual of all other elements presented in a statement of financial position. In the context of OPEB reporting, it reflects the impact of the Net OPEB Liability adjusted for deferred inflows and outflows of resources.

Normal Cost – The portion of the actuarial present value of projected benefits that is allocated to a given year under the actuarial cost method. For a valuation year, Normal Cost is equal to the Service Cost, representing the value of benefits expected to be earned by active employees during that year. See also: Service Cost

Open Group – An open group actuarial valuation considers both current plan participants and future entrants who are expected to join the plan in the future. The projection of liabilities and assets assumes the ongoing operation of the plan as a continuing entity, with new members entering according to specified demographic, economic, and plan participation assumptions.

Open group valuations require additional demographic and economic assumptions beyond those used in closed-group studies, including 1) population entry and exit assumptions (e.g., expected new hires, turnover, retirements, and mortality), 2) payroll growth and new entrant profiles (age, service, pay), 3) plan participation rates among new hires, and 4) future contribution and benefit accrual patterns consistent with long-term plan sustainability.

Open group valuations are often used for funding policy analysis, long-range financial projections, long-term plan risk assessment, or plan design studies, rather than for current financial reporting or establishing near-term contribution levels of the current plan.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pensions, most commonly healthcare benefits, but may also include life insurance or other non-pension benefits provided separately from a pension plan.

Overfunded – Overfunded describes a plan whose assets exceed the actuarial present value of accrued or projected benefit obligations as of the measurement date, based on the chosen actuarial or accounting method. This condition occurs when the Actuarial Value of Assets or Plan Fiduciary Net Position is greater than the Actuarial Accrued Liability (AAL) or Total Pension or OPEB Liability (TPL/TOL). An overfunded status typically reflects favorable investment performance, assumption experience, or past contribution patterns, but it does not necessarily eliminate the need for future contributions to fund benefits expected to be earned by active employees or to maintain the plan's funding target over time.

Participation Rate – The assumed proportion of eligible members who will elect to participate in a plan or a specific benefit/coverage option when first eligible (for example, electing retiree medical coverage, Medicare coordination, or a particular tier). Participation rates are commonly stratified by age, service, subsidy level, union/class, or coverage tier, and can materially affect projected benefit payments (especially for OPEB). For pensions, "participation" may also refer to elections such as optional forms of payment or DROP participation where applicable.

Pay-As-You-Go (PAYGO) – A funding arrangement under which contributions to the plan are made when benefit payments and expenses come due.

Glossary
(Continued)

Plan Experience – Plan experience reflects unexpected changes in a plan's actual demographic outcomes. Plan experience is distinct from differences in investment performance, assumption changes, or plan amendments, each of which is recognized separately.

Common sources of plan experience gains or losses include:

- Retirements, terminations, disability rates, or mortality rates differing from the assumptions used in a prior valuation.
- Salary progression, service accrual, or payroll growth deviating from expected patterns.
- Coverage or benefit elections (e.g., dependent participation, healthcare plan selection, Medicare coordination) differing from assumptions.
- Data updates, corrections, or retroactive changes in participant status.

Under GASB 68 & 75, plan-experience gains or losses are recognized as deferred outflows or inflows of resources and amortized as expense over the Expected Average Remaining Service Lifetime (EARSL) of active and inactive members.

Present Value of Projected Benefits (PVPB) – The actuarial present value of all benefits expected to be paid to current plan participants, based on both service to date and projected future service, with benefits determined according to the plan provisions and actuarial assumptions in effect as of the measurement date.

The PVPB encompasses benefits for existing active, inactive, and retired members, discounted to the valuation date. It includes both the portion attributable to past service (the Actuarial Accrued Liability, AAL) and the portion expected to be earned through future service of current employees (the value of future normal costs).

The PVPB provides the broadest measure of a plan's obligations with respect to its current participants.

