The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

FAM Committee
T. Smith, Chair
L. Dick, Vice Chair
D. Alvarez
J. Armstrong
G. Bryant
D. De Jesus
B. Dennstedt
L. Fong-Sakai
J. McMillan
C. Miller
M. Petersen
B. Pressman
T. Quinn
K. Seckel

Finance and Asset Management Committee - Final - Revised 1

Meeting with Board of Directors *

June 11, 2024

9:00 a.m.

Tuesday, June 11, 2024 Meeting Schedule
09:00 a.m. FAM 11:00 a.m. EOP 01:30 p.m. Break 02:00 p.m. BOD

Agendas, live streaming, meeting schedules, and other board materials are available here: https://mwdh2o.legistar.com/Calendar.aspx. Written public comments received by 5:00 p.m. (business days) before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: https://mwdh2o.legistar.com/Legislation.aspx. If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 873 4767 0235. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 876 9484 9772 or click https://us06web.zoom.us/j/87694849772?pwd=V3dGZGRYUjJ3allqdUxXTlJRM044Zz09

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012
Teleconference Locations:
Cedars Sinai Medical Center • 8700 Beverly Blvd • Los Angeles, CA 90048
3008 W. 82nd Place • Inglewood, CA 90305
Conference Room • 1545 Victory Blvd 2nd Floor • Glendale, CA 91201

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ITEMS -- ACTION ****

2. CONSENT CALENDAR OTHER ITEMS - ACTION

A. Approval of the Minutes of the Finance and Asset Management Committee Meeting for May 14, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) **21-3449**

Attachments: 06112024 FAM 2A (05142024) Minutes

3. CONSENT CALENDAR ITEMS - ACTION

7-4 Approve up to $2.257 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [REVISED SUBJECT 6/3/2024] **21-3441**

Attachments: 06112024 FAM 7-4 B-L
06112024 FAM 7-4 Presentation

7-5 Approve Metropolitan's Statement of Investment Policy for fiscal year 2024/25, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-3442**

Attachments: 06112024 FAM 7-5 B-L
06112024 FAM 7-5 Presentation

7-6 Authorize the General Manager to grant a permanent easement to the Las Virgenes Municipal Water District for water pipeline purposes on Metropolitan fee-owned property in the City of Los Angeles within Assessor Parcel Number 2723-009-905; the General Manager has determined that the proposed action is exempt and not subject to CEQA **21-3443**

Attachments: 06112024 FAM 7-6 B-L
06112024 FAM 7-6 Presentation

7-7 Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of $2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of $500,000, and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of $500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-3444**

Attachments: 06112024 FAM 7-7 B-L
06112024 FAM 7-7 Presentation

**** END OF CONSENT CALENDAR ITEMS ****

4. OTHER BOARD ITEMS - ACTION

8-5 Authorize an option agreement with The AES Corporation, LLC, for a long-term lease of up to 6,742 acres of land in the Palo Verde Valley, California for possible carbon-free energy production and storage purposes, contingent upon further project permits and approvals; the General Manager has determined that the proposed action of issuing an option agreement is exempt or otherwise not subject to CEQA. The property is located southwest of the city of Blyth in Riverside County and commonly known as the Palo Verde Mesa, Riverside County Assessor Parcel Nos. 879-230-001, 879-230-003; 879-230-005; 879-230-008; 879-230-010; 879-230-011; 879-230-012; 879-230-013; 879-230-014; 879-230-015; 879-230-016; 879-230-017; 879-230-018; 879-230-023; 879-230-024; 879-240-001; 879-240-002; 879-240-037; 879-240-038; 879-250-001; 879-250-008; 879-250-011; 879-250-013; 879-250-014; 879-261-019; 879-261-020; 879-261-021; 879-261-022; [Conference with real property negotiators agency negotiators: Kevin Webb and Kieran Callanan; negotiating parties: The AES Corporation, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8. [ADDED ITEM 6/3/2024] **21-3469**

Attachments: 06112024 FAM 8-5 Open Session Presentation

5. BOARD INFORMATION ITEMS

NONE

6. COMMITTEE ITEMS

a. Update on Other Post-Employment Benefits **21-3452**

Attachments: 6112024 FAM 6a OPEB Actuarial Report
06112024 FAM 6a Presentation

b. Discussion on Section 115 trust for Pension and Other Post-Employment Benefits **21-3453**

Attachments: 06112024 FAM 6b Presentation

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

a. Finance and Asset Management activities **21-3454**

Attachments: 06112024 FAM 7a Finance Monthly Report

8. SUBCOMMITTEE REPORTS AND DISCUSSION

a. Report from Subcommittee on Long-Term Regional Planning Processes and Business Modeling **21-3455**

b. Discuss and provide direction to Subcommittee on Long-Term Regional Planning Processes and Business Modeling **21-3456**

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND ASSETT MANAGEMENT COMMITTEE

May 14, 2024

Vice Chair Dick called the meeting to order at 8:30 a.m.

Members present: Directors Alvarez, Armstrong, De Jesus (AB 2449 “just cause”), Dennstedt, Dick, McMillan, Miller, Petersen (entered after rollcall) Pressman (teleconference posted location), Quinn (entered after rollcall), Seckel, and Smith (AB 2449 “just cause”).

Members absent: Director Fong-Sakai.

Other Members present: Ackerman, Bryant, Erdman, Faessel, Goldberg, Gray (teleconference posted location), Kurtz, Lefevre, McCoy, Morris, Ortega, Peterson, and Ramos.

Director De Jesus indicated he is participating under AB 2449 “just cause” for an illness that prevents him from attending in person. Director De Jesus appeared by audio and on camera.

Director De Jesus announced during roll call that no one was in the room with them 18 years of age or older.

Director Smith indicated he is participating under AB 2449 “just cause” for an illness that prevents him from attending in person. Director Smith appeared by audio and on camera.

Director Smith announced during roll call that no one was in the room with them 18 years of age or older.

Committee Staff present: Beatty, Benson, Crosson, Chapman, Hagekhalil, Kasaine, Mortada, Ros, and Wheeler.

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

Darcy Burke, Elsinore Valley Municipal Water District commented on item 8-3.
Caty Wagner, Sierra Club California commented on item 8-3.
Justin Breck, LA Waterkeeper commented on item 8-3.

CONSENT CALENDAR ITEMS — ACTION

2. CONSENT CALENDAR OTHER ITEMS-ACTION

A. Subject: Approval of the Minutes of the Finance, Audit, Insurance, and Real Property Committee Meeting for April 9, 2024 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

3. CONSENT CALENDAR ITEMS – ACTION

7-5 Subject: Authorize the General Manager to execute a new ground license for telecommunications facilities with the City of Pasadena to enhance the reliability of Metropolitan's wireless wide area networks and local area networks; the subject telecom site is located in the city of Pasadena, identified as Los Angeles County Assessor Parcel No. 5705-001-900; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

Motion: Authorize the General Manager to execute a new ground license for telecommunications facilities with the City of Pasadena to enhance the reliability of Metropolitan's wireless wide area networks and local area networks.

7-8 Subject: Authorize the waiver of a $1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

Motion: Authorize the waiver of a $1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States.

No presentations were given, Director Miller made a motion, seconded by Director Armstrong, to approve items 2A, 7-5 and 7-8.

The vote was:

Ayes:	Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, McMillan, Miller, Pressman, Seckel, and Smith.
Noes:	None
Abstentions:	None
Absent:	Directors Fong-Sakai, Petersen, and Quinn.

Director De Jesus announced that no one was in the room with him 18 years of age or older.

Director Smith announced that no one was in the room with him 18 years of age or older.

The motion for items 2A, 7-5, and 7-8 passed by a vote of 10 ayes, 0 noes, 0 abstain, and 3 absent.

Item 7-7 was discussed and voted on separately. Vice-Chair Dick announced item 8-4 would be heard following item 7-7.

Director Quinn entered the meeting.

7-7	Subject:	Adopt a resolution declaring approximately 6,742 acres of Metropolitan-owned real property in the County of Riverside, located southwest of the City of Blythe, California, and commonly known as the Palo Verde Mesa, as exempt surplus land under the Surplus Land Act; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
	Motion:	Adopt a resolution declaring approximately 6,742 acres of Metropolitan-owned real property in the County of Riverside, located southwest of the City of Blythe, California, and commonly known as the Palo Verde Mesa, as exempt surplus land under the Surplus Land Act.
	Presented By:	Bryan Otake, Senior Deputy General Counsel

Ms. Crosson introduced the item and Mr. Otake provided an oral overview of the item.

The following Directors provided comments or asked questions:

1. Miller
2. Seckel

Staff responded to the Directors’ comments and questions.

After completion of the presentation, Director Petersen made a motion, seconded by Director Quinn, to approve item 7-7.

The vote was:

Ayes:	Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, McMillan, Miller, Petersen, Pressman, Quinn, Seckel, and Smith.
Noes:	None
Abstentions:	None
Absent:	Directors Fong-Sakai.

Director De Jesus announced that no one was in the room with him 18 years of age or older.

Director Smith announced that no one was in the room with him 18 years of age or older.

The motion for item 7-7 passed by a vote of 12 ayes, 0 noes, 0 abstain, and 1 absent.

END OF CONSENT CALENDAR ITEMS

4. OTHER CONSENT ITEMS – ACTION

8-4	Subject:	Authorize an option agreement with The AES Corporation, LLC, for a long-term lease of up to 6,742 acres of land in the Palo Verde Valley, California for possible carbon-free energy production and storage purposes, contingent upon further project permits and approvals; the General Manager has determined that the proposed action of issuing an option agreement is exempt or otherwise not subject to CEQA. The property is located southwest of the city of Blythe in Riverside County and commonly known as the Palo Verde Mesa, Riverside County Assessor Parcel Nos. 879-230-001, 879-230-003; 879-230-005; 879-230-008; 879-230-010; 879-230-011; 879-230-012; 879-230-013; 879-230-014; 879-230-015; 879-230-016; 879-230-017; 879-230-018; 879-230-023; 879-230-024; 879-240-001; 879-240-002; 879-240-037; 879-240-038; 879-250-001; 879-250-008; 879-250-011; 879-250-013; 879-250-014; 879-261-019; 879-261-020; 879-261-021; 879-261-022; [Conference with real property negotiators agency negotiators: Kevin Webb and Kieran Callanan; negotiating parties: The AES Corporation, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8
	Presented by:	Kieran Callanan, Unit Manager- Land Management Chance Staley, AES Development Manager Drew Demos, AES Director of Land Acquisition Ken Koch, AES Permitting Project Manager

In open session, Ms. Crosson introduced the item and Mr. Callanan provided an overview of the lease, service area and Colorado River Aqueduct map, site map, and background on Palo Verde Mesa. Next, Mr. Staley introduced his team and Mr. Demos provided an overview of AES's accomplishments. Next, Mr. Koch provided an overview of the development process and permitting timeline. Lastly, Mr. Callanan provided the Board options.

The following Directors provided comments or asked questions:

1. Faessel
2. Miller
3. Petersen
4. Pressman
5. Dick

Staff responded to the Directors' comments and questions.

In closed session, the Committee met on Item 8-4 to give price and terms direction to Metropolitan's real property negotiators. Metropolitan's negotiators will report back on the item in a future committee meeting and there was no vote or recommended action for the Board.

Director Quinn left the meeting.

8-2	Subject:	Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
	Motion:	Adopt the resolution to continue the Standby Charge for fiscal year 2024/25.
	Presented by:	Khanh Phan, Unit Manager-Rates, Charges & Financial Planning

Ms. Kasaine introduced the item and Ms. Phan provided background on the Standby Charge, Standby charge rates, and Board options.

The following Director provided comments or asked questions:

1. Seckel

Staff responded to the Director's comments and questions.

After completion of the presentation, Director Seckel made a motion, seconded by Director Miller to approve item 8-2.

The vote was:

Ayes:	Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, McMillan, Miller, Petersen, Pressman, Seckel, and Smith.
Noes:	None
Abstentions:	None
Absent:	Directors Fong-Sakai and Quinn.

Director De Jesus announced that no one was in the room with him 18 years of age or older.

Director Smith announced that no one was in the room with him 18 years of age or older.

The motion for item 8-2 passed by a vote of 11 ayes, 0 noes, 0 abstain, and 2 absent.

8-3	Subject:	Concur with Climate Adaptation Master Plan for Water: Draft Year One Progress Report and Next Steps; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
	Substitute Motion:	Amended Option 1 to Concur with the Climate Adaptation Master Plan for Water: Draft Year One Progress Report and Next Steps, with the understanding that staff will provide the Board with updated data and other updated information before the Board considers the approval of any projects under CAMP 4 Water.
	Presented by:	Elizabeth Crosson, Chief Sustainability, Resiliency & Innovation Officer

Ms. Crosson presented the committee with an overview of the Year one progress report, Member Agency comments, and next steps.

The following Directors provided comments or asked questions:

1. Goldberg
2. Smith
3. Petersen
4. Bryant
5. Ortega
6. Armstrong
7. Dennstedt
8. Alvarez

Staff responded to the Directors' comments and questions.

After completion of the presentation, Director Petersen made a substitute motion for amended Option 1, seconded by Director Dennstedt to approve item 8-3.

The vote was:

Ayes:	Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, McMillan, Miller, Petersen, Pressman, Seckel, and Smith.
Noes:	None
Abstentions:	None
Absent:	Directors Fong-Sakai and Quinn.

Director De Jesus announced that no one was in the room with him 18 years of age or older.

Director Smith announced that no one was in the room with him 18 years of age or older.

The motion for item 8-3 passed by a vote of 11 ayes, 0 noes, 0 abstain, and 2 absent.

5. BOARD INFORMATION ITEMS

9-2. Subject: Renewal Status of Metropolitan's Property and Casualty Insurance Program

Presented by: Drew Boronkay, Unit Manager-Risk Management

Ms. Kasaine introduced the item and Mr. Boronkay presented the committee with an overview of the current Property and Casualty Insurance programs and the cost estimates for this year's insurance renewal.

6. COMMITTEE ITEMS

Agenda was reordered to hear item 6b prior to item 6a.

b. Subject: Quarterly Financial Report

Presented by: Adam Benson, Group Manager – Finance

Ms. Kasaine introduced the item and Mr. Benson presented the committee with Metropolitan's quarterly financial report for the period ending March 31, 2024. The report included cumulative water transactions in acre-feet, revenues, expenses, and unrestricted reserves for fiscal year 2023/24.

The following Director provided comments or asked questions:

1. Alvarez

Staff responded to the Director's comments and questions.

a. Subject: Financing Overview for Bond Issuance (SB 450)

Presented by: Sam Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of SB 450 reporting mandate, SB 450 requirements, and the Water Revenue Refunding bonds, 2024 series B.

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

a. Subject: Financial and Asset Management Activities

Ms. Kasaine provided highlights on the credit ratings with S&P and Moody's.

Director Petersen left the meeting.

8. SUBCOMMITTEE REPORTS AND DISCUSSION

a. Subject: Report from Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Director Seckel updated the committee on the items discussed at the April 24, 2024, Joint Task Force meeting.

b. Subject: Discuss and provide direction to Subcommittee on Long Term Regional Planning Processes and Business Modeling

The following Directors provided comments or asked questions:

1. Alvarez
2. Dick

Director Alvarez requested the business model discussion be brought back at the next committee meeting.

9. FOLLOW-UP ITEMS

None

10. FUTURE AGENDA ITEMS

None

11. ADJOURNMENT

The next meeting will be held on June 11, 2024.

The meeting adjourned at 11:11 a.m.

Timothy Smith
Chair

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance and Asset Management Committee

6/11/2024 Board Meeting

7-4

Subject

Approve up to $2.257 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Property and Casualty Insurance Policy premiums for fiscal year (FY) 2024/25 will increase by up to $194,000 or approximately 10.6 percent, from about $1.838 million for the current fiscal year, to approximately $2.032 million, if Metropolitan maintains the same coverage limits and retentions. To accommodate an additional $225,000, the estimated premium cost to acquire cyber liability coverage, the total cost is projected to be $2.257 million, an increase of about 22.8 percent. The cost increase to renew coverages results from the insurance market pricing in a confluence of conditions and trends, including catastrophic storm and wildfire losses, continued higher for longer post-pandemic inflation rates, and fall out from global military conflicts. In addition, a trend of more frequent and expensive liability settlements against municipalities due in part to rising social and political unrest continues to pressure the general liability market. Finally, rising medical costs contributes to rising settlement costs and higher premiums across multiple lines of coverage.

The following insurance coverages within the Property and Casualty Insurance Program will be expiring on June 30, 2024:

1. $75 million general liability coverage in excess of a $25 million self-insured retention.
2. $60 million fiduciary and employee benefits liability coverage in excess of a $25 million self-insured retention.
3. $65 million public officials, directors, and officer's liability coverage in excess of a $25 million self-insured retention.
4. $5 million crime coverage for exposures such as fraud, theft, faithful performance, and employee dishonesty in excess of a $150,000 deductible.
5. $25 million aircraft liability coverage; $10 million Unmanned Aerial Vehicle (UAV) liability coverage; and aircraft hull coverage up to the planes' assessed values.
6. Statutory workers' compensation, and $1 million employer's liability coverage, in excess of a $5 million self-insured retention; and statutory coverage for Washington, D.C. employees.
7. Property damage coverage up to the stated property value, with a $25 million policy limit.

Attachment 1 compares the current coverage and premium costs to those proposed for FY 2024/25

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #2

Option #1

Approve up to $2.032 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program to renew or replace all the expiring excess liability and specialty insurance policies and maintain the $25 million self-insured retention for general liability coverage.

Fiscal Impact: The anticipated $2.032 million premium cost for FY 2024/25 would result in an approximate $194,000 cost increase compared with the $1.838 million premium cost for FY 2023/24. The $2.032 million is included in the current board-approved budget.

Business Analysis: Protects Metropolitan's financial position against the risk of catastrophic loss.

Option #2

Approve up to $2.257 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program to renew or replace all the expiring excess liability and specialty insurance policies for and maintain the $25 million self-insured retention for FY 2024/25, and include up to $225,000 to obtain cyber liability coverage.

Fiscal Impact: The anticipated $2.257 million premium cost for FY 2024/25 would result in an approximate $419,000 increase compared with the $1.838 million premium cost for FY 2023/24. The $2.257 million cost is within the current board-approved Office of the CFO Group budget.

Business Analysis: Cost increase of a projected $225,000 compared with Option #1 protects Metropolitan's financial position against the risk of catastrophic loss and expands the insurance portfolio to add cyber liability coverage.

Alternatives Considered

Reviewed both higher and lower self-insured retentions for Excess General Liability coverages and weighed the benefits of adding cyber liability coverage.