Reporting Date – The employer's fiscal year-end to which financial statement disclosures apply (for example, June 30, 2025). Under GASB reporting, amounts are measured as of the measurement date (which may precede the reporting date by up to one year) and then reported as of the reporting date in the notes and required supplementary information. Distinguishing reporting date from valuation date and measurement date is essential for reconciling year-over-year changes.

Glossary
(Continued)

Roll-Forward Valuation – A simplified actuarial process that estimates liabilities as of a measurement date by projecting results from a prior full actuarial valuation forward. Rather than collecting new census data and fully re-measuring liabilities, the actuary updates the earlier valuation to reflect expected changes such as the passage of time, benefit payments, and updated plan assets.

Roll-forward valuations are used to reduce the time and cost of performing a full valuation each year while providing a reasonable interim estimate of liabilities. Under a roll-forward, demographic events (such as retirements, deaths, or new entrants) and other plan experience are assumed to occur as expected, rather than being explicitly measured.

Because of these simplifications, a roll-forward valuation is less detailed than a full actuarial valuation and is appropriate only when no material changes to the plan or membership have occurred since the prior valuation. GASB 68 & 75 specifically permits roll-forward valuations for OPEB plans to support consistent annual reporting.

A full actuarial valuation, by contrast, uses current participant data and a complete review of plan provisions and assumptions to recalculate all liabilities and costs, and serves as the foundation for subsequent roll-forward measurements.

Section 115 Trust – An irrevocable trust established under Section 115 of the Internal Revenue Code, which permits state and local government agencies to set aside funds for essential governmental purposes—such as the prefunding of Other Post-Employment Benefits (OPEB) and pension obligations. To qualify for tax-exempt status, the trust must serve a recognized governmental purpose and remain under the substantial control of the sponsoring public agency. Assets held in a Section 115 Trust are legally segregated from the employer's general funds, may be invested pursuant to the agency's adopted investment policy, and are restricted to use for the designated governmental purpose. Because the trust is separate from general assets, its balances may be recognized as plan assets for financial reporting under GASB standards.

Select and Ultimate – A type of actuarial assumption that applies varying rates for an initial "select" period, followed by a long-term stable "ultimate" rate.

Sensitivity Analysis – A required GASB disclosure showing how the Net Pension or Net OPEB Liability would change if the discount rate or healthcare cost trend rate (for OPEB plans) were 1% higher or lower.

Service Cost – The portion of the actuarial present value of projected benefits that is assigned to the current valuation year under the actuarial cost method. Service Cost represents the value of benefits earned by active employees during that year. See also: Normal Cost; Actuarial Cost Method.

Total OPEB Liability (TOL) – The total value of all plan benefits attributable to service rendered as of the valuation date for current plan members and vested former members. Equivalent to Actuarial Accrued Liability determined under the Entry Age Normal (percent of pay) funding method. See also: Actuarial Accrued Liability

Total Pension Liability (TPL) – The total value of all plan benefits attributable to service rendered as of the valuation date for current plan members and vested former members. Equivalent to Actuarial Accrued Liability determined under the Entry Age Normal (percent of pay) funding method. See also: Actuarial Accrued Liability

Glossary
(Concluded)

Trust – A separate legal entity established to hold assets for the purpose of paying benefits to participants. To qualify as a trust for GASB reporting, assets must be held for the exclusive benefit of plan members and their beneficiaries, be legally protected from the creditors of the employer, and be used solely to provide benefits and related administrative expenses.

Trust Sufficiency Test – See Crossover Test

Underfunded – Underfunded describes a plan whose assets are less than the actuarial present value of accrued or projected benefit obligations at the valuation date, based on the applicable actuarial or accounting measurement basis. Underfunding indicates that the Actuarial Value of Assets (for funding valuations) or the Plan Fiduciary Net Position (for financial reporting) is less than the corresponding liability measure—the Actuarial Accrued Liability (AAL) or the Total Pension or OPEB Liability (TPL/TOL). An underfunded position does not imply insolvency; rather, it represents the portion of benefits earned to date that are not yet covered by current assets and will need to be funded over time through future contributions, investment returns, or both.