Applicable Policy

Metropolitan Water District Administrative Code Section 5201: Restricted Funds

Metropolitan Water District Administrative Code Section 5202: Fund Parameters

Metropolitan Water District Administrative Code Section 6413: Insurance Program

Metropolitan Water District Administrative Code Section 9101: Risk Retention and Procurements of Insurance

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

None

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)). In addition, the proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)). Finally, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)). In addition, the proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)). Finally, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

Details and Background

Background

Self-Insured Retention and Excess Limits – For all coverages, staff reviews the self-insured retention levels and excess coverage limits to ensure that coverage is adequate, premium costs are controlled, and to take advantage of market changes that create opportunities to increase coverage limits and decrease premiums or self-insured retention levels. This process is completed with the services of actuarial consultants, Metropolitan's insurance broker, staff review, and comparisons with other like agencies. To limit the expected premium cost increases for excess general liability coverage (catastrophic coverage for claims exceeding Metropolitan's $25 million self-insured retention), staff requests premium quotes at various retention levels. Last year, Metropolitan obtained additional premium quotes for the first policy layer of this coverage with self-insured retentions of **$35 million and $50 million, versus our current 25 million retention level.** The cost savings were minimal compared with the risk exposure of adding $10 million or $25 million in risk exposure.

Consequently, the Board Committee did not support the option of adding that risk for a small premium cost savings. For this coming fiscal year, we again requested quotes above the $25 million Self-insured retention (SIR), and we were advised that there would be no premium savings for increasing the retention level. Consequently, no quotes were required. Staff also received a premium indication for coverage at a lower ($15 million) SIR. The premium for that policy was estimated to range in cost from $2.5 million to $2.8 million versus the $825,440 for the coverage with a $25 million SIR purchased in FY 2023/24 with the carrier (AEGIS). Based on Metropolitan's ability to maintain the $25 million SIR, the coverage option with the lower retention level is not cost-effective. Because there are no premium savings to increasing the retention level and lowering the retention below the current $25 million would create a significant cost increase, we believe that the current retention level remains suitable and cost-effective for Metropolitan's risk profile.

In addition to the usual coverage review such as that described above, staff may investigate other coverage options, such as cyber liability and earthquake insurance, which we have been evaluating over the last couple of years. Due to notable price increases for existing coverages, the operational investment and activities to enhance cyber defenses, and the continuation of the Metropolitan Headquarters Building earthquake retrofit project, it was not timely to pursue those coverage options in recent years. Because of the dramatic rise in cyber-attacks worldwide and the increasing threat, we have likewise upped our efforts to investigate initiating **cyber liability coverage** during the past few years. For the FY2022/23 renewal, we sought pricing of a cyber liability policy that included coverage for business interruption, data loss, system failure, cyber extortion and other features for up to a premium of $200,000. We are again attempting to secure a quote for this coverage and determine if the benefits are worth the expenditure, and based upon the market indication, the projection is $225,000.

While all coverage limits and retentions are reviewed to maintain appropriate protection at cost-effective rates, historically, there have been more changes to Metropolitan's self-insured retention and excess coverage limits for the workers' compensation policies than the other coverages during the last two decades due to global events and medical cost trends. Because of the difficult insurance market where coverage has become less available and prices continue to rise, we are not recommending changes to the existing coverage portfolio retentions and limits. Each of the different lines of insurance coverage is described below.

General Liability – The two layers of excess general liability, and public officials, directors, and officer's liability (D&O) policies provide catastrophic coverage for claims exceeding Metropolitan's $25 million self-insured retention level, make up the largest portion of Metropolitan's casualty and specialty insurance premium budget. The cost of these coverages in the aggregate is projected to increase by about 19.8 percent, from $1,180,313 in FY 2023/24 to a projected $1,414,290 in FY 2024/25. The quotes this year, including the continuity credit (a dividend or rebate for good aggregate claims experience, and remaining with the insurer), are the same as last year, which lowered the cost of the excess general liability by just under $27,000. Within the total general liability aggregate, the premium cost for the two layers of D&O coverage in FY 2023/24 was $323,318, after the initial cost of $346,075 was also reduced by a continuity credit of $26,007. For FY 2024/25, the premium cost is $350,812, without the inclusion of a continuity credit, an increase of 8.5 percent from the previous year.

Fiduciary Liability – In FY 2019/20, Metropolitan added coverage to include the deferred compensation program to its existing fiduciary coverage for the first $35 million layer of coverage. Metropolitan also carries a second layer of excess coverage with $40 million in limits. For FY 2023/24, the premium cost for the two layers of coverage was $96,989. For FY 2024/25, the premium cost will remain unchanged.

Workers' Compensation – Excess workers' compensation insurance protects Metropolitan against the financial exposure of workplace injury and illness claims. This coverage is designed to handle an individual's catastrophic injury or, for example, an event such as multiple injuries occurring at the Metropolitan Headquarters Building due to a major disaster. Metropolitan is self-insured for the first $5 million in losses, after which the excess coverage with statutory limits goes into effect. Metropolitan also carries a separate first dollar (no deductible) policy to cover employees based in Washington, D.C. Over the last 15 years, Metropolitan has actively adjusted its self-insured retention and coverage limit in reaction to changes in the insurance market in order to maintain cost-efficient and adequate coverage. To control sky-rocketing premium costs during the early 2000s that resulted from the 9/11 terrorist attacks and other global events, Metropolitan incrementally increased the self-insured retention to its current level of $5 million. Since FY 2011/12, premium costs have leveled, and occasionally even declined. Consequently, Metropolitan took advantage of the premium rate reduction and increased the coverage limit from $25 million to $50 million.

In 2015, Metropolitan was again able to take advantage of coverage capacity and market rate changes and obtained statutory excess coverage without increasing costs over the previous year. A stable claims history and claims experience have also contributed to Metropolitan's enhancement of coverage without increasing costs. Metropolitan typically has had an excellent claims history, and its claims experience rating or "Ex Mod," which assesses an organization's claims performance based on payroll and claims history versus other California businesses in the industry. The score increased from .94 during FY 2022/23 to 1.28 for FY 2023/24. For context, a score below the benchmark of 1.00 trends positive; a score above 1.00 trends more negative. While referenced here to reflect the claims history, the "Ex Mod" is not a weighted factor in the cost of obtaining excess workers' compensation coverage for Metropolitan.

The total premium costs for FY 2024/25 for the excess workers' compensation policy, and the first dollar policy for Washington D.C. employees will increase by about 4.5 percent, from $127,944 in FY 2023/24 to $133,701. Within that total amount, the premium for the first dollar policy for Washington, D.C. employees will increase slightly, from $1,167 to $1,198.

Property Insurance – In order to have obtained reimbursement of over $500,000 from the Federal Emergency Management Agency for damage resulting from the 2009 fall season fires, Metropolitan maintains a property damage insurance policy to cover the area damaged in that fire. The policy cost $7,350 in FY 2023/24, and will rise by as much as 22 percent to a projected amount of $9,000 for FY 2024/25. Though a small dollar amount, the projected large percentage increase is due to the past three years' historic catastrophic wildfire seasons, and the continuing exposure going forward.

Specialty Coverages – Metropolitan also carries aircraft liability and hull coverage, crime, travel accident, and special contingency policies to complete its insurance portfolio. The aircraft liability and hull policies provide $25 million aircraft liability, hull coverage up to the assessed value of the planes, and UAV liability coverage up to $10 million. For FY 2023/24, policies covering Metropolitan's two planes and eight UAVs cost $89,735. For FY 2024/25, the premium will increase by 29.6 percent to $116,295. The crime policy provides $5 million in coverage with a $150,000 deductible to protect against losses such as fraud, public employee dishonesty, and forgery. The cost to obtain this policy will decrease slightly from $11,401 to $9,866 for the coming year. Metropolitan also carries three-year duration special contingency crime, and travel accident policies last purchased in FY 2022/23 for the amounts of $4,442 and $21,633, respectively. These are not up for renewal until FY 2025/26.

The projected total cost of the insurance renewal for FY 2024/25, with similar limits and retentions, without the inclusion of the expected continuity credits, will be $2,032,151, up from approximately $1,838,217 million expended in FY 2023/24.

If Metropolitan chooses the option to allow additional funds to enable purchasing cyber liability coverage once quotations are available, the total projected cost will be up to $2,257,151, up from $1,838,217 million expended in FY 2023/24.

Project Milestone

Insurance policies are bound (official decision to purchase) in June or once they become final and are paid immediately thereafter.

6/6/2024

Katano Kasaine — *Date*
Assistant General Manager/Chief Financial Officer

6/6/2024

Adel Hagekhalil — *Date*
General Manager

Attachment 1 – Metropolitan's Casualty and Property Insurance Program Insurance Premium Comparison in Dollars

Ref# cfo12701653

Metropolitan's Casualty and Property Insurance Program
Insurance Premium Comparison
In Dollars

Insurance Policy Type	Self-Insured Retention (SIR)	Coverage Limits	2023/24 Insurance Premiums	2024/25 Quoted and Estimated Premium Cost	2024/25 Quoted and Estimated Premium Cost Change	2024/25 Quoted and Estimated Premium % Change
Excess General Liability [1]	$25 million	$75 million	1,180,313	1,314,290	233,977	20%
Fiduciary and Employee Benefits Liability [1]	$25 million	$60 million	96,989	96,989	0	0%
Public Officials Directors and Officers Liability [1]	$25 million	$65 million	323,075	350,812	27,494	9%
Crime	$150,000	$5 million	11,401	9,866	(1,535)	(14%)
Aircraft Liability and Hull	$7,500	$25 million	89,735	116,295	26,560	30%
Excess Workers' Compensation, CA	$5 million	Statutory	127,944	133,701	5,757	5%
Excess Workers' Compensation, D.C.	$0	Statutory	1,167	1,198	31	3%
Property [2]	$0	Asset value	7,350	9,000	1,650	22%
Cyber Liability [2 & 4]	$500,000	$5 million	NA	225,000	225,000	100%
Special Contingency [3]	$0	$5 million	4,442	NA	NA	NA
Travel Accident [3]	$0	$250,000	21,633	NA	NA	NA
Total Insurance Premiums – Option 1			**1,838,217**	**2,032,151**	**193,934**	**11%**
Total Insurance Premiums – Option 2 [4]			**1,838,217**	**2,257,151**	**418,934**	**23%**

[1] Premium costs for two layers of General Liability, Fiduciary and Employee Benefits Liability, and Public Officials Directors and Officers Liability.
[2] Premium for 2024/25 is a not to exceed estimate based upon market indications.
[3] Three-year duration policies last purchased July 2022, and are up for renewal FY 2025/26.
[4] Option to add Cyber Liability.

Finance and Asset Management Committee

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Item 7-4
June 11, 2024

Item 7-4

Renewal of MWD's Property & Casualty Insurance Program

Subject

Renewal of Metropolitan's Property and Casualty Insurance Program

Purpose

Review the Current Property and Casualty Insurance Program and obtain Board approval to renew and replace coverages

Metropolitan's Property and Casualty Insurance Program

Review

Review the Current Program

Provide Cost Estimates for this year's Insurance Renewal

Metropolitan's Property and Casualty Insurance Program

Review

Self-Insured Retentions

Claims Programs to Manage Self-Insured Retentions

- Liability / Property
- Workers' Compensation

Excess and Specialty Insurance Coverages

Metropolitan's Property and Casualty Insurance Program

Self-Insured Retention

General Liability	$25 million
Workers' Compensation	$ 5 million
Property Damage *	Self-Insured

* Excluding Stand Alone Property Insurance Coverage

Metropolitan's Property and Casualty Insurance Program

Claims Programs

Liability & Property

- Risk Management Unit
- Third Party Claims Administrator
- MWD General Counsel

Workers' Compensation

- Workers' Compensation/Benefits Section
- Third Party Claims Administrator
- MWD General Counsel

Metropolitan's Property and Casualty Insurance Program

Excess Insurance

General Liability	$75 million
Workers' Compensation	Statutory
Public Officials, Directors & Officers Liability	$65 million
Fiduciary & Employee Benefit Liability	$60 million

Metropolitan's Excess General Liability Coverage Layers and Limits

In Million Dollars

Excess Coverage	SIR	AEGIS 1st Layer	EIM 2nd Layer	Coverage Limits
General Liability	25	35	40	100
Fiduciary Liability	25	35	25	85
Directors & Officers Liability	25	25	40	90

Associated Electric & Gas (AEGIS)
Energy Insurance Mutual (EIM)
Self-Insured Retention (SIR)

Metropolitan's Property and Casualty Insurance Program

Periodic Review

Periodic review of self-insured retention and excess coverage limits to ensure appropriate levels

- Actuarial Study, Insurance Broker and Staff Reviews
- Metropolitan's operations and risks remain stable
- Embedded safety programs in operations
- Environmental, Health & Safety training and monitoring
- Claims Management Programs
- Access to Capital

Metropolitan's Property and Casualty Insurance Program

Specialty Insurance

Aircraft Liability	$25 million
Aircraft Hull	Assessed Value
Property Damage	Assessed Value
Crime	$5 million
Special Risk *	$5 million
Travel Accident *	$250,000

* 3-year coverages last purchased FY 2022/2023

Metropolitan's Property and Casualty Insurance Program

2024/25 Outlook

10.6% Overall Cost Increase

Factors Driving Expected Cost Increase

- Continued post Pandemic inflation
- Ukraine-Russia and Middle East military conflicts
- Climate change fueled mega-catastrophic weather events such as extreme storms and historic wildfires
- Domestic and Global political and social unrest

Total Policy Renewal is estimated to increase from

$1.838 million **$2.032 million**

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
General Liability	1,180,313	1,314,290	20%
Fiduciary and Employee Benefit Liability	96,989	96,989	0%
Public Officials Directors & Officers Liability	323,075	350,812	9%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Workers' Compensation - CA	127,977	133,701	5%
Workers' Compensation - DC	1,167	1,198	3%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Aircraft Hull & Liability	89,735	116,295	30%
Crime	11,401	9,866	(14%)
Property *	7,350	9,000	22%

* Premium not to exceed estimate based upon market indication and standalone coverage for three structures previously damaged by fire

Metropolitan's Property and Casualty Insurance Program

Option 2 – Addition of Cyber Liability

Some Coverage Features Include:

- Privacy and Network Security Liability
- System and Data Recovery
- Business Interruption
- Media Liability
- Regulatory Fines and Penalties
- Reputation Harm
- Estimated Premium Cost Not to Exceed $225,000

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Cyber Liability *	0	225,000	100%

* Option 2 - Addition of Cyber Liability and premium not to exceed estimate based upon market indications

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Options	Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Option 1	Renewal without Cyber Liability	$1,838,217	$2,032,151	11%
Option 2	Renewal with Cyber Liability	NA	$2,257,151	23%

Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23	Actual 2023/24
$ 1,181,848*	$ 1,308,608	$ 1,543,787	$ 1,715,308*	$ 1,838,217

Estimated 2024/2025	$ 2,257,151

* Includes renewal cost of 3-year duration policies for Travel Accident and Special Contingency policies

OPTIONS

Option #1

Approve up to $2.032 million to renew excess and specialty insurance coverages.

Impact

The anticipated $2.032 million premium cost for FY 2023/24 would result in a $194,000 cost increase compared with a $177,950 premium cost increase for FY 2022/23.

OPTIONS

Option #2

Approve up to $2.257 million to renew excess and specialty insurance coverages and include the addition of Cyber Liability with an estimate premium not to exceed $225,000.

Impact

The anticipated $2.257 million premium cost for FY 2024/25 would result in an approximate $419,000 increase compared with the $1.838 million premium cost for FY 2023/24.

Staff Recommendation

Option #2

Approve up to $2.257 million to renew excess and specialty insurance coverages and add Cyber Liability coverage.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance and Asset Management Committee

6/11/2024 Board Meeting

7-5

Subject

Approve Metropolitan's Statement of Investment Policy for fiscal year 2024/25, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Per Section 5114 of the Metropolitan Water District Administrative Code, staff seeks board approval of Metropolitan's Statement of Investment Policy (Policy) for fiscal year (FY) 2024/25. Staff also seeks board approval for the delegation of authority to the Treasurer to invest Metropolitan's funds for FY 2024/25, pursuant to the California Government Code (Government Code).

The Policy has been updated to ensure that it complies with the requirements of the Government Code, conforms to the investment policy certification standards established by the California Municipal Treasurers Association, provides a balance between investment restrictions and investment flexibility, and expresses Metropolitan's investment objectives and preferences with clarity and consistency.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve the Statement of Investment Policy for fiscal year 2024/25; and delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25.

Fiscal Impact: Allows Metropolitan's portfolio to continue to earn a reasonable return on investments while meeting the overarching goals of safety and liquidity.
Business Analysis: Permits the Treasurer to continue managing Metropolitan's investment portfolios and approves the Statement of Investment Policy for fiscal year 2024/25, governing investment practices.

Option #2

Do not approve the Statement of Investment Policy for fiscal year 2024/25, and do not delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25.
Fiscal Impact: May prevent Metropolitan's portfolio from earning a reasonable return on investments
Business Analysis: Not approving the Statement of Investment Policy would be an exception to the Metropolitan Water District Administrative Code requirement in Section 5114. Not delegating authority to the Treasurer to invest Metropolitan's funds would require the Board to directly manage Metropolitan's daily investments or have an authorized Board representative available to approve daily investment transactions identified by the Treasurer. This would likely result in lost investment income should the Board be unavailable to either manage or approve daily investment transactions.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Act Section 125: Investment of Surplus Money

Metropolitan Water District Administrative Code Section 2701(a): Treasurer's Reports

Metropolitan Water District Administrative Code Section 5101: Investment of Surplus Funds

Metropolitan Water District Administrative Code Section 5114: Reporting Requirements of the Treasurer

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities California Environmental Quality Act (CEQA)

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

Under Section 5114 of the Metropolitan Water District Administrative Code, not less than annually, the Treasurer is required to render a Statement of Investment Policy for the following fiscal year for approval by the Board.

Metropolitan's Policy for FY 2024/25 (**Attachment 1**) adheres to the following three criteria:

1. **Safety of Principal.** Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss.
2. **Liquidity**. Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. **Return on Investment**. Investments shall be undertaken to produce an acceptable rate of return after first considering the safety of principal and liquidity and the prudent investor standard.

In accordance with Section 53607 of the Government Code, the authority to invest public funds granted to the Board may be delegated to the Treasurer for a one-year period. The Board's prior delegation to the Treasurer expires on June 30, 2024. Subject to review, the Board may renew the delegation to the Treasurer annually.

Details

The Policy for FY 2024/25 is updated. The proposed Policy is included as **Attachment 1**. **Attachment 2** is a redlined document that compares the Policy for FY 2023/24 to the proposed Policy for FY 2024/25. The following changes to Sections X.14 and XIII of the Policy are highlighted for the Board's consideration:

Section X.14 – This section is updated to incorporate a minor Code revision that took effect January 1, 2024. Senate Bill 882, Local Government Omnibus Act of 2023, made various minor edits to state statutes, including a change to Code Section 53601(o). The Bill codified the common Code interpretation that mortgage-backed securities issued by federal agencies are excluded from the Code's requirements described in Section 53601(o) for privately issued asset- and mortgage-backed securities. This change does not otherwise modify the Code's or the Policy's requirements for the purchase of agency mortgage-backed securities.

Section XIII – This section is updated to incorporate the name change of the District's other fund to the Endowment fund.

6/6/2024

Katano Kasaine *Date*
Assistant General Manager/
Chief Financial Officer

6/62024

Adel Hagekhalil *Date*
General Manager

Attachment 1 – Statement of Investment Policy Fiscal Year 2024/25

Attachment 2 – Redline of Statement of Investment Policy Fiscal Year 2024/25

Ref# cfo12702679

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

STATEMENT OF INVESTMENT POLICY
FISCAL YEAR 2024/25

June 11, 2024

I. POLICY

This Statement of Investment Policy (Policy) is intended to outline the guidelines and practices to be used in managing the Metropolitan Water District of Southern California's (District) investment portfolio. District funds not required for immediate cash disbursements will be invested in compliance with the Government Code of the state of California (California Government Code).

II. INVESTMENT AUTHORITY

As authorized by Section 53607 of the California Government Code, authority to invest or reinvest funds of the District is hereby delegated by the Board of Directors to the Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the District's investment portfolio pursuant to the specific and stated investment objectives of the District. The investment manager(s) shall follow this Policy, the specific investment guidelines provided to each investment manager, and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the District's investment portfolio.

III. STATEMENT OF OBJECTIVES

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

1. Safety of Principal. Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure that each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.
2. Liquidity. Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

IV. SCOPE

This Policy applies to all funds and investment activities under the direct authority of the District and accounted for in the Annual Comprehensive Financial Report (ACFR), except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the California Government Code's "Deposit of Funds" provisions are excluded from this Policy's requirements. Funds of the District will be invested in compliance with the provisions of, but not necessarily limited to securities specified in the California Government Code Section 53601 et seq. and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of the District's bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this Policy.

V. PRUDENT INVESTOR STANDARD

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor standard". The prudent investment standard obligates a trustee to ensure that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

VI. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of individual securities dealers, all investment transactions involving deliverable securities will be conducted on a delivery versus payment (DVP) basis. All deliverable securities owned by the District, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All financial institutions that provide safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Controller to verify securities taken into their possession. The Controller shall also maintain evidence of the District ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

VII. INVESTMENT TRANSACTIONS

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations for investment transactions will be sent directly to the Controller for audit. When practical, the Treasurer shall solicit more than one quotation on each trade.

VIII. REPORTING

If the Board delegates responsibility of the investment program to the Treasurer, then in accordance with the Metropolitan Water District Administrative Code, Section 5114, the Treasurer shall submit a monthly report to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund and date of maturity, and shall provide the current market value of all securities, rates of interest, and expected yield to maturity. The Treasurer shall also submit a monthly summary report to the Board of Directors via the General Manager showing investment activity, including yield and earnings, and the status of cash by depository.

In addition, the monthly report shall also include a statement denoting the ability to meet the District's expenditure requirements for the next six (6) months. The report shall also state compliance of the portfolio to this Policy, or manner in which the portfolio is not in compliance. In the event of non-compliance, staff will prepare a report for the Board that details the compliance issue, provides analysis, and provides a recommendation to bring the portfolio back into compliance with this Policy.

IX. PERFORMANCE STANDARDS

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the District. The District will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall a transaction be used for purely speculative purposes. The District recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

X. INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The District is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the investments listed below are authorized.

The District is prohibited from investing in any investment authorized by the California Government Code but not explicitly listed in this Policy without the prior approval of the Board of Directors. Some of the limitations on investments set forth below are more stringent than required by the California Government Code and have been included to better manage the credit risks specific to the District's portfolio. Under the provisions of California Government Code Sections 53601.6, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero interest accrual if held to maturity, except as authorized by Code Section 53601.6.

1. US Treasury Obligations

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

2. Federal Agency Obligations

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

3. Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: One-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
- Issued by banks with total deposits of over one billion dollars ($1,000,000,000)
- Issued by banks from offices in the USA.

4. Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Two hundred seventy (270) days
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO.
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2).

5. Medium Term Corporate Notes

All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A or its equivalent or better by an NRSRO.

6. Negotiable Certificates of Deposit

Issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum allocation: Thirty percent (30%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars ($1,000,000,000) or more

7. Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity: Five (5) years

- Credit requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California.
- Deposits must meet the conditions of California Government Code Sections 53630 et seq.

Pursuant to Government Code 53637, the District is prohibited from investing in deposits of a state or federal credit union if a member of the District's Board of Directors, or any person at the District with investment decision-making authority, serves on the board of directors or committee of the state or federal credit union.

8. Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum allocation: Twenty percent (20%) of the portfolio
- Credit requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)

9. State of California, Local Agency Investment Fund (LAIF)

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the California State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The District's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum maturity: N/A
- Credit requirement: N/A

10. Municipal Bonds and Notes

Municipal obligations issued by the State of California, any other of the states in the union, or a local agency within the State of California. This may include bonds, notes, warrants, or other evidences of indebtedness including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by an authorized entity.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Must be issued by State of California, any of the other 49 states, or a California local agency

11. Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum allocation: Twenty percent (20%) of the portfolio
- Maximum maturity: Two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated in a rating category of "A" or its equivalent or higher by an NRSRO.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum allocation: Forty percent (40%) of the portfolio
- Maximum maturity: N/A
- Credit requirement: AAAm or its equivalent or better by an NRSRO
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars ($500,000,000).

13. Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

14. Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- Maximum allocation: Twenty percent (20%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

XI. DIVERSIFICATION

The District shall seek to diversify the investments within the investment portfolio to avoid incurring unreasonable risks inherent in concentrated holdings in specific instruments, individual financial institutions or maturities. To promote diversification, this Policy sets various percentage holding limits by investment type and issuer. Investment type and issuer percentage limitation listed in this Policy are calculated at the time the security is purchased. Per issuer limits, when listed, are calculated across investment types at the parent company level. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities. However, no additional investments can be made in that investment type or issuer while it is above the limits established by this Policy.

XII. CREDIT RATINGS

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at the time of purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

If a security is downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

XIII. MATURITY

The Treasurer shall maintain a system to monitor and forecast revenues and expenditures so that the District's funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the District's reasonably anticipated cash flow requirements.

The final maturity of any investment in the portfolios shall not exceed five (5) years with certain exceptions:

- The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Endowment Fund.
- The core portfolio may hold United States Treasury and Federal Agency securities with maturities in excess of five years.

XIV. DURATION

Duration is a measure of a security's price sensitivity to interest rate changes. It indicates the approximate percentage change of a security's value given a 1% change in interest rates. A portfolio's duration is the weighted average of the individual security durations held in the portfolio.

The investment portfolio is divided into liquidity, core, and endowment fund portfolios. The Policy's duration limits only apply to the liquidity and core portfolios. The duration of the liquidity portfolio is limited to the duration of the benchmark index plus or minus 0.5 years. The duration of the core portfolio will be limited to the duration of the benchmark index plus or minus 1.5 years. The appropriate benchmark indices will be set by the Treasurer and reported to the Board in the Monthly Treasurer's Report.

XV. ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District's Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Policy.

The District's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

XVII. INTERNAL CONTROLS

The Treasurer or designee shall maintain a system of internal control procedures designed to ensure compliance with the Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control procedures shall apply to the investment activities of any person with investment decision-making authority acting on behalf of the District. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. As part of the annual audit, the District's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

XVIII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions.

The Treasurer and designees shall disclose to the Ethics Officer and General Counsel any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XVIX. INVESTMENT POLICY

This Policy shall be reviewed periodically by the Treasurer with any and all modifications made thereto approved by the Board of Directors at a public meeting.

SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The following table is intended to be a summary of the Policy's requirements in Section X of this Policy. If there is a discrepancy between Section X and this table, the requirements listed in Section X take precedence.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Obligations	100%	N/A	5 Years[1]	N/A
Federal Agency Obligations	100%	N/A	5 Years[1]	N/A
Bankers' Acceptance	40%	5% per issuer[2]	180 days	"A-1" or its equivalent or higher by an NRSRO.
Commercial Paper	40%	5% per issuer[2]	270 days	Highest ranking or of the highest letter and number rating as provided for by an NRSRO.
Medium Term Corporate Notes	30%	5% per issuer[2]. US licensed and operating corporations	5 years	"A" or its equivalent or higher by an NRSRO.
Negotiable CD	30%	5% per issuer[2], National or state charted bank, S&L, or branch of foreign bank	5 years	"A-1" (short-term) or "A" (long-term) or their equivalents or higher by an NRSRO.
Bank Deposit	30%	See California Government Code Section 53637	5 Years	Collateralized/FDIC Insured in accordance with California Government Code
Money Market Mutual Funds	20%	Gov't MMF. Stable NAV	Daily Liquidity	Highest ranking by two NRSROs or advisor requirements
Local Agency Investment Fund ("LAIF")	LAIF limit for operating accounts	Subject to California Government Code Section 16429.1 limitations	N/A	N/A
Municipal Bonds and Notes	30%	5% per issuer[2]. State of California or California agencies or other 49 states	5 Years[1]	"A" or its equivalent or higher by an NRSRO.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
Repurchase Agreements ("REPO")	20%	Limited to primary dealers or financial institutions rated "A" or better by a NRSROs	270 days	Collateralized (min 102% of funds invested) with US Government or federal agency securities with maximum 5 year maturities
California Asset Management Program ("CAMP")	40%	N/A	Daily Liquidity	"AAAm" or its equivalent or higher by a NRSRO
Supranationals	30%	Limited to IBRD, IFC, IADB	5 Years	"AA" or its equivalent or higher by an NRSRO.
Asset-Backed Securities	20%	5% per issuer[2]	5 Years	"AA" or its equivalent or higher by an NRSRO.

Notes:

1. The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.

   The core portfolio may be invested in United States Treasury and Federal Agency securities with maturities in excess of five years.

2. Per issuer limits, when listed, are calculated across investment types at the parent company level.

GLOSSARY

The glossary is provided for general information only. It is not to be considered a part of the Policy for determining Policy requirements or terms.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): A local government investment pool organized as joint powers authority in which funds from California local agency investors/participants are aggregated together for investment purposes.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called trances. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

EFFECTIVE RATE OF RETURN: The annualized rate of return on an investment considering the price paid for the investment, its coupon rate, and the compounding of interest paid. (Total Earnings / Average daily balance) x (365/ # of days in the reporting period)

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently $250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INDEX: An index is an indicator that is published on a periodic basis that shows the estimated price and/or yield levels for various groups of securities. Examples of relevant indices for Metropolitan include, but not limited to, ICE BofAML, 3-Month Treasury Bill Index, and ICE BofAML, 1 - 5 years AAA-A US Corporate and Government Index

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution that agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high-quality ratings for long-term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that Agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities that are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit that can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High-quality ratings for short-term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the “trade date”.

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the District) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the District) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the District sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the District) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service that banks offer to clients for a fee, where physical securities are held in the bank’s vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank’s name for the benefit of the client. As an agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include “inverse floating rate” notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and “dual index floaters”, which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The California Government Code allows local agencies to purchase the United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to $250,000 are insured by FDIC. Deposits over $250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return that equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity. (Net Invested Income/Time Weighted Invested Value) X (365/ # of days in the reporting period)

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RATING DESCRIPTION TABLE

Long Term Debt Ratings			
Credit Quality	**Moody's**	**S&P**	**Fitch**
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC
Short Term Debt Ratings			
Credit Quality	**Moody's**	**S&P**	**Fitch**
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings apply to securities with at least a medium credit quality or higher by one of the nationally recognize statistical rating organization; anything below the medium credit quality is non-investment grade.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

STATEMENT OF INVESTMENT POLICY
FISCAL YEAR ~~2023/24~~2024/25

June ~~13, 2023~~11, 2024

I. POLICY

This Statement of Investment Policy (Policy) is intended to outline the guidelines and practices to be used in managing the Metropolitan Water District of Southern California's (District) investment portfolio. District funds not required for immediate cash disbursements will be invested in compliance with the Government Code of the state of California (California Government Code).

II. INVESTMENT AUTHORITY

As authorized by Section 53607 of the California Government Code, authority to invest or reinvest funds of the District is hereby delegated by the Board of Directors to the Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the District's investment portfolio pursuant to the specific and stated investment objectives of the District. The investment manager(s) shall follow this Policy, the specific investment guidelines provided to each investment manager, and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the District's investment portfolio.

III. STATEMENT OF OBJECTIVES

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

1. Safety of Principal. Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure that each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.
2. Liquidity. Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

IV. SCOPE

This Policy applies to all funds and investment activities under the direct authority of the District and accounted for in the Annual Comprehensive Financial Report (ACFR), except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the California Government Code's "Deposit of Funds" provisions are excluded from this Policy's requirements. Funds of the District will be invested in compliance with the provisions of, but not necessarily limited to securities specified in the California Government Code Section 53601 et seq. and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of the District's bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this Policy.

V. PRUDENT INVESTOR STANDARD

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor standard". The prudent investment standard obligates a trustee to ensure that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

VI. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of individual securities dealers, all investment transactions involving deliverable securities will be conducted on a delivery versus payment (DVP) basis. All deliverable securities owned by the District, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All financial institutions that provide safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Controller to verify securities taken into their possession. The Controller shall also maintain evidence of the District ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

VII. INVESTMENT TRANSACTIONS

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations for investment transactions will be sent directly to the Controller for audit. When practical, the Treasurer shall solicit more than one quotation on each trade.

VIII. REPORTING

If the Board delegates responsibility of the investment program to the Treasurer, then in accordance with the Metropolitan Water District Administrative Code, Section 5114, the Treasurer shall submit a monthly report to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund and date of maturity, and shall provide the current market value of all securities, rates of interest, and expected yield to maturity. The Treasurer shall also submit a monthly summary report to the Board of Directors via the General Manager showing investment activity, including yield and earnings, and the status of cash by depository.

In addition, the monthly report shall also include a statement denoting the ability to meet the District's expenditure requirements for the next six (6) months. The report shall also state compliance of the portfolio to this Policy, or manner in which the portfolio is not in compliance. In the event of non-compliance, staff will prepare a report for the Board that details the compliance issue, provides analysis, and provides a recommendation to bring the portfolio back into compliance with this Policy.

IX. PERFORMANCE STANDARDS

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the District. The District will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall a transaction be used for purely speculative purposes. The District recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

X. INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The District is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the investments listed below are authorized.

The District is prohibited from investing in any investment authorized by the California Government Code but not explicitly listed in this Policy without the prior approval of the Board of Directors. Some of the limitations on investments set forth below are more stringent than required by the California Government Code and have been included to better manage the credit risks specific to the District's portfolio. Under the provisions of California Government Code Sections 53601.6, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero interest accrual if held to maturity, except as authorized by Code Section 53601.6.

1. US Treasury Obligations

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

2. Federal Agency Obligations

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

3. Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: One-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
- Issued by banks with total deposits of over one billion dollars ($1,000,000,000)
- Issued by banks from offices in the USA.

4. Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Two hundred seventy (270) days
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO.
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2).

5. Medium Term Corporate Notes

All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A or its equivalent or better by an NRSRO.

6. Negotiable Certificates of Deposit

Issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum allocation: Thirty percent (30%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars ($1,000,000,000) or more

7. Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity: Five (5) years

- Credit requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California.
- Deposits must meet the conditions of California Government Code Sections 53630 et seq.

Pursuant to Government Code 53637, the District is prohibited from investing in deposits of a state or federal credit union if a member of the District's Board of Directors, or any person at the District with investment decision-making authority, serves on the board of directors or committee of the state or federal credit union.

8. Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum allocation: Twenty percent (20%) of the portfolio
- Credit requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)

9. State of California, Local Agency Investment Fund (LAIF)

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the California State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The District's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum maturity: N/A
- Credit requirement: N/A

10. Municipal Bonds and Notes

Municipal obligations issued by the State of California, any other of the states in the union, or a local agency within the State of California. This may include bonds, notes, warrants, or other evidences of indebtedness including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by an authorized entity.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Must be issued by State of California, any of the other 49 states, or a California local agency

11. Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum allocation: Twenty percent (20%) of the portfolio
- Maximum maturity: Two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated in a rating category of “A” or its equivalent or higher by an NRSRO.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum allocation: Forty percent (40%) of the portfolio
- Maximum maturity: N/A
- Credit requirement: AAAm or its equivalent or better by an NRSRO
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars ($500,000,000).

13. Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

14. Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- Maximum allocation: Twenty percent (20%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

XI. DIVERSIFICATION

The District shall seek to diversify the investments within the investment portfolio to avoid incurring unreasonable risks inherent in concentrated holdings in specific instruments, individual financial institutions or maturities. To promote diversification, this Policy sets various percentage holding limits by investment type and issuer. Investment type and issuer percentage limitation listed in this Policy are calculated at the time the security is purchased. Per issuer limits, when listed, are calculated across investment types at the parent company level. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities. However, no additional investments can be made in that investment type or issuer while it is above the limits established by this Policy.

XII. CREDIT RATINGS

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at the time of purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

If a security is downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

XIII. MATURITY

The Treasurer shall maintain a system to monitor and forecast revenues and expenditures so that the District's funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the District's reasonably anticipated cash flow requirements.

The final maturity of any investment in the portfolios shall not exceed five (5) years with certain exceptions:

- The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the ~~Lake Mathews Multi-Species Reserve Trust~~ Endowment Fund.
- The core portfolio may hold United States Treasury and Federal Agency securities with maturities in excess of five years.

XIV. DURATION

Duration is a measure of a security's price sensitivity to interest rate changes. It indicates the approximate percentage change of a security's value given a 1% change in interest rates. A portfolio's duration is the weighted average of the individual security durations held in the portfolio.

The investment portfolio is divided into liquidity, core, and endowment fund portfolios. The Policy's duration limits only apply to the liquidity and core portfolios. The duration of the liquidity portfolio is limited to the duration of the benchmark index plus or minus 0.5 years. The duration of the core portfolio will be limited to the duration of the benchmark index plus or minus 1.5 years. The appropriate benchmark indices will be set by the Treasurer and reported to the Board in the Monthly Treasurer's Report.

XV. ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District's Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Policy.

The District's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

XVII. INTERNAL CONTROLS

The Treasurer or designee shall maintain a system of internal control procedures designed to ensure compliance with the Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control procedures shall apply to the investment activities of any person with investment decision-making authority acting on behalf of the District. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. As part of the annual audit, the District's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

XVIII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions.

The Treasurer and designees shall disclose to the Ethics Officer and General Counsel any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XVIX. INVESTMENT POLICY

This Policy shall be reviewed periodically by the Treasurer with any and all modifications made thereto approved by the Board of Directors at a public meeting.