Unfunded Actuarial Accrued Liability (UAAL) – On a funding (actuarial) basis, the excess of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL reflects past service costs not yet funded under the adopted funding policy and is commonly amortized over a closed period using level-dollar or level-percent-of-pay methods. UAAL is distinct from the GASB accounting measures Net Pension Liability (NPL) or Net OPEB Liability (NOL), which are defined as Total Liability – Plan Fiduciary Net Position at fair value.

Valuation Date – The date as of which the actuarial valuation is performed. The valuation date may precede the measurement date. See also: Measurement Date

Vesting – Requirements, as defined by the plan, which when met make a benefit nonforfeitable upon separation from service.

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THREE VALLEYS MUNICIPAL WATER DISTRICT

BOARD INFORMATION

BOARD OF DIRECTORS
STAFF REPORT

To: TVMWD Board of Directors

From: Matthew H. Litchfield, General Manager

Date: October 7, 2026

Subject: FY 2025/26 Project Appropriation Carryforward

Staff Recommendation
No Action Necessary – Information Only

Background
The District's FY 2026/27 budget was adopted by the Board on May 20, 2026. At the time of budget adoption, certain Planning & Resources studies and Capital Improvement Projects (CIP) included in the FY 2025/26 budget remained in progress. Final expenditures and the resulting unexpended appropriations for these projects could not be determined until completion of the fiscal year-end close.

With FY 2025/26 year-end activity now substantially complete, staff has identified the unexpended appropriations associated with Planning & Resources studies and Capital Improvement Projects that remain active and require continued budget authority in FY 2026/27.

Discussion
Staff reviewed final FY 2025/26 expenditures and the status of each Planning & Resources study and Capital Improvement Project. Based on this review, staff identified the following unexpended appropriations for projects continuing into FY 2026/27.

Planning & Resources Studies

Account Name	Amount ($)
Engineering Reports	44,630
Planning and Resource Studies	112,079

Capital Improvement Projects

Project Name	Amount ($)
Miramar Admin. Building Improvements	1,282,948
Reservoir Influent Inlet Valves	32,229
Padua Property	677,599
IT AV System Upgrade	97,712
SCADA & Communication Systems	115,216
Miramar Fencing Upgrade	100,000
Manways and Lid Replacements	149,973
Analyzer Enclosure	16,884
Wheeler Meter Cabinet Replacement	187,264
Acid System Feed Pump Skid	56,878
Main Breaker Replacement at Remote Site	100,019
Driveway Asphalt Slurry Reseal	100,000
Parking Space Covers - South	150,000
Well 2 VFD Equipping	345,296
Miramar System Inspection	109,045
Miramar Pumpback	91,627

The total proposed FY 2025/26 Project Appropriation Carryforward is $3,769,399, consisting of $156,709 for Planning & Resources studies and $3,612,690 for Capital Improvement Projects.

The proposed carryforward is a budgetary action that will amend the adopted FY 2026/27 budget to provide spending authority for the identified continuing studies and projects. It does not establish new projects or increase the total authorized budgets of the underlying projects.

Staff will return on October 21, 2026, with the Project Appropriation Carryforward for Board approval as part of the Consent Calendar.

Fiscal Impact

There is no fiscal impact associated with this informational item. If approved by the Board on October 21, 2026, the proposed carryforward will increase FY 2026/27 appropriations by $3,769,399, consisting of $156,709 for Planning & Resources studies and $3,612,690 for Capital Improvement Projects. These amounts represent unexpended FY 2025/26 appropriations for continuing studies and projects.

Environmental Impact

None

Strategic Plan Objective(s)
2.2 – Accountability

Attachment(s)
None

Meeting History
Board of Directors Meeting, May 20, 2026, Board adopted the FY 2026/27 Budget.

NA/BA