SUMMARY TABLE OF
INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The following table is intended to be a summary of the Policy's requirements in Section X of this Policy. If there is a discrepancy between Section X and this table, the requirements listed in Section X take precedence.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Obligations	100%	N/A	5 Years[1]	N/A
Federal Agency Obligations	100%	N/A	5 Years[1]	N/A
Bankers' Acceptance	40%	5% per issuer[2]	180 days	"A-1" or its equivalent or higher by an NRSRO.
Commercial Paper	40%	5% per issuer[2]	270 days	Highest ranking or of the highest letter and number rating as provided for by an NRSRO.
Medium Term Corporate Notes	30%	5% per issuer[2]. US licensed and operating corporations	5 years	"A" or its equivalent or higher by an NRSRO.
Negotiable CD	30%	5% per issuer[2], National or state charted bank, S&L, or branch of foreign bank	5 years	"A-1" (short-term) or "A" (long-term) or their equivalents or higher by an NRSRO.
Bank Deposit	30%	See California Government Code Section 53637	5 Years	Collateralized/FDIC Insured in accordance with California Government Code
Money Market Mutual Funds	20%	Gov't MMF. Stable NAV	Daily Liquidity	Highest ranking by two NRSROs or advisor requirements
Local Agency Investment Fund ("LAIF")	LAIF limit for operating accounts	Subject to California Government Code Section 16429.1 limitations	N/A	N/A
Municipal Bonds and Notes	30%	5% per issuer[2]. State of California or California agencies or other 49 states	5 Years[1]	"A" or its equivalent or higher by an NRSRO.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
Repurchase Agreements ("REPO")	20%	Limited to primary dealers or financial institutions rated "A" or better by a NRSROs	270 days	Collateralized (min 102% of funds invested) with US Government or federal agency securities with maximum 5 year maturities
California Asset Management Program ("CAMP")	40%	N/A	Daily Liquidity	"AAAm" or its equivalent or higher by a NRSRO
Supranationals	30%	Limited to IBRD, IFC, IADB	5 Years	"AA" or its equivalent or higher by an NRSRO.
Asset-Backed Securities	20%	5% per issuer[2]	5 Years	"AA" or its equivalent or higher by an NRSRO.

Notes:

1. The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.

   The core portfolio may be invested in United States Treasury and Federal Agency securities with maturities in excess of five years.

2. Per issuer limits, when listed, are calculated across investment types at the parent company level.

GLOSSARY

The glossary is provided for general information only. It is not to be considered a part of the Policy for determining Policy requirements or terms.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or “backed”) by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt..

BANKERS’ ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder’s balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): A local government investment pool organized as joint powers authority in which funds from California local agency investors/participants are aggregated together for investment purposes.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called trances. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

EFFECTIVE RATE OF RETURN: The annualized rate of return on an investment considering the price paid for the investment, its coupon rate, and the compounding of interest paid. (Total Earnings / Average daily balance) x (365/ # of days in the reporting period)

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently $250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INDEX: An index is an indicator that is published on a periodic basis that shows the estimated price and/or yield levels for various groups of securities. Examples of relevant indices for Metropolitan include, but not limited to, ICE BofAML, 3-Month Treasury Bill Index, and ICE BofAML, 1 - 5 years AAA-A US Corporate and Government Index

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution that agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high-quality ratings for long-term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that Agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities that are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit that can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High-quality ratings for short-term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the "trade date".

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the District) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the District) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the District sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the District) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service that banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As an agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include "inverse floating rate" notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and "dual index floaters", which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The California Government Code allows local agencies to purchase the United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to $250,000 are insured by FDIC. Deposits over $250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return that equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity. (Net Invested Income/Time Weighted Invested Value) X (365/ # of days in the reporting period)

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RATING DESCRIPTION TABLE

Long Term Debt Ratings			
Credit Quality	**Moody's**	**S&P**	**Fitch**
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC

Short Term Debt Ratings			
Credit Quality	**Moody's**	**S&P**	**Fitch**
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings apply to securities with at least a medium credit quality or higher by one of the nationally recognize statistical rating organization; anything below the medium credit quality is non-investment grade.

Finance and Asset Management Committee

Statement of Investment Policy and Authority to Invest

Item 7-5

June 11, 2024

Item 7-5
Investment Policy

Subject

- Approve Metropolitan's Statement of Investment Policy for fiscal year 2024/25, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2024/25

Purpose

- Comply with state law to adopt an investment policy for each fiscal year
- Provide key components to govern investment of district funds, manage risk and generate financial return on funds

Investment Policy and Authority to Invest

- Section 5114 of Metropolitan's Administrative Code requires the Treasurer to submit a Statement of Investment Policy to the Board for approval for the following fiscal year.

- Sections 53600 et seq. of the California Government Code expressly grant the authority to the Board to invest public funds and that authority may be delegated to the Treasurer for a one-year period.

Statement of Investment Policy – Change

	FY2023/24	FY2024/25	Rationale
§X.14	A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond	A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply	To align the Policy's requirements with the current Code language

Statement of Investment Policy – Change

	FY2023/24	FY2024/25	Rationale
§XIII	The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.	The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Endowment Fund.	Lake Mathews Multi-Species Reserve Trust Fund combined with other trust funds as Endowment Fund effective July 1, 2023

Options for Considerations

Option #1:

- Approve the Statement of Investment Policy for fiscal year 2024/25; and
- Delegate authority to the Treasurer to invest Metropolitan‘s funds for fiscal year 2024/25.

Option #2:

- Do not approve the Statement of Investment Policy for fiscal year 2024/25 and do not delegate authority to the Treasurer to invest Metropolitan’s funds for fiscal year 2024/25.

Staff Recommendation

Option #1

Questions

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance and Asset Management

6/11/2024 Board Meeting

7-6

Subject

Authorize the General Manager to grant a permanent easement to the Las Virgenes Municipal Water District for water pipeline purposes on Metropolitan fee-owned property in the City of Los Angeles within Assessor Parcel Number 2723-009-905; the General Manager has determined that the proposed action is exempt and not subject to CEQA

Executive Summary

This action authorizes the General Manager to grant a non-exclusive permanent easement to the Las Virgenes Municipal Water District (LVMWD) for the installation, maintenance, and operation of a sixteen-inch (16") water pipeline. LVMWD is requesting the easement in connection with their Twin Lakes Pump Station Pipeline Project. The proposed 1,458-square-foot easement area is located north of Devonshire Street and south of Chatsworth Street in the Chatsworth area of Los Angeles (**Attachment 1**). Board authorization to grant this permanent easement is required as the real property interest to be conveyed exceeds five years.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to grant a permanent easement to Las Virgenes Municipal Water District for water pipeline purposes on Metropolitan fee-owned property in the City of Los Angeles within Assessor Parcel Number 2723-009-905.

Fiscal Impact: Metropolitan will receive a lump sum payment of $21,800 for the easement area.
Business Analysis: LVMWD will be able to proceed with its Twin Lakes Pump Station Pipeline Project, leading to a more reliable local water distribution system.

Option #2

Do not approve the permanent easement.
Fiscal Impact: Metropolitan will forgo the lump sum payment of $21,800.
Business Analysis: LVMWD will not be able to proceed with its Twin Lakes Pump Station Pipeline Project, thus impacting local water distribution.

Applicable Policy

Metropolitan Water District Administrative Code Section 8230: Grants of Real Property Interests

Metropolitan Water District Administrative Code Section 8231: Appraisal of Real Property Interests

Metropolitan Water District Administrative Code Section 8232: Terms and Conditions of Management

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 48766, dated August 16, 2011, the Board adopted the proposed policy principles for managing Metropolitan's real property assets.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because it involves the licensing of existing public structures and facilities, involving negligible or no expansion of existing or former use, and no possibility of significantly impacting the physical environment (State CEQA Guidelines Section 15301.)

CEQA determination for Option #2:

None required

Details and Background

The LVMWD intends to construct a 16-inch diameter water pipeline connecting the Twin Lakes Pump Station in Chatsworth Park South to its existing 30-inch water line in Valley Circle Boulevard. The proposed waterline alignment will be within close proximity, but not impact, Metropolitan's existing West Valley Feeder No.1 and West Valley Feeder No. 2. Pipelines. The proposed permanent easement will be located within an existing paved private driveway project on Metropolitan property and is limited to the installation of one new water pipeline connecting to an existing waterline. LVMWD will restore the ground to its existing condition, including paving once the waterline has been installed. LVMWD is also coordinating its construction activities with the city and local residents to minimize impacts to the community.

Staff has determined that the proposed easement would not interfere with Metropolitan's water operations.

The easement will have the following key provisions:

- Subject to Metropolitan's paramount rights provisions.
- The proposed easement area will be 1,458 square feet.
- Easement rights for the installation, operation, maintenance, repair, or replacement of a water pipeline.
- All plans for construction, maintenance, major repair, or replacement work shall be reviewed and approved by Metropolitan prior to the commencement of such work.
- LVMWD shall defend, indemnify, and hold harmless Metropolitan.

The fair market value for the proposed easement is $11,300 as determined by a qualified licensed appraiser. There is also a one-time processing fee of $10,500 for granting the permanent easement.

5/23/2024

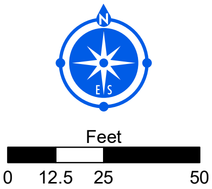
Elizabeth Crosson Date
Chief Sustainability, Resilience and Innovation Officer

5/30/2024

Adel Hagekhalil Date
General Manager

Attachment 1 – Site Map

Ref# sri12697261



THIS EXHIBIT IS TO BE USED FOR APPROXIMATE POSITIONING ONLY. IT IS NOT TO BE USED, NOR IS IT INTENDED TO BE USED FOR ENGINEERING, RECORDING OR LITIGATION PURPOSES. NO WARRANTY OF ACCURACY IS IMPLIED OR GUARANTEED.

The Metropolitan Water District of Southern California
Engineering Services Group

WEST VALLEY FEEDER NO.2

Permanent Easement
RL 4381

MWD
to
Las Virgenes Municipal Water District

MWD ROW: 1802-3-1PEC100
APN: 2723-009-905

Finance and Asset Management Committee

Las Virgenes Municipal Water District Permanent Easement

Item 7-6

June 11, 2024

Overview of the Easement Conveyance

Subject

- Authorize the granting of a permanent easement to the Las Virgenes Municipal Water District (LVMWD) for water line purposes.

Purpose

- Establish rights to install a 16” water line as part of the Twin Lakes Pump Station Project.

Distribution System Map

General Location Map

Site Map

Key Provisions

- Metropolitan's paramount rights provision
- The proposed easement area will be 1,458 sq. ft.
- Installation, maintenance, and other related water pipeline rights
- All plans shall be approved by Metropolitan
- LVMWD shall indemnify, defend, and hold harmless Metropolitan
- Metropolitan will receive $21,800 for easement

Board Options

Option No. 1

Authorize the granting of a non-exclusive permanent easement to LVMWD for waterline purposes.

Option No. 2

Do not approve the permanent easement

Board Options

Staff Recommendation

- Option No. 1

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

1928

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance and Asset Management Committee

6/11/2024 Board Meeting

7-7

Subject

Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of $2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of $500,000, and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of $500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In February 2023, the Board directed staff to integrate water resources, climate, and financial planning into a Climate Adaptation Master Plan for Water (CAMP4W). Specifically, the CAMP4W will include: (1) Climate and Growth Scenarios; (2) Time-Bound Targets; (3) A Framework for Climate Decision-Making and Reporting; (4) Policies, Initiatives, and Partnerships, and (5) Business Models and Funding Strategies. CAMP4W will increase Metropolitan's understanding of the climate risks to water supplies, infrastructure, operations, workforce, and financial sustainability. CAMP4W will also develop decision-making tools and long-term planning guidance for adapting to climate change to strengthen Metropolitan's ability to fulfill its mission. This action authorizes the amending of two existing agreements and the initiation of a new agreement to provide support services for the development and implementation of the CAMP4W.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of $2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of $500,000, and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of $500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W.

Fiscal Impact: Up to $3,000,000 from Sustainability, Resilience, and Innovation (SRI) and Engineering Services Group (ESG)-approved operations and maintenance budget for fiscal years 2024/25 and 2025/26. Professional Services items in SRI's approved biennial budget for CAMP4W, climate resilience, and sustainability planning and previously approved funding for ESG studies related to system resilience will be directed towards these contracts.

Business Analysis: This option will support the Board's request that staff evaluate Metropolitan's long-term planning with consideration for climate change, resilience, and funding policies under the CAMP4W and will direct previously approved budget for climate, sustainability, and risk analysis towards CAMP4W.

Option #2

Do not authorize the consulting agreements at this time.

Fiscal Impact: None

Business Analysis: Under this option, Metropolitan staff would perform activities, or would request board authorization for agreements on a project-specific basis. This option would forego an opportunity to reduce administrative costs or address urgent projects promptly and which could result in delays.

Alternatives Considered

Several alternatives were considered to develop and implement the CAMP4W, including utilizing in-house staff to perform all work components. Metropolitan's staffing strategy for in-house Metropolitan staff has been: (1) to assess current work; and (2) to use project-specific professional service agreements when resource needs exceed available in-house staffing or require specialized technical expertise.

This strategy relies on the assumption that in-house staff will handle the baseload of work on projects, while professional services agreements are selectively utilized to handle tasks above this baseload or where specialized needs are required. This strategy allows Metropolitan's staff to be strategically utilized on projects to best address projects with special needs or issues.

After assessing the current workload for in-house staff, required expertise, and relative priority of this task, staff has determined that insufficient SRI staff is available to ensure completion of the work in a timely manner. Staff recommends utilizing a hybrid effort of consultant and Metropolitan staff for the performance of this work.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 53596, dated April 9, 2024, the Board adopted the biennial budget for fiscal years 2024/25 and 2025/26, rates for calendar years 2025 and 2026., and charges for 2025.

Related Board Action(s)/Future Action(s)

A Draft Climate Adaptation Master Plan for Water will be presented for board review by the end of 2024.

Summary of Outreach Completed

Request for Qualifications (RFQ) No. 1359 was issued in October 2023 to establish a pool of qualified firms to support CAMP4W planning and implementation. Metropolitan received six statements of qualifications in November 2023.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)).

CEQA determination for Option #2:

None required

Details and Background

Background

Increased climatic variability and water supply uncertainty have prompted Metropolitan's Board to pursue the integration of climate and water resource planning with its financial plans. The Board charged the leadership and staff of Metropolitan to expand the focus of water resource and financial planning to include climate adaptation strategies and to develop a Climate Adaptation Master Plan for Water (CAMP4W). The effort focuses on strengthening the resilience and reliability of Metropolitan and its individual member agencies in the face of a changing climate and the associated risks to our economic and environmental stability.

A number of deliverables have been identified to complete and implement the Climate Adaptation Master Plan for Water. The Board has asked that a Draft Master Plan be developed to include: (1) Climate and Growth Scenarios, (2) Time-Bound Targets, (3) Framework for Climate Decision-Making and Reporting, (4) Policies, Initiatives, and Partnerships, and (5) Business Models and Funding Strategies. Staff has proposed an ambitious schedule to address each of these components over the next year and anticipates that additional professional services will be needed to produce technical memoranda, decision support tools and dashboards, an adaptive management framework, and ultimately a digital Master Plan that is both iterative and comprehensive.

Support Services for Climate Adaptation Master Plan for Water

Metropolitan issued RFQ 1359 to provide support services for the development and implementation of the CAMP4W to better integrate Metropolitan's planning for water resources, climate resilience, and finances. The RFQ process provided a competitive process in which the expertise of the firms' staff, technical approach, proposed methodology, and capability were evaluated. Arup US, Inc.; CDM Smith Inc.; and Hazen and Sawyer were recommended for the support services based on their expertise in climate adaptation and resilience planning.

Based on RFQ 1359 recommendations, on-call Agreement No. 220126 was executed with Hazen and Sawyer for a not-to-exceed amount of $245,000, and on-call Agreement No. 220127 was executed with CDM Smith Inc. for a not-to-exceed amount of $245,000. Both agreements were executed under the General Manager's contracting authority. Staff recommends amending Agreement No. 220126 with Hazen and Sawyer to increase a new not-to-exceed amount of $2,000,000 and amending Agreement No. 220127 with CDM Smith Inc. to a new not-to-exceed amount of $500,000. In addition, staff recommends a new on-call agreement with Arup US, Inc. for a not-to-exceed amount of $500,000. On-call agreements provide a high degree of flexibility to respond to schedule or scope adjustments, allow for quicker delivery times, and lower administrative costs for both Metropolitan and the consultants. For these types of agreements, consultants are assigned work only after specific tasks are identified by staff, up to the not-to-exceed amounts of the contracts.

CAMP4W Support Services (Hazen and Sawyer and CDM Smith Inc.) – Amendment of Existing Agreements

Due to the urgency of the CAMP4W work, Metropolitan entered into agreements with Hazen and Sawyer and CDM Smith Inc. in April 2024, immediately following the evaluation and recommendation process for RFQ 1359. Agreement No. 220126 was executed with Hazen and Sawyer for a not-to-exceed amount of $245,000 for a period of 3 years, and Agreement No. 220127 was executed with CDM Smith Inc. for a not-to-exceed amount of $245,000 for a period of 3 years. The scope of work to provide Climate Adaptation Planning and Business Model support services as described in the agreements includes:

1) Technical memoranda on specific topics related to CAMP4W deliverables.
2) Written analyses and draft and final reports.
3) Decision-making tools including elements of the Climate Decision-Making Framework and Evaluative Criteria.
4) Digital tools including dashboards and data management.
5) Technical input into an adaptive management and risk assessment.

This action authorizes amending the existing on-call Agreement No. 220126 with Hazen and Sawyer for a new not-to-exceed amount of $2,000,000 and on-call Agreement No. 220127 with CDM Smith Inc. for a new not-to-exceed amount of $500,000. The 3-year term of both agreements will remain unchanged. The amendments are needed to complete the anticipated work recently identified within the CAMP4W process. For these agreements, Metropolitan has established a Small Business Enterprise participation level of 25 percent. Both firms have committed to meet this level of participation within the existing agreement.

CAMP4W Environmental Support Services (Arup US, Inc.) – New Agreement

CAMP4W goals include understanding the economic, environmental, and social implications of Metropolitan's investments and decision-making. Arup US, Inc. is a global firm providing systems thinking to water resources and climate challenges. Arup US, Inc. has been selected to provide Climate Adaptation Planning support services, including:

1) Measuring and evaluating environmental and equity co-benefits.
2) Adaptive management and risk assessment.
3) Climate science updates.
4) Intersection of climate and financial planning.
5) Renewable energy infrastructure opportunities.

This action authorizes a new on-call agreement with Arup US, Inc. for a not-to-exceed amount of $500,000 for a period of three years. The Business Outreach Program Office sets Small/Disabled Veteran Business participation levels on RFQ at the minimum organizational goal of 25 percent, and the proposed agreement complies with this requirement.

Project Milestone

December 2024 – Draft Climate Adaptation Master Plan for Water

5/28/2024

Elizabeth Crosson *Date*
Chief Sustainability, Resilience and Innovation Officer

5/31/2024

Adel Hagekhalil *Date*
General Manager

Ref# sri12703097

Finance and Asset Management Committee

CAMP4W Planning and Implementation Support Services Agreement and Amendments

Item 7-7

June 11, 2024

CAMP4W Planning and Implementation Support Services Agreement and Amendments

Subject

- Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of $2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of $500,000 and authorize a new agreement with Arup US Inc. for a new not-to-exceed amount of $500,000 for a period of three years

Purpose

- To provide support services in the development and implementation of the Climate Adaptation Master Plan for Water

CAMP4W Task Force

Task Force Charter

Joint Task Force of Board Members and Member Agencies has been chartered to produce a regional plan (CAMP4W) that includes:

- Climate and Growth Scenarios
- Time-bound Targets
- Framework for Climate Decision-Making and Reporting
- Policies, Initiatives, and Partnerships
- Business Models and Funding Strategies

CAMP4W
Climate Adaptation
Master Plan for Water

2024-25 CAMP4W Deliverables

Climate Decision-Making Framework	Project/ Program Identification	Test Evaluative Criteria*	Evaluate projects and programs*
Policies and Initiatives	Climate and Infrastructure Risk Assessment*	Community Equity and Affordability*	Sustainability and Ecosystem Benefits*
Partnerships and Programs	Conservation and Local Supply*	Surplus Management* and MA Exchange*	Grants and Technical Assistance
Adaptive Management	Define and gather signpost data*	Review and refine Time-Bound Targets*	First CAMP4W Annual Report*
Community Engagement	Ongoing effort in partnership with Member Agencies and Community-Based Organizations		

* Requires Working Memorandum / Report Document

Support Services Background

- Metropolitan issued RFQ 1359 to provide support services for the development and implementation of the CAMP4W to better integrate Metropolitan's planning for water resources, climate resilience, and finances

- Based on RFQ 1359 recommendations and immediate needs, on-call Agreement No. 220126 was executed with Hazen and Sawyer for a not-to-exceed amount of $245,000, and on-call Agreement No. 220127 was executed with CDM Smith Inc. for a not-to-exceed amount of $245,000

Support Services Scope of Work

Existing Agreements

Scope of work to provide Climate Adaptation Planning support services as described in the agreements includes:

1. Technical memoranda on specific topics related to CAMP4W deliverables
2. Written analyses and draft and final reports
3. Decision-making tools including elements of the Climate Decision-Making Framework and Evaluative Criteria
4. Digital tools including dashboards and data management
5. Technical input into an adaptive management and risk assessment

Support Services Scope of Work

New Agreement

Arup US, Inc. is a global firm providing systems thinking to water resources and climate challenges. Arup US, Inc. has been selected to provide Climate Adaptation Planning support services, including:

1. Measuring and evaluating environmental and equity co-benefits
2. Adaptive management and risk assessment
3. Climate science updates
4. Intersection of climate and financial planning
5. Renewable energy infrastructure opportunities

Board Options

Option No. 1

- Authorize amending agreements with Hazen and Sawyer for a new not-to-exceed amount of $2,000,000 and CDM Smith Inc. for a new not-to-exceed amount of $500,000 and authorize a new agreement with Arup US, Inc. for a not-to-exceed amount of $500,000 for a period of three years to provide support services in the development and implementation of the CAMP4W

Option No. 2

- Do not authorize the consulting agreements

Board Options

Staff Recommendation

- Option No. 1

Finance and Asset Management Committee

Renewable Energy Proposal – Palo Verde Mesa Property

Item 8-5

June 11, 2024

Overview of Lease

Subject

- Authorize an option agreement with The AES Corporation, LLC, for a long-term lease of up to 6,742 acres of land in the Palo Verde Valley, California

Purpose

- For carbon-free energy production and storage purposes to increase revenues or reduce energy costs and be in alignment with Metropolitan's 2022 Climate Action Plan

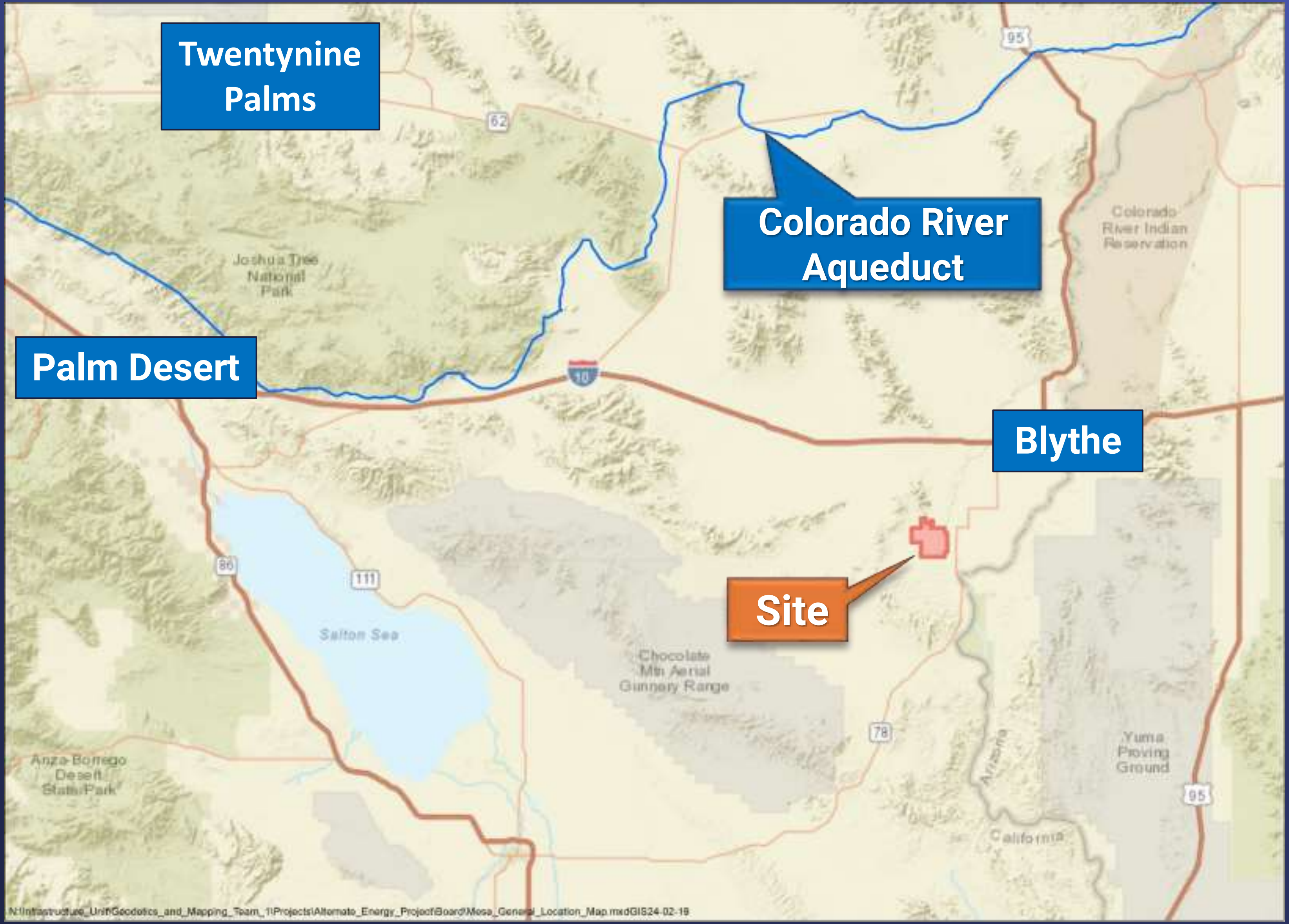
Todays Board Action

Agenda

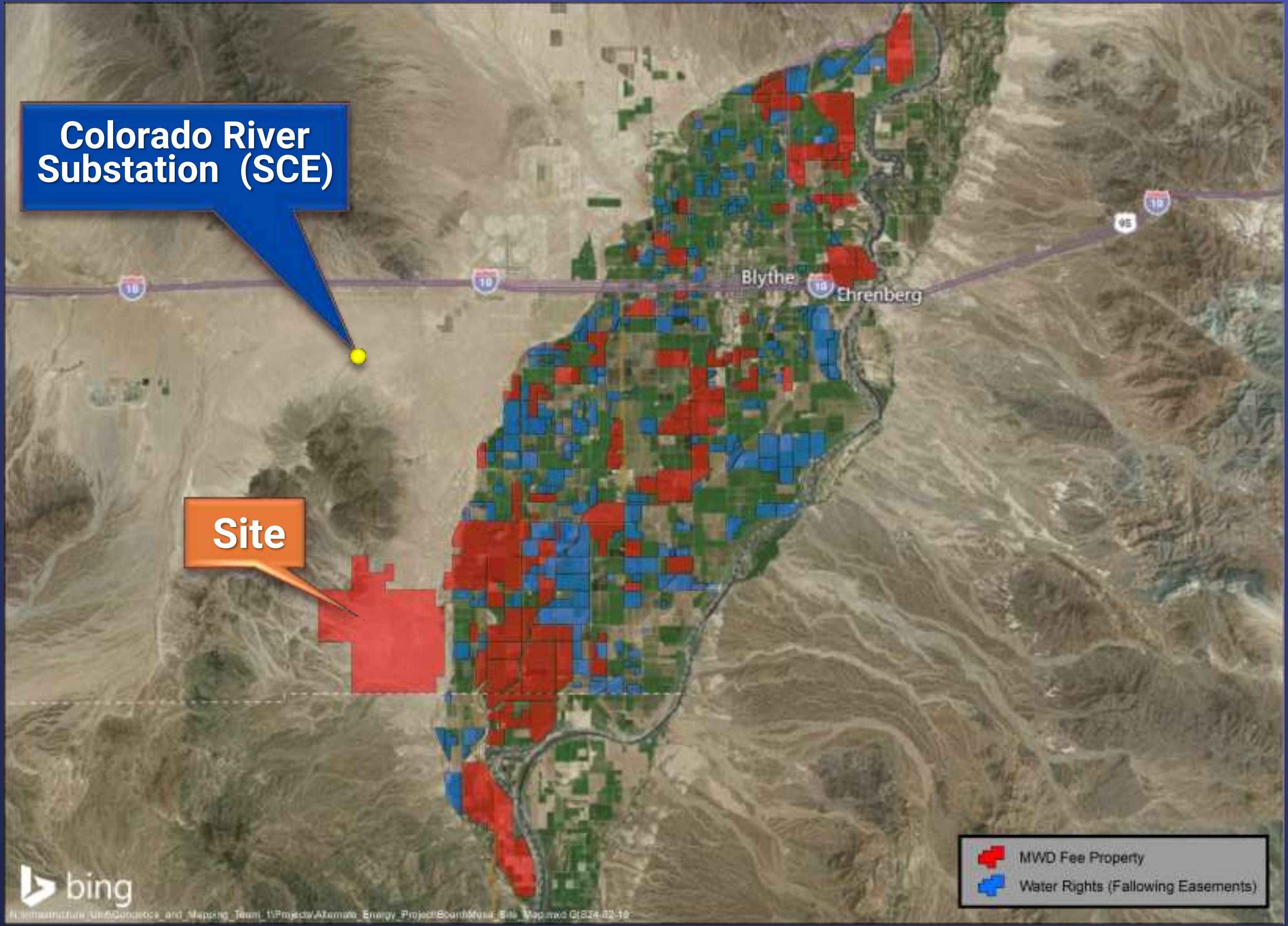
- Open Session
  - Site Maps
- Closed Session
  - Address Questions raised in May closed session
  - Price and Terms of Option Agreement

Service Area & CRA Map - PVID

General Location Map



Site Map



Colorado River Substation (SCE)
Site
Blythe
Ehrenberg
bing
MWD Fee Property
Water Rights (Fallowing Easements)

Board Actions

Today's Action

- Have the board review and approve the key terms of the option agreement in closed session after receiving updates on the negotiations and authorize execution by the General Manager.

Future Action

- In a future Board meeting, review the adequacy of the CEQA documents for the permitted project on the optioned lands.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

1928

Classic Values, Innovative Advice

Metropolitan Water District of Southern California Retiree Healthcare Plan

Actuarial Valuation Report as of July 1, 2023

Produced by Cheiron
April 2024

TABLE OF CONTENTS

April 19, 2024

Ms. Katano Kasaine, Assistant General Manager
Metropolitan Water District of Southern California
Finance & Administration
Post Office Box 54153
Los Angeles, California 90054-0153

Re: Postretirement Health Insurance Plan July 1, 2023 Actuarial Valuation Results

Dear Katano:

As requested by the District, we have performed an actuarial valuation of the postretirement benefits provided by the Metropolitan Water District of Southern California Postretirement Health Insurance Plan (Plan). This report is for the use of the Metropolitan Water District of Southern California and its auditors in setting its contributions and preparing financial reports in accordance with applicable law and accounting requirements. The results of this report are only applicable to the District's contribution for the plan year ending June 30, 2025 and rely on future Plan experience conforming to the underlying assumptions. To the extent that actual Plan experience deviates from the underlying assumptions, the results would vary accordingly. Actuarial computations are calculated based on our understanding of the Plan in effect as of June 30, 2023.

For this Plan, valuations are conducted every other year, and each valuation is used as the basis for two years of reporting and disclosure of the Total OPEB Liability under GASB 74 and 75. Additional accounting disclosures for the fiscal year ending June 30, 2024 related to GASB Statements 74 and 75 will be provided in a separate report after the close of the fiscal year end. However, this report contains financial disclosures to be included in the District's Annual Comprehensive Financial Report (ACFR) in order to receive recognition for excellence in financial reporting. Please see Section V for this information.

Appendix A describes the participant data, assumptions, and methods used in calculating the figures throughout the report. In preparing our report, we relied on information (some oral and some written) supplied by the Plan's staff. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Appendix B contains our understanding of the substantive Plan provisions based on the information provided by your office.

Future results may differ significantly from the current results presented in this valuation report due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

This actuarial valuation reflects a full valuation of the updated census, claims, and premiums. This report reflects several changes as highlighted below:

- The claim cost curves were updated based on the experience of the entire CalPERS population participating in the Public Employees' Medical & Hospital Care Act (PEMHCA), using data provided by CalPERS. This data can be found on the CalPERS website in the file entitled "pemhca-implicit-subsidy-data.xls." The data provided claim experience for all covered members (employees/retirees, covered spouses, and covered children) by age, PEMHCA rating area, and benefit plan.
- Economic assumptions were based on the CERBT Strategy 1 and the discount rate used for the valuation was based the past actuarial valuation assumption of 6.75%.
- Medical Trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was originally released in December 2007, and version 2023_1f was used for this valuation.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Health care trends for this valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this valuation. This report does not contain any adjustment for the long-term potential impact of COVID-19.

This report does not include any impact of the Inflation Reduction Act of 2022 (the Act). The Inflation Reduction Act of 2022 contains provisions that may impact the cost of benefits provided to Medicare Eligible retirees. The Act provides for changes that could reduce costs and changes that could increase costs. Implementing the regulations and market responses are likely to have a net impact on future costs.

This actuarial valuation report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations, including the use of assumptions and methods for funding purposes that comply with the Actuarial Standards of Practice. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This actuarial valuation report was prepared exclusively for the Metropolitan Water District of Southern California for the purpose described herein. Other users of this valuation report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron, Inc.

Margaret Tempkin, FSA, EA, MAAA	Kathleen Weaver, FSA, EA, MAAA, FCA
Principal Consulting Actuary	Consulting Actuary

SECTION I – SUMMARY

The Metropolitan Water District of Southern California (the District) engaged Cheiron to provide an analysis of the Retiree Healthcare Plan's liabilities as of July 1, 2023. The primary purposes of performing this actuarial valuation are to:

- **Estimate** the Actuarially Determined Contribution (ADC) and the Actuarial Liability (AL) to be used to calculate the Total OPEB Liability (TOL) using GASB 74/75 methodology under the current funding strategy;
- **Provide projections** for the actuarial liabilities, the ADC, and the assets;
- **Reconciliation** of the Assets and Actuarial Liability from the prior to the current valuation;
- **Provide sensitivities** for the actuarial liabilities and the ADC; and
- **Provide disclosures** for financial statements.

We have determined costs, liabilities, and trends for the substantive Plan using actuarial assumptions and methods that we consider reasonable.

GASB's OPEB Requirements

GASB's Statement 74 refers to the financial reporting for postemployment benefit plans other than pension plans and Statement 75 refers to the employer accounting for these plans. Statement 74 is generally applicable where an entity has a separate trust or fund for OPEB benefits. We understand that the District has a trust used to fund future OPEB obligations. Statement 75, which was adopted in the fiscal year ending (FYE) June 30, 2018, requires the plan sponsor to book the Net OPEB Liability on the balance sheet. The employer's OPEB Expense is based upon the change in the Net OPEB Liability adjusted for unrecognized portions of gains and losses. Additional disclosures include a description of the substantive plan, summary of significant accounting policies (not included in this report), contributions, and a statement of funding progress, along with the methods and assumptions used for those disclosures. Additional accounting disclosures for fiscal year ending June 30, 2024 related to GASB Statements 74 and 75 will be provided in a separate report after the close of the fiscal year end.

SECTION I – SUMMARY

Funding Policy

Contribution requirements are established by Memorandum of Understandings negotiated between the District and its various bargaining units. During fiscal years 2023 and 2022, the District contributed up to 100 percent of the Anthem HMO Traditional Region 2 basic plan rate for all employees and retirees. During fiscal years 2023 and 2022, the District contributed the full actuarially determined contribution rate. During the valuation process, it is assumed that the District will contribute the ADC into the future. Should the funding not occur as assumed, the District's discount rate may be adjusted downwards towards the 20-year Bond Buyer rates.

Valuation Results

The table below presents the key results of the July 1, 2023 valuation compared to those of the last actuarial valuation as of July 1, 2021.

Table I-1
Summary of Key Valuation Results

	June 30, 2021	**June 30, 2023**
Actuarial Liability (AL)	$ 429,603,000	$ 493,593,000
Actuarial Value of Assets	335,254,000	371,530,000
Unfunded Actuarial Liability (UAL)	$ 94,349,000	$ 122,063,000
Fiscal Year Ending	**June 30, 2023**	**June 30, 2025**
Actuarially Determined Contribution	$ 14,903,000	$ 23,000,000
Actual / *Expected* Contribution	$ 14,903,000	*$ 23,000,000*
Expected Net Explicit Benefit Payments	$ 19,461,000	$ 23,041,000
Expected Net Implicit Benefit Payments	6,516,000	7,064,000
Expected Net Total Benefit Payments	$ 25,977,000	$ 30,105,000
Discount Rate	6.75%	6.75%

This report reflects claims, premiums, and expenses determined as of July 1, 2023. There was an increase in inactive population since the last valuation generating a loss of $10.4 million. The assumption changes resulted in slightly lower claim curves and higher initial and ultimate medical trends. These assumption changes resulted in an additional increase in actuarial liability of approximately $25.8 million compared to the expected liability. The total increase in the actuarial liability above expected was $36.2 million. More detail on the causes of these changes can be found in the valuation results section of this report

The figures provided in this report are highly sensitive to the assumptions used.

SECTION II – ASSETS

The Plan's preceding valuation of liabilities was performed as of July 1, 2021. Table II-1 below shows the reconciliation of assets for the fiscal year ending July 1, 2023 that were used to develop the FYE 2024 Actuarially Determined Contribution (ADC).

The District invests the Plan's OPEB assets through the CERBT Strategy I. The Plan's market value of assets returned -13.4% during the fiscal year ending June 30, 2022 and 6.2% during the fiscal year ending June 30, 2023. Explicit benefit payments are net of the retiree contributions payable for coverage which are initially paid outside of the District's OPEB Trust and later reimbursed by the OPEB Trust in July. The projected June 30, 2024 assets assume a 6.75% return on assets over the year.

Table II-1
Reconciliation of Assets

	2021 / 2022 Projected 6/30/21 Val	2021 / 2022 Actual	2022 / 2023 Actual	2023 / 2024 Projected*
Market Value of Assets (Beginning of Year)	**$ 377,321,000**	**$ 377,321,000**	**$ 328,536,000**	**$ 345,288,000**
Contributions - to CERBT	23,922,000	23,922,000	14,903,000	15,349,000
Net Explicit Benefit Payments	(19,042,000)	(18,696,000)	(19,173,000)	(21,204,000)
Investment Earnings	27,252,000	(53,675,000)	21,318,000	24,474,000
Administrative Expenses	(179,000)	(194,000)	(171,000)	(176,000)
Investment Expenses	(168,000)	(142,000)	(125,000)	(131,000)
Market Value of Assets (End of Year)	**$ 409,106,000**	**$ 328,536,000**	**$ 345,288,000**	**$ 363,600,000**
Approximate Annual Return	6.75%	-13.4%	6.2%	6.75%

Table II-2
Development of Actuarial Value of Plan Assets (AVA)

Fiscal Year Ending	June 30, 2022	June 30, 2023	June 30, 2024
Actuarial Value at Beginning of Year (AVA)	**$ 335,254,000**	**$ 357,366,000**	**$ 371,530,000**
Contributions BOY	23,922,000	14,903,000	$ 15,349,000
Explicit Benefit Payments EOY	(18,696,000)	(19,173,000)	$ (21,204,000)
Investment Expenses BOY	(142,000)	(125,000)	(131,000)
Expected Earnings (Net of Expenses)	24,235,000	25,120,000	26,105,000
Expected AVA at End of Year	$ 364,573,000	$ 378,091,000	$ 391,649,000
Market Value of Assets at End of Year (MVA)	328,536,000	345,288,000	$ 363,600,000
MVA - Expected AVA	$ (36,037,000)	$ (32,803,000)	$ (28,049,000)
1/5 of [MVA - Expected AVA]	(7,207,000)	(6,561,000)	(5,610,000)
Preliminary AVA (Exp AVA + 1/5 of [MVA - Exp AVA]	$ 357,366,000	$ 371,530,000	$ 386,039,000
Minimum AVA (80% of MVA)	$ 262,829,000	$ 276,230,000	$ 290,880,000
Maximum AVA (120% of MVA)	$ 394,243,000	$ 414,346,000	$ 436,320,000
Actuarial Value at End of Year (AVA)	**$ 357,366,000**	**$ 371,530,000**	**$ 386,039,000**
Approximate Annual Return	4.7%	5.0%	5.3%

SECTION III – VALUATION RESULTS

This section of the report calculates the current and expected future contribution requirements under the District's funding policy. Table III-1 below shows the actuarial liabilities for the Plan as of July 1, 2021 and July 1, 2023, as well as projected amounts as of July 1, 2024. The projected results were calculated using standard roll-forward techniques. Asset projections were calculated based on an assumed 6.75% rate of return and assuming expected benefits will be paid in the year ending June 30, 2024.

Table III-1
Unfunded Actuarial Liability

	June 30, 2021 Valuation		June 30, 2023 Valuation	
	June 30, 2021	*Projected to June 30, 2022*	June 30, 2023	*Projected to June 30, 2024*
Present Value of Future Benefits				
Active Employees	$ 277,583,000	$ 296,320,000	$ 325,576,000	$ 347,552,000
Retirees and Beneficiaries	253,995,000	244,563,000	294,370,000	285,476,000
Total	$ 531,578,000	$ 540,883,000	$ 619,946,000	$ 633,028,000
Actuarial Liability				
Active Employees	$ 175,608,000	$ 198,269,000	$ 199,223,000	$ 225,578,000
Retirees and Beneficiaries	253,995,000	244,563,000	294,370,000	285,476,000
Total	$ 429,603,000	$ 442,832,000	$ 493,593,000	$ 511,054,000
Actuarial Value of Assets	335,254,000	373,180,000	371,530,000	386,039,000
Unfunded Actuarial Liability (UAL)	**$ 94,349,000**	**$ 69,652,000**	**$ 122,063,000**	**$ 125,015,000**
Pay-As-You-Go	$ 25,723,000	$ 25,977,000	$ 27,840,000	$ 30,105,000
Funded Ratio	78.0%	84.3%	75.3%	75.5%
Discount Rate	6.75%	6.75%	6.75%	6.75%
Covered Payroll	$ 235,294,000	$ 242,353,000	$ 249,812,000	$ 257,306,000
UAL as percentage of Covered Payroll	40%	29%	49%	49%

The above liability is shown for funding purposes only, the GASB 74/75 liability will be a roll forward of the June 30, 2023 liability to June 30, 2024 using actual benefit payments and actual assets as of that date and will be provided in a separate report.

SECTION III – VALUATION RESULTS

Reconciliation

Table III-2 provides an estimate of the major factors contributing to the change in liability since the last actuarial valuation.

Table III-2 Reconciliation of Actuarial Liability	
Actuarial Liability at June 30, 2021	$ 429,603,000
Normal Cost	10,460,000
Expected Benefit Payments paid throughout the year	(25,723,000)
Interest	28,492,000
Expected Actuarial Liability at June 30, 2022	$ 442,832,000
Normal Cost	11,166,000
Expected Benefit Payments paid throughout the year	(25,977,000)
Interest	29,400,000
Expected Actuarial Liability at June 30, 2023	$ 457,421,000
Actuarial Liability at June 30, 2023	493,593,000
Gain or (Loss)	$ (36,172,000)
Gain or (Loss) due to:	
Census changes	$ (10,411,000)
Change in claims and trend assumptions	(25,761,000)
Total changes	$ (36,172,000)

Below is a brief description of each of the above components:

- *Expected Values* refer to the change that would have occurred had experience matched all the assumptions between July 1, 2021 and July 1, 2023.
- *Census Changes* refer to the impact of population changes between July 1, 2021 and July 1, 2023. There was an increase in the inactive population over this period.
- *Change in Claims and Trend Assumptions* refers to the change in expected current and future healthcare claims and expense costs. The claim curves were updated to reflect the current market experience. This resulted in lower claims than previously used. The medical trends were updated as well. These trends were higher for the period 2023-2024 due to the large increase in premiums for calendar year 2024 under PEMHCA as well as higher ultimate trends due to the large increase in medical inflation.

SECTION III – VALUATION RESULTS

Table III-3 below shows the actuarial gains and losses used to develop the amortization bases for the unfunded liability payment.

Table III-3
Actuarial Gains and Losses

	AL	AVA	UAL
06/30/2021 Actual	**$ 429,603,000**	**$ (335,254,000)**	**$ 94,349,000**
06/30/2022 Projected	**$ 442,832,000**	**$ (373,180,000)**	**$ 69,652,000**
06/30/2024 Expected	**$ 471,682,000**	**$ (409,766,000)**	**$ 61,916,000**
Experience (Gain)/Loss			
Demographic & Other	10,599,000		10,599,000
Asset (Gain)/Loss		23,727,000	23,727,000
Assumption (Gain)/Loss			
Changes in Future Medical Plans	28,773,000		28,773,000
Total (Gain)/Loss	**$ 39,372,000**	**$ 23,727,000**	**$ 63,099,000**
06/30/2024 Projected	**$ 511,054,000**	**$ (386,039,000)**	**$ 125,015,000**

Table III-4 below shows the schedule of amortization bases and payments for the unfunded liability payments. Every valuation will produce a new liability base. The initial base was set to be amortized over a 23-year period and has 13 years remaining. All new bases will be amortized over a 15-year period as a percentage of pay.

Table III-4
Unfunded Actuarial Liability Balances
($ In Thousands)

Amortization Bases	Original Amortization Bases			Balance on 06/30/2024		Amortization Payments	
	Date	Years	Amount	Years	Balance	*2024/25*	*2025/26*
6/30/14 Initial	6/30/2014	23	$ 290,903	13	$ 261,047	$ 26,330	$ 27,120
(Gains)/Losses							
6/30/15 AVR	6/30/2016	15	(30,548)	7	(20,721)	(3,509)	(3,614)
6/30/17 AVR	6/30/2018	15	(34,723)	9	(27,482)	(3,745)	(3,857)
6/30/19 AVR	6/30/2020	15	(67,441)	11	(59,461)	(6,856)	(7,062)
6/30/21 AVR	6/30/2022	15	(86,147)	13	(81,848)	(8,255)	(8,503)
6/30/23 AVR	6/30/2024	15	63,099	15	63,099	5,700	5,871
Total					**$ 134,634**	**$ 9,664**	**$ 9,955**

SECTION III – VALUATION RESULTS

In Table III-5 below, we show the FYE 2023, FYE 2024, FYE 2025 and the expected FYE 2026 Actuarially Determined Contribution (ADC) under the District's funding policy. The ADC consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year and (2) the layered amortization of the UAL as a level percentage of payroll.

Table III-5
ADC

	June 30, 2021 Valuation		June 30, 2023 Valuation	
Fiscal Year Ending	**June 30, 2023**	**June 30, 2024**	**June 30, 2025**	**June 30, 2026**
Normal Cost	$ 11,166,000	$ 11,501,000	$ 13,336,000	$ 13,736,000
UAL Amortization	3,737,000	3,848,000	9,664,000	9,955,000
Total ADC	**$ 14,903,000**	**$ 15,349,000**	**$ 23,000,000**	**$ 23,691,000**

Table III-6 shows the expected benefit payments through the fiscal year ending June 30, 2033. In calculating the liabilities, we project these figures for the life of each existing participant. This projects the anticipated eligible retirees and the change in both claims and premiums. These benefit payments include the explicit and implicit benefit payments and exclude payments made by retiree contributions towards their premiums, if applicable.

Table III-6

Fiscal Year Ending June 30,	Expected Net Implicit Benefit Payments	Expected Net Explicit Benefit Payments	Total Expected Net Benefit Payments
2024	$ 6,636,000	$ 21,204,000	**$ 27,840,000**
2025	7,064,000	23,041,000	**30,105,000**
2026	7,297,000	24,367,000	**31,664,000**
2027	7,448,000	25,682,000	**33,130,000**
2028	7,422,000	26,781,000	**34,203,000**
2029	7,604,000	27,938,000	**35,542,000**
2030	7,572,000	28,895,000	**36,467,000**
2031	7,661,000	29,989,000	**37,650,000**
2032	7,894,000	31,170,000	**39,064,000**
2033	7,857,000	32,233,000	**40,090,000**

SECTION IV – SENSITIVITIES

The liabilities and ADC produced in this report are sensitive to the assumptions used. The tables below show the impact of lowering the discount rate from 6.75% to either 6.50% or 5.50% on the actuarial liability and the ADC to provide some measure of sensitivity.

Table IV-1
Sensitivity to Discount Rates - Unfunded Actuarial Liability

Discount Rate	6.75%	6.50%	5.50%
Actuarial Liability at June 30, 2023			
Active Employees	$ 199,223,000	$ 206,209,000	$ 237,877,000
Retirees and Beneficiaries	294,370,000	301,189,000	331,586,000
Total	$ 493,593,000	$ 507,398,000	$ 569,463,000
Actuarial Value of Assets	371,530,000	371,530,000	371,530,000
Unfunded Actuarial Liability	**$ 122,063,000**	**$ 135,868,000**	**$ 197,933,000**

Table IV-2
Unfunded Actuarial Liability Balances at Discount Sensitivities
($ In Thousands)

Amortization Bases	Bases at 6.75%			Bases at 6.5%			Bases at 5.5%		
	Original Amortization Bases			Balance on 06/30/2024		Payment	Balance on 06/30/2024		Payment
	Date	Years	Amount	Years	Balance	*2024/25*	Years	Balance	*2024/25*
6/30/14 Initial	6/30/2014	23	$ 290,903	13	$ 261,047	$ 25,930	13	$ 261,047	$ 24,365
(Gains)/Losses									
6/30/15 AVR	6/30/2016	15	$ (30,548)	7	$ (20,721)	$ (3,477)	7	$ (20,721)	$ (3,352)
6/30/17 AVR	6/30/2018	15	$ (34,723)	9	$ (27,482)	$ (3,703)	9	$ (27,482)	$ (3,539)
6/30/19 AVR	6/30/2020	15	$ (67,441)	11	$ (59,461)	$ (6,766)	11	$ (59,461)	$ (6,411)
6/30/21 AVR	6/30/2022	15	$ (86,147)	13	$ (81,848)	$ (8,130)	13	$ (81,848)	$ (7,639)
6/30/23 AVR	6/30/2024	15	$ 63,099	15	78,218	6,944	15	142,258	11,771
Total					**$ 149,753**	**$ 10,798**		**$ 213,793**	**$ 15,195**

Table IV-3
Sensitivity to Discount Rates - ADC for FYE 2025

Discount Rate	6.75%	6.50%	5.50%
Normal Cost	$ 13,336,000	$ 14,988,000	$ 18,513,000
UAL Amortization	9,664,000	10,798,000	15,195,000
Total ADC	**$ 23,000,000**	**$ 25,786,000**	**$ 33,708,000**

SECTION V – PROJECTIONS

Table V-1 below shows the projection of the actuarial liability including implicit and explicit expected benefit payments and the actuarial value of assets assuming both implicit and explicit expected benefits payments are paid from the Trust. The market value of assets is projected assuming the District contributes the expected ADC with an expected return of 6.75% net of investment expenses. The projected ADC is recalculated by setting up additional 15-year amortization bases. Under this scenario, the unfunded liability is expected to reduce to zero by the end of 2038, if all assumptions are met.

Table V-1

	Projected Liability and Assets			ADC YEAR + 2		
Projection Year	**AL**	**AVA**	**UAL**	**NC**	**UAL PMT**	**ADC**
06/30/2025 Projected	$ 528,224	$ (404,512)	$ 123,712	$ 14,148	$ 9,540	$ 23,688
06/30/2026 Projected	545,356	(419,566)	125,790	14,572	10,003	24,575
06/30/2027 Projected	562,554	(435,839)	126,715	15,009	10,422	25,431
06/30/2028 Projected	580,244	(453,662)	126,582	15,459	10,800	26,259
06/30/2029 Projected	598,196	(472,755)	125,441	15,923	11,147	27,070
06/30/2030 Projected	616,869	(493,514)	123,355	16,401	15,778	32,179
06/30/2031 Projected	636,059	(515,712)	120,347	16,893	16,171	33,064
06/30/2032 Projected	655,578	(543,752)	111,826	17,400	21,435	38,835
06/30/2033 Projected	675,862	(573,859)	102,003	17,922	21,917	39,839
06/30/2034 Projected	696,839	(611,215)	85,624	18,460	31,886	50,346
06/30/2035 Projected	718,437	(651,056)	67,381	19,014	32,591	51,605
06/30/2036 Projected	741,047	(703,987)	37,060	19,584	6,765	26,349
06/30/2037 Projected	764,151	(760,410)	3,741	20,172	6,858	27,030
06/30/2038 Projected	788,087	(792,513)	-	20,777	(1,942)	18,835
06/30/2039 Projected	812,707	(826,119)	-	21,400	(622)	20,778
06/30/2040 Projected	837,967	(851,734)	-	22,042	(1,124)	20,918
06/30/2041 Projected	864,058	(879,757)	-	22,703	(3,974)	18,729

All values are in $ thousands.

SECTION V – PROJECTIONS

Table V-2 below shows the projection of the actuarial liability including implicit and explicit expected benefit payments and the actuarial value of assets assuming only the explicit expected benefits payments are paid from the Trust (which is the current method used by the District), and the expected implicit benefit payments are paid from the general account. The market value of assets is projected assuming the District contributes the expected ADC with an expected return of 6.75% net of investment expenses. The projected ADC is recalculated by setting up additional 15-year amortization bases. Under this scenario, the unfunded liability is expected to reduce to zero by the end of 2036, if all assumptions are met.

Table V-2

	Projected Liability and Assets			ADC YEAR + 2		
	AL	AVA	UAL	NC	UAL PMT	ADC
06/30/2025 Projected	$ 528,224	$ (412,053)	$ 116,171	$ 14,148	$ 8,193	$ 22,341
06/30/2026 Projected	545,356	(434,081)	111,275	14,572	7,960	22,532
06/30/2027 Projected	562,554	(457,254)	105,300	15,009	7,667	22,676
06/30/2028 Projected	580,244	(481,683)	98,561	15,459	7,299	22,758
06/30/2029 Projected	598,196	(507,260)	90,936	15,923	6,884	22,807
06/30/2030 Projected	616,869	(534,120)	82,749	16,401	10,727	27,128
06/30/2031 Projected	636,059	(562,116)	73,943	16,893	10,291	27,184
06/30/2032 Projected	655,578	(595,744)	59,834	17,400	14,729	32,129
06/30/2033 Projected	675,862	(630,901)	44,961	17,922	14,383	32,305
06/30/2034 Projected	696,839	(672,812)	24,027	18,460	23,510	41,970
06/30/2035 Projected	718,437	(716,775)	1,662	19,014	23,381	42,395
06/30/2036 Projected	741,047	(773,102)	-	19,584	(3,306)	16,278
06/30/2037 Projected	764,151	(832,500)	-	20,172	(4,081)	16,091
06/30/2038 Projected	788,087	(866,934)	-	20,777	(13,759)	7,018
06/30/2039 Projected	812,707	(902,274)	-	21,400	(12,285)	9,115
06/30/2040 Projected	837,967	(929,042)	-	22,042	(12,678)	9,364
06/30/2041 Projected	864,058	(958,658)	-	22,703	(15,392)	7,311

All values are in $ thousands.

SECTION V – PROJECTIONS

Table V-3 below shows the projection of the actuarial liability including implicit and explicit expected benefit payments, the actuarial value of assets assuming no expected benefits payments are paid from the Trust, and the expected implicit benefit payments are paid from the general account. The market value of assets is projected assuming the District contributes the expected ADC with an expected return of 6.75% net of investment expenses. The projected ADC is recalculated by setting up additional 15-year amortization bases. Under this scenario, the unfunded liability is expected to reduce to zero by the end of 2029, if all assumptions are met.

Table V-3

	Projected Liability and Assets			ADC YEAR + 2		
	AL	AVA	UAL	NC	UAL PMT	ADC
06/30/2025 Projected	$ 528,224	$ (436,649)	$ 91,575	$ 14,148	$ 3,747	$ 17,895
06/30/2026 Projected	545,356	(481,993)	63,363	14,572	1,114	15,686
06/30/2027 Projected	562,554	(529,039)	33,515	15,009	(1,739)	13,270
06/30/2028 Projected	580,244	(577,527)	2,717	15,459	(4,834)	10,625
06/30/2029 Projected	598,196	(627,241)	-	15,923	(8,131)	7,792
06/30/2030 Projected	616,869	(677,942)	-	16,401	(7,340)	9,061
06/30/2031 Projected	636,059	(729,430)	-	16,893	(11,011)	5,882
06/30/2032 Projected	655,578	(786,080)	-	17,400	(9,900)	7,500
06/30/2033 Projected	675,862	(843,440)	-	17,922	(13,672)	4,250
06/30/2034 Projected	696,839	(906,640)	-	18,460	(8,071)	10,389
06/30/2035 Projected	718,437	(970,840)	-	19,014	(11,825)	7,189
06/30/2036 Projected	741,047	(1,046,099)	-	19,584	(42,250)	-
06/30/2037 Projected	764,151	(1,123,166)	-	20,172	(46,871)	-
06/30/2038 Projected	788,087	(1,173,687)	-	20,777	(60,511)	-
06/30/2039 Projected	812,707	(1,223,426)	-	21,400	(59,649)	-
06/30/2040 Projected	837,967	(1,262,704)	-	22,042	(60,789)	-
06/30/2041 Projected	864,058	(1,306,304)	-	22,703	(64,119)	-

All values are in $ thousands.

SECTION VI – ACCOUNTING DISCLOSURES

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the Annual Comprehensive Financial Report (ACFR) in order to receive recognition for excellence in financial reporting. In accordance with those statements, we have prepared the following disclosure. Relevant disclosures under GASB 74/75 will be provided in a separate report.

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Table VI-1
Schedule of Funding Progress *
($ In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2023	$ 371,530	$ 493,593	$ 122,063	75%	$ 249,812	48.9%
6/30/2021	335,254	429,603	94,349	78%	235,294	40.1%
6/30/2019	270,457	434,759	164,302	62%	218,935	75.0%
6/30/2017	212,612	448,095	235,483	47%	187,185	125.8%
6/30/2015	164,669	423,420	258,751	39%	186,009	139.1%
6/30/2013	0	315,326	315,326	0%	182,937	172.4%
6/30/2011	0	367,719	367,719	0%	179,242	205.2%
1/1/2011	0	545,476	545,476	0%	187,368	291.1%
1/1/2009	0	404,172	404,172	0%	192,816	209.6%

** Figures prior to June 30, 2019 calculated by prior actuary*

Methods and Assumptions used to set ADC

Actuarial Cost Method	Entry Age Normal, level percent of payroll
Amortization Method / Period	Level percentage of payroll over 23-year closed period from 6/30/2014 plus 15-year closed layers of future gains/losses/ assumption changes/plan changes
Asset Valuation Method	Gains/losses on the AVA spread over five-year rolling periods with corridor of 80% and 120% of market value
Discount Rate	6.75%
Inflation	2.80%
Mortality, Disability, Termination, Retirement	CalPERS Assumptions set in 2021
Medical Trend	Pre-Medicare: 12.72% in 2023, grading to 4.14% in 2076 Medicare: 8.45% in 2023, grading to 4.14% in 2076
Mortality Improvement	MP 2021

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Member Data

Valuation Date	June 30, 2021	June 30, 2023	% Change
Active Employees			
Active Employees	1,856	1,824	**-1.7%**
Average Age	48.3	48.0	-0.7%
Average Service	13.3	12.6	-5.6%
Covered Payroll	$ 235,294	$ 249,812	6.2%
Inactive with Medical Coverage			
Retired participants & Surviving Spouses	1,921	1,996	3.9%
Spouses	1,000	1,044	4.4%
Total	**2,921**	**3,040**	**4.1%**

Eligible Active Employees as of June 30, 2023									
	Years of Service								
Age Group	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	Total
Under 25	6	0	0	0	0	0	0	0	6
25 to 30	40	13	0	0	0	0	0	0	53
30 to 35	71	84	27	0	0	0	0	0	182
35 to 40	72	113	43	22	0	0	0	0	250
40 to 45	62	91	57	66	8	1	0	0	285
45 to 50	42	70	36	68	37	15	3	0	271
50 to 55	31	45	25	59	33	25	29	1	248
55 to 60	21	27	23	47	31	29	42	14	234
60 to 65	9	17	12	27	27	35	45	21	193
Over 65	6	9	6	13	12	20	27	9	102
Total	**360**	**469**	**229**	**302**	**148**	**125**	**146**	**45**	**1,824**

Status Reconciliation					
	Active	Retired	Disabled	Survivor	Total
Members on June 30, 2021	**1,856**	**1,427**	**104**	**281**	**3,668**
New Hires	205				205
Retired	(171)	171	0	0	0
Terminated	(58)	0	0	0	(58)
Became Disabled	(2)	0	2	0	0
Death	(6)	(29)	(1)	36	0
Dropped Coverage	0	(120)	(10)	(40)	(170)
Show ups		50	0	13	63
Members on June 30, 2023	**1,824**	**1,499**	**95**	**290**	**3,708**

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Current Active Medical Coverage

Medical Plan	Region	Single	2-Party	Family	Total
Anthem Select	Region 1	0	0	0	0
Anthem Select	Region 2	0	0	0	0
Anthem Select	Region 3	1	1	2	4
Anthem Traditional	Region 2	5	9	12	26
Anthem Traditional	Region 3	27	27	84	138
Blue Shield	Region 1	1	2	1	4
Blue Shield	Region 2	6	9	43	58
Blue Shield	Region 3	32	50	130	212
Blue Shield Trio	Region 3	1	0	3	4
Health Net SmartCare	Region 2	0	1	0	1
Health Net SmartCare	Region 3	1	4	2	7
Kaiser	Region 1	2	0	5	7
Kaiser	Region 2	11	13	29	53
Kaiser	Region 3	115	106	314	535
PERS Gold	Region 1	0	0	1	1
PERS Gold	Region 2	9	5	9	23
PERS Gold	Region 3	26	23	61	110
PERS Gold	Out of State	0	0	0	0
PERS Platinum	Region 1	1	0	4	5
PERS Platinum	Region 2	7	18	14	39
PERS Platinum	Region 3	86	92	193	371
PERS Platinum	Out of State	19	33	69	121
Sharp	Region 2	1	0	1	2
UnitedHealthcare	Region 2	1	0	3	4
UnitedHealthcare	Region 3	3	2	4	9
Waived		0	0	0	96
Total		355	395	984	1830

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Current Retiree Medical Coverage - Pre 65					
Medical Plan	Region	Single	2-Party	Family	Total
Anthem Traditional	Region 1	0	1	1	2
Anthem Traditional	Region 2	1	2	1	4
Anthem Traditional	Region 3	2	7	5	14
Blue Shield	Region 1	0	0	0	0
Blue Shield	Region 2	4	5	1	10
Blue Shield	Region 3	16	40	15	71
Blue Shield	Out of State	0	0	0	0
Blue Shield Trio	Region 1	0	0	1	1
Kaiser	Region 1	2	2	2	6
Kaiser	Region 2	4	15	7	26
Kaiser	Region 3	46	69	27	142
Kaiser	Georgia	0	0	0	0
Kaiser	Hawaii	0	2	0	2
Kaiser	Northwest	0	2	0	2
PERS Gold	Region 1	0	0	0	0
PERS Gold	Region 2	0	0	0	0
PERS Gold	Region 3	1	6	0	7
PERS Gold	Out of State	0	0	0	0
PERS Platinum	Region 1	0	4	0	4
PERS Platinum	Region 2	9	18	8	35
PERS Platinum	Region 3	24	105	24	153
PERS Platinum	Out of State	57	104	26	187
PERS Select	Region 3	0	0	0	0
Sharp	Region 2	1	1	0	2
UnitedHealthcare	Region 1	0	0	0	0
UnitedHealthcare	Region 2	0	1	0	1
UnitedHealthcare	Region 3	0	6	1	7
UnitedHealthcare	Out of State	0	0	0	0
Waived		0	0	0	161
Total		167	390	119	837

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Current Retiree Medical Coverage - Post 65					
Medical Plan	**Region**	**Single**	**2-Party**	**Family**	**Total**
Anthem Traditional	Region 1	0	0	0	0
Anthem Traditional	Region 2	1	0	0	1
Anthem Traditional	Region 3	4	11	0	15
Blue Shield	Region 1	1	0	0	1
Blue Shield	Region 2	0	0	0	0
Blue Shield	Region 3	7	4	0	11
Blue Shield	Out of State	2	1	0	3
Blue Shield Trio	Region 1	0	0	0	0
Kaiser	Region 1	5	4	0	9
Kaiser	Region 2	35	24	0	59
Kaiser	Region 3	138	120	0	258
Kaiser	Georgia	0	1	0	1
Kaiser	Hawaii	1	2	0	3
Kaiser	Northwest	5	2	0	7
PERS Gold	Region 1	0	0	0	0
PERS Gold	Region 2	0	0	0	0
PERS Gold	Region 3	3	1	0	4
PERS Gold	Out of State	0	0	0	0
PERS Platinum	Region 1	13	6	0	19
PERS Platinum	Region 2	51	44	0	95
PERS Platinum	Region 3	138	160	0	298
PERS Platinum	Out of State	172	159	0	331
PERS Select	Region 3	0	0	0	0
Sharp	Region 2	0	0	0	0
UnitedHealthcare	Region 1	1	2	0	3
UnitedHealthcare	Region 2	5	6	0	11
UnitedHealthcare	Region 3	33	31	0	64
UnitedHealthcare	Out of State	9	6	0	15
Waived		0	0	0	0
Total		624	584	0	1,208

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Economic Assumptions

1. **Measurement Date:** July 1, 2023

2. **Expected Return on Plan Assets:** 6.00% per year for funds invested with the CERBT Strategy 1

3. **Expected Return on District Assets:** 6.75% per year

4. **Consumer Price Index (CPI):** 2.80%

5. **CERBT Administrative Fee:** Actual 2023 set to $171,000 with 3.0% annual growth

6. **PEMHCA Administrative Fee:** Included in claim curves

7. **Investment Expenses:** Actual 2023 set to $125,000 with proportional increase based on MV

8. **Annual Rate of Payroll Growth:** For purposes of amortizing the Unfunded Actuarial Liability as a level percent of payroll, a 3.00% annual rate of pay growth is assumed.

9. **Salary Increase:** Representative values of the assumed annual salary increases are shown below. All agencies are assumed to have an underlying 2.80% annual rate of pay growth in addition to the service rates below.

Public Agency Miscellaneous	
Service	Salary Increase Rates
0	7.637%
1	6.634%
2	5.762%
3	5.006%
4	4.348%
5	3.777%
10	2.011%
15	1.546%
20	1.188%
25	0.913%
30	0.701%

10. **Changes Since Prior Valuation:** None

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

11. **Rationale for Economic Actuarial Assumptions:** The salary increase rates are the assumptions used for participants in CalPERS and are based on the most recent CalPERS Experience Study completed in 2021 and approved by the CalPERS Board in November 2021. The other economic assumptions are based on our review of the current economic environment.

Demographic Assumptions

Metropolitan Water District of Southern California employees participate in the California Public Employers' Retirement System (CalPERS). CalPERS determined the assumed rates of retirement, withdrawal, disabled retirement, and mortality for use in their actuarial valuations. Periodically, CalPERS will review these assumptions through an experience study, the most recent of which was completed in 2021 and adopted by the CalPERS Board in November 2021. These assumptions will also be used by the Metropolitan Water District of Southern California in relation to when their employees will receive benefits under their pension plan.

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

1. **Rates of Retirement:** Rate of eligible active members retiring within the next year, based on CalPERS assumptions adopted in November 2021.

Attained	Public Agency Miscellaneous 2% @ 55 Sample Retirement Rates at each Service						
Age	5	10	15	20	25	30	35
50	0.0140	0.0140	0.0170	0.0210	0.0230	0.0240	0.0240
51	0.0130	0.0170	0.0170	0.0180	0.0180	0.0190	0.0190
52	0.0130	0.0180	0.0180	0.0200	0.0200	0.0210	0.0210
53	0.0130	0.0190	0.0210	0.0240	0.0250	0.0260	0.0260
54	0.0170	0.0250	0.0280	0.0320	0.0330	0.0350	0.0350
55	0.0450	0.0420	0.0530	0.0860	0.0980	0.1230	0.1640
56	0.0180	0.0360	0.0560	0.0860	0.1020	0.1190	0.1360
57	0.0410	0.0460	0.0560	0.0760	0.0940	0.1200	0.1470
58	0.0520	0.0440	0.0480	0.0740	0.1060	0.1230	0.1410
59	0.0430	0.0580	0.0730	0.0920	0.1050	0.1260	0.1550
60	0.0590	0.0640	0.0830	0.1150	0.1540	0.1700	0.1860
61	0.0870	0.0740	0.0870	0.1070	0.1470	0.1680	0.1830
62	0.1150	0.1230	0.1510	0.1800	0.2270	0.2370	0.2420
63	0.1160	0.1270	0.1640	0.2020	0.2520	0.2610	0.2820
64	0.0840	0.1380	0.1530	0.1900	0.2270	0.2280	0.2310
65	0.1670	0.1870	0.2100	0.2620	0.2880	0.2910	0.2910
66	0.1870	0.2580	0.2800	0.3080	0.3180	0.3190	0.3260
67	0.1950	0.2350	0.2440	0.2770	0.2690	0.2800	0.2800
68	0.2280	0.2480	0.2500	0.2410	0.2450	0.2450	0.2450
69	0.1880	0.2010	0.2090	0.2190	0.2310	0.2310	0.2310
70	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
71	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
72	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
73	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
74	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Retirement (continued):

Attained	Public Agency Miscellaneous 2% @ 62 Sample Retirement Rates at each Service						
Age	5	10	15	20	25	30	35
52	0.0050	0.0080	0.0120	0.0150	0.0190	0.0310	0.0380
53	0.0070	0.0110	0.0140	0.0180	0.0210	0.0320	0.0480
54	0.0070	0.0110	0.0150	0.0190	0.0230	0.0340	0.0540
55	0.0100	0.0190	0.0280	0.0360	0.0610	0.0960	0.1520
56	0.0140	0.0260	0.0380	0.0500	0.0750	0.1080	0.1670
57	0.0180	0.0290	0.0390	0.0500	0.0740	0.1070	0.1430
58	0.0230	0.0350	0.0480	0.0600	0.0730	0.0990	0.1350
59	0.0250	0.0380	0.0510	0.0650	0.0920	0.1280	0.1750
60	0.0310	0.0510	0.0710	0.0910	0.1110	0.1380	0.1830
61	0.0380	0.0580	0.0790	0.1000	0.1210	0.1670	0.2320
62	0.0440	0.0740	0.1040	0.1340	0.1640	0.2140	0.2710
63	0.0770	0.1050	0.1340	0.1630	0.1920	0.2370	0.2660
64	0.0720	0.1010	0.1290	0.1580	0.1870	0.2420	0.2760
65	0.1080	0.1410	0.1730	0.2060	0.2390	0.3000	0.3480
66	0.1320	0.1720	0.2120	0.2520	0.2920	0.3660	0.4260
67	0.1320	0.1720	0.2120	0.2520	0.2920	0.3660	0.4050
68	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
69	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3680
70	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
71	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
72	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
73	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
74	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2. **Rates of Withdrawal:** Rate of eligible active members terminating employment (not due to retirement, death, or disability) within the next year, based on CalPERS assumptions adopted in November 2021.

Attained Age	Public Agency Miscellaneous - Males Sample Termination Rates at each Service							
	0	5	10	15	20	25	30	35
20	0.18514	0.08433						
21	0.18514	0.08433						
22	0.18514	0.08433						
23	0.18238	0.08433						
24	0.17962	0.08433						
25	0.17686	0.08433	0.03770					
26	0.17410	0.08433	0.03770					
27	0.17134	0.08433	0.03770					
28	0.16858	0.08302	0.03770					
29	0.16582	0.08171	0.03770					
30	0.16306	0.08040	0.03770	0.01804				
31	0.16031	0.07862	0.03770	0.01804				
32	0.15755	0.07685	0.03770	0.01804				
33	0.15479	0.07508	0.03733	0.01804				
34	0.15203	0.07329	0.03696	0.01804				
35	0.14927	0.07152	0.03659	0.01804	0.01410			
36	0.14921	0.06974	0.03602	0.01804	0.01410			
37	0.14916	0.06797	0.03544	0.01804	0.01410			
38	0.14910	0.06620	0.03487	0.01804	0.01410			
39	0.14905	0.06442	0.03429	0.01804	0.01410			
40	0.14899	0.06265	0.03372	0.01804	0.01410	0.00844		
41	0.14894	0.06136	0.03314	0.01775	0.01410	0.00844		
42	0.14888	0.06006	0.03258	0.01746	0.01410	0.00844		
43	0.14882	0.05877	0.03200	0.01717	0.01410	0.00844		
44	0.14877	0.05748	0.03143	0.01689	0.01410	0.00844		
45	0.14871	0.05618	0.03085	0.01660	0.01410	0.00844	0.00471	
46	0.14914	0.05489	0.02958	0.01631	0.01347	0.00844	0.00471	
47	0.14957	0.05360	0.02831	0.01602	0.01285	0.00844	0.00471	
48	0.15000	0.05230	0.02704	0.01573	0.01222	0.00844	0.00471	
49	0.15043	0.05101	0.02577	0.01544	0.01160	0.00844	0.00471	
50	0.15086	0.04971	0.02449	0.01515	0.01097	0.00844	0.00471	0.00378
51	0.15129	0.04898	0.02322	0.01450	0.01035	0.00804	0.00471	0.00378
52	0.15172	0.04825	0.02196	0.01385	0.00972	0.00764	0.00471	0.00378
53	0.15215	0.04753	0.02069	0.01320	0.00910	0.00723	0.00471	0.00378
54	0.15258	0.04680	0.01942	0.01255	0.00847	0.00683	0.00471	0.00378

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Attained Age	Public Agency Miscellaneous - Females Sample Termination Rates at each Service							
	0	5	10	15	20	25	30	35
20	0.19443	0.10744						
21	0.19443	0.10744						
22	0.19443	0.10744						
23	0.19292	0.10744						
24	0.19142	0.10744						
25	0.18991	0.10744	0.05018					
26	0.18841	0.10744	0.05018					
27	0.18690	0.10744	0.05018					
28	0.18539	0.10631	0.05018					
29	0.18389	0.10519	0.05018					
30	0.18238	0.10406	0.05018	0.02516				
31	0.18088	0.10175	0.05018	0.02516				
32	0.17937	0.09944	0.05018	0.02516				
33	0.17787	0.09712	0.04983	0.02516				
34	0.17636	0.09480	0.04947	0.02516				
35	0.17485	0.09249	0.04911	0.02516	0.01745			
36	0.17450	0.09018	0.04820	0.02516	0.01745			
37	0.17415	0.08786	0.04730	0.02516	0.01745			
38	0.17380	0.08554	0.04639	0.02516	0.01745			
39	0.17344	0.08324	0.04548	0.02516	0.01745			
40	0.17309	0.08092	0.04459	0.02516	0.01745	0.01077		
41	0.17274	0.07933	0.04368	0.02439	0.01745	0.01077		
42	0.17239	0.07773	0.04277	0.02361	0.01745	0.01077		
43	0.17203	0.07615	0.04186	0.02283	0.01745	0.01077		
44	0.17168	0.07456	0.04096	0.02205	0.01745	0.01077		
45	0.17133	0.07298	0.04005	0.02127	0.01745	0.01077	0.00561	
46	0.17189	0.07138	0.03819	0.02049	0.01657	0.01077	0.00561	
47	0.17245	0.06979	0.03633	0.01971	0.01569	0.01077	0.00561	
48	0.17300	0.06821	0.03447	0.01894	0.01481	0.01077	0.00561	
49	0.17356	0.06662	0.03262	0.01816	0.01393	0.01077	0.00561	
50	0.17412	0.06502	0.03076	0.01738	0.01306	0.01077	0.00561	0.00406
51	0.17468	0.06363	0.02890	0.01655	0.01218	0.01013	0.00561	0.00406
52	0.17524	0.06223	0.02704	0.01572	0.01130	0.00950	0.00561	0.00406
53	0.17580	0.06083	0.02518	0.01489	0.01042	0.00887	0.00561	0.00406
54	0.17635	0.05944	0.02332	0.01406	0.00954	0.00823	0.00561	0.00406

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

3. **Rates of Disability Retirement:** Rate of eligible active members becoming disabled within the next year, based on CalPERS assumptions adopted in November 2021.

	Public Agency Miscellaneous			
Attained	Non-Duty		Duty Related	
Age	Male	Female	Male	Female
20	0.00007	0.00004	0.0000	0.0000
25	0.00007	0.00009	0.0000	0.0000
30	0.00017	0.00033	0.0000	0.0000
35	0.00035	0.00065	0.0000	0.0000
40	0.00091	0.00119	0.0000	0.0000
45	0.00149	0.00185	0.0000	0.0000
50	0.00154	0.00193	0.0000	0.0000
55	0.00139	0.00129	0.0000	0.0000
60	0.00124	0.00094	0.0000	0.0000
65	0.00109	0.00083	0.0000	0.0000
70	0.00097	0.00054	0.0000	0.0000
75	0.00097	0.00035	0.0000	0.0000

4. **Rates of Mortality*:*** Based on CalPERS assumptions adopted in 2021.

Pre-Retirement:	CalPERS 2021 Public Agency Miscellaneous Mortality Table
Healthy Annuitants:	CalPERS 2021 Public Agency Miscellaneous Mortality Table with MP 2021 Mortality improvement table, base year 2017
Disabled Annuitants:	CalPERS 2021 Public Agency Miscellaneous Non Industrial Disabled Mortality Table with MP 2021 Mortality improvement table, base year 2017

5. **Participation at Retirement:** Currently covered: 100%; Currently waived: 90%

6. **Plan Election at Retirement:**

Plan	Pre 65	Post 65
Blue Shield/UnitedHealthcare	15%	10%
Kaiser	30%	30%
PERS Gold	0%	0%
PERS Platinum	55%	60%

Plan	HMO	PPO
Region 2	15%	15%
Region 3	85%	50%
Out of State	0%	35%

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

7. **Medicare Eligible Rate:**

	Pre 4/1/1986 Hires	Post 4/1/1986 Hires
Medicare Election	90%	100%

8. **Family Composition:** Actives who currently cover a spouse are assumed to continue covering their spouse in the future. Actives who have not enrolled in coverage, 80% are assumed to cover a spouse in the future. Retirees who currently cover a spouse are assumed to continue covering their spouse in the future.

9. **Dependents:** 20% will elect family coverage at retirement until age 65.

10. **Medical Coverage for Children:** Retirees who have children coverage are assumed to cover their children until the youngest child is 26.

11. **Dependent Age:** For current active employees, males are assumed to be three-years older than their spouses. For current retirees, actual spouse date of birth was used, if known.

12. **Surviving Spouse Participation:** 100%

13. **Waived Retiree Re-Election:** 20% of Pre-65 retirees are assumed to re-elect at age 65.

14. **Data Assumption:** Active annual pay was estimated based on age and service criteria. All region 1 participants were grouped with the out of state medical plans.

15. **Changes since Prior Valuation:** None

16. **Rationale for Demographic Actuarial Assumptions:** The rates of retirement, withdrawal, disability retirement, and mortality are the assumptions used for participants in CalPERS and are based on the most recent CalPERS Experience Study completed 2021 and approved by the CalPERS Board in November 2021. The other demographic assumptions are from the July 1, 2019 report and believed to be reasonable based on our review.

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

1. **Average Annual Claims and Expense Assumptions:** The following claim and expense assumptions are applicable from July 1, 2023 to June 30, 2024 for Retirees and Spouses. Active employees assumed to retire will use a blended curve based on the plan elections shown in the demographic section. Subsequent years' costs are based on the first year's cost adjusted with trend.

	2023 Active Annual Claim Curves Non-Medicare	
Age	Male	Female
20	$ 3,578	$ 5,474
25	3,794	6,497
30	4,144	7,575
35	4,737	7,843
40	5,842	8,330
45	7,642	9,542
50	10,176	11,111
55	13,369	12,911
60	16,848	15,112
64	19,891	17,204
65	22,126	18,964
70	22,126	18,964
75	22,126	18,964
	Medicare	
Age	Male	Female
65	3,360	2,916
70	3,718	3,277
75	4,177	3,662
80	4,640	3,993
85	4,857	4,144
90	4,932	4,199

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2023 Region 3 Annual Claim Curves								
	Blue Shield Non-Medicare		Kaiser Non-Medicare		PERS Select/Gold Non-Medicare		PERS Care/Platinum Non-Medicare	
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	$ 3,124	$ 4,779	$ 3,573	$ 5,466	$ 2,499	$ 3,823	$ 3,646	$ 5,577
25	3,312	5,672	3,788	6,487	2,649	4,537	3,865	6,619
30	3,618	6,614	4,138	7,564	2,894	5,291	4,222	7,719
35	4,136	6,847	4,730	7,831	3,308	5,477	4,827	7,991
40	5,101	7,273	5,834	8,318	4,080	5,818	5,953	8,487
45	6,672	8,331	7,631	9,528	5,337	6,665	7,787	9,723
50	8,884	9,701	10,161	11,095	7,107	7,760	10,368	11,321
55	11,672	11,272	13,350	12,892	9,337	9,017	13,622	13,155
60	14,709	13,193	16,823	15,090	11,767	10,554	17,166	15,397
64	17,365	15,020	19,862	17,179	13,891	12,015	20,266	17,529
65	19,317	16,557	22,094	18,936	15,452	13,245	22,544	19,322
70	19,317	16,557	22,094	18,936	15,452	13,245	22,544	19,322
75	19,317	16,557	22,094	18,936	15,452	13,245	22,544	19,322

2023 Region 3 Annual Claim Curves								
	Blue Shield Medicare		Kaiser Medicare		PERS Select/Gold Medicare		PERS Care/Platinum Medicare	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	4,158	3,609	3,439	2,985	3,064	2,660	3,277	2,845
70	4,601	4,056	3,806	3,355	3,391	2,989	3,627	3,197
75	5,169	4,532	4,275	3,749	3,809	3,340	4,074	3,572
80	5,742	4,942	4,749	4,087	4,232	3,642	4,526	3,895
85	6,010	5,128	4,971	4,242	4,430	3,779	4,737	4,042
90	6,103	5,197	5,048	4,298	4,498	3,830	4,811	4,096

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2023 Region 2 Annual Claim Curves								
	Blue Shield Non-Medicare		Kaiser Non-Medicare		PERS Select/Gold Non-Medicare		PERS Care/Platinum Non-Medicare	
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	$ 3,588	$ 5,489	$ 3,736	$ 5,715	$ 2,556	$ 3,910	$ 3,727	$ 5,702
25	3,804	6,515	3,961	6,784	2,710	4,641	3,952	6,768
30	4,155	7,597	4,327	7,910	2,960	5,412	4,316	7,891
35	4,751	7,865	4,946	8,189	3,384	5,603	4,935	8,170
40	5,859	8,354	6,101	8,698	4,174	5,951	6,086	8,677
45	7,664	9,570	7,980	9,964	5,459	6,817	7,961	9,940
50	10,205	11,143	10,625	11,602	7,269	7,938	10,600	11,574
55	13,407	12,947	13,960	13,481	9,551	9,223	13,927	13,449
60	16,896	15,155	17,592	15,779	12,036	10,795	17,550	15,742
64	19,947	17,253	20,769	17,963	14,209	12,290	20,720	17,921
65	22,189	19,018	23,103	19,801	15,806	13,547	23,049	19,755
70	22,189	19,018	23,103	19,801	15,806	13,547	23,049	19,755
75	22,189	19,018	23,103	19,801	15,806	13,547	23,049	19,755

2023 Region 2 Annual Claim Curves								
	Blue Shield Medicare		Kaiser Medicare		PERS Select/Gold Medicare		PERS Care/Platinum Medicare	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	4,158	3,609	3,439	2,985	3,064	2,660	3,277	2,845
70	4,601	4,056	3,806	3,355	3,391	2,989	3,627	3,197
75	5,169	4,532	4,275	3,749	3,809	3,340	4,074	3,572
80	5,742	4,942	4,749	4,087	4,232	3,642	4,526	3,895
85	6,010	5,128	4,971	4,242	4,430	3,779	4,737	4,042
90	6,103	5,197	5,048	4,298	4,498	3,830	4,811	4,096

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2023 Out of State Annual Claim Curves								
	Blue Shield Non-Medicare		Kaiser Non-Medicare		PERS Select/Gold Non-Medicare		PERS Care/Platinum Non-Medicare	
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	$ 3,685	$ 5,637	$ 5,418	$ 8,289	$ 2,814	$ 4,305	$ 3,687	$ 5,641
25	3,907	6,690	5,745	9,838	2,983	5,109	3,909	6,695
30	4,267	7,801	6,275	11,472	3,259	5,957	4,270	7,806
35	4,878	8,076	7,174	11,877	3,726	6,168	4,882	8,082
40	6,016	8,578	8,847	12,615	4,595	6,551	6,021	8,584
45	7,870	9,826	11,573	14,451	6,010	7,504	7,875	9,833
50	10,479	11,442	15,410	16,826	8,002	8,738	10,486	11,450
55	13,767	13,295	20,246	19,551	10,514	10,153	13,777	13,305
60	17,349	15,562	25,513	22,884	13,249	11,884	17,362	15,573
64	20,483	17,716	30,121	26,053	15,642	13,529	20,498	17,729
65	22,785	19,529	33,506	28,718	17,400	14,913	22,802	19,543
70	22,785	19,529	33,506	28,718	17,400	14,913	22,802	19,543
75	22,785	19,529	33,506	28,718	17,400	14,913	22,802	19,543

2023 Out of State Annual Claim Curves								
	Blue Shield Medicare		Kaiser Medicare		PERS Select/Gold Medicare		PERS Care/Platinum Medicare	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	4,158	3,609	2,902	2,519	3,064	2,660	3,277	2,845
70	4,601	4,056	3,211	2,830	3,391	2,989	3,627	3,197
75	5,169	4,532	3,607	3,163	3,809	3,340	4,074	3,572
80	5,742	4,942	4,007	3,449	4,232	3,642	4,526	3,895
85	6,010	5,128	4,194	3,579	4,430	3,779	4,737	4,042
90	6,103	5,197	4,259	3,627	4,498	3,830	4,811	4,096

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2. **Annual Trend:** Medical Trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2023_1f was used for this valuation and the prior valuation. The following assumptions were used as input variables into this model:

Trend Assumption Inputs Variable	Rate
Rate of Inflation	2.70%
Rate of Growth in Real Income/GDP per capita 2033+	1.40%
Extra Trend due to Taste/Technology 2033+	0.80%
Expected Health Share of GDP 2033	19.80%
Health Share of GDP Resistance Point	19.00%
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

Beginning January 1,	Pre-Medicare Trend	Medicare Eligible Trend	Beginning January 1,	Pre-Medicare Trend	Medicare Eligible Trend
2023	12.72%	8.45%	2051	4.65%	4.65%
2024	7.20%	5.50%	2052	4.65%	4.65%
2025	6.80%	5.40%	2053	4.64%	4.64%
2026	6.40%	5.30%	2054	4.63%	4.63%
2027	6.00%	5.20%	2055	4.63%	4.63%
2028	5.83%	5.16%	2056	4.62%	4.62%
2029	5.66%	5.12%	2057	4.62%	4.62%
2030	5.49%	5.09%	2058	4.61%	4.61%
2031	5.31%	5.05%	2059	4.61%	4.61%
2032	5.14%	5.01%	2060	4.60%	4.60%
2033	4.97%	4.97%	2061	4.60%	4.60%
2034	4.80%	4.80%	2062	4.59%	4.59%
2035	4.79%	4.79%	2063	4.59%	4.59%
2036	4.78%	4.78%	2064	4.58%	4.58%
2037	4.76%	4.76%	2065	4.58%	4.58%
2038	4.75%	4.75%	2066	4.57%	4.57%
2039	4.74%	4.74%	2067	4.53%	4.53%
2040	4.73%	4.73%	2068	4.48%	4.48%
2041	4.73%	4.73%	2069	4.43%	4.43%
2042	4.72%	4.72%	2070	4.39%	4.39%
2043	4.71%	4.71%	2071	4.35%	4.35%
2044	4.70%	4.70%	2072	4.30%	4.30%
2045	4.69%	4.69%	2073	4.26%	4.26%
2046	4.69%	4.69%	2074	4.22%	4.22%
2047	4.68%	4.68%	2075	4.18%	4.18%
2048	4.67%	4.67%	2076	4.14%	4.14%
2049	4.67%	4.67%	2077	4.14%	4.14%
2050	4.66%	4.66%	2078+	4.14%	4.14%

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

3. **Annual Limits:** Assumed to increase at the same rate as medical trend.

4. **Lifetime Maximums:** Unlimited.

5. **Medicare:** All participants are assumed to enroll in Medicare at age 65.

6. **Geography:** Implicitly assumed to remain the same as current retirees.

7. **Changes since Last Valuation:** The annual claim curves were updated to reflect the most recent claim experience; medical trends were updated to reflect current expectations.

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Methodology

Actuarial Cost Method: The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active plan member and then summed to produce the total normal cost for the District.

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial liability in excess of OPEB Trust's assets is amortized to develop an additional cost or saving which is added to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability. A closed 23-year amortization period as of the June 30, 2014 unfunded liability plus 15-year closed layers of future gains/losses, assumption changes, or plan changes was used under the Actuarial funding scenario. The amortization method is a level percent of expected pay amortization method, assuming a 3.0% annual increase in pay due to inflation.

Asset Valuation Method: For purposes of determining the Plan's contribution requirement, we use an Actuarial Value of Assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

In developing the actuarial value using the discrete recognition method, we first develop the expected Actuarial Value of Assets by rolling forward the prior year's actuarial value with contributions made, benefits paid out and interest that would have been earned had the 6.75% assumption been met. The expected value is compared to the actual market value, and the difference reflects a one-year gain or loss on investments. To make the adjustment from the expected actuarial value to the actual actuarial value in this method, each year's gain/loss element is recognized in five equal installments. The actuarial value is subject to a corridor of 80% to 120% of market value.

Claims Method: The claim cost curves were developed based on the experience of the entire CalPERS population, using data provided by CalPERS. This data can be found on the CalPERS website in the file entitled "pemhca-implicit-subsidy-data.xls." The data provided claim experience for all covered members (employees/retirees, covered spouses, and covered children) by age, PEMHCA rating area, and benefit plan. We used this data to develop the expected cost by age for the covered membership for the specific benefit plans and PEMHCA rating areas used by the covered Metropolitan Water District of Southern California population.

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

We have reflected the "true" cost of coverage for retirees. The "true" cost of coverage for retirees age 55-64 is greater than the cost of the same coverage for the typical group of active employees. Employers who treat the cost as being the same often are providing implicit subsidies for retirees. The cost difference, known as the implicit subsidy, is equal to the "true" cost of providing retiree medical coverage minus the average active/retiree cost.

Changes since Last Valuation: There were no changes to actuarial methods since the prior valuation.

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

A summary of the Post-Retirement Health Plan benefits and contribution provisions are as follows.

Eligibility

Full-time active employees are automatically eligible to receive postretirement medical coverage with CalPERS after retiring directly from the District.

The following summarizes eligibility for a pension benefit from the Metropolitan Water District of Southern California:

Miscellaneous

- Classic Formula 2%@ age 55
  - Employees are eligible to retire at age 50
- PEPRA Formula 2% @ age 62
  - Employees are eligible to retire at age 52
- *Disability:* At least five years of service for non-duty disability, and no requirement for duty disability
- *Death:* At least five years of service for non-duty death, and no requirement for duty death

Active members are vested after five years of service, however, must retire directly from the District to be eligible for a post-retirement health benefit.

An employee who becomes disabled outside of work and has completed five years of CalPERS credited service will be provided health insurance coverage upon disablement.

Spouse and Dependent Coverage

If a retiree is eligible for health insurance coverage, the Plan will also provide health coverage for the retiree's spouse and/or dependent children. This coverage will continue for as long as the spouse is alive.

If an active employee who has met the requirements to retire with health insurance coverage dies before retiring, the Plan will provide health coverage for the spouse and/or dependent children for as long as the spouse is alive.

Benefits

The Metropolitan Water District of Southern California Plan is a single employer plan that provides retirees and dependents the same medical benefits that are available to active employees for participants under age 65. Once a participant turns age 65, the Plan provides benefits that coordinate with Medicare. Participants that are eligible for premium free Medicare Part A must sign up for Medicare Part B as soon as they become eligible or CalPERS coverage will be cancelled. The District participates in the CalPERS health program, referred to as PEMHCA (Public Employees' Medical and Hospital Care Act).

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Participant Cost Sharing Contributions

The District pays the PEMHCA medical premiums for retirees and eligible dependents up to 100% of the highest cost HMO basic rate in either Region 2 or Region 3.

2023 Cap: 100% of Anthem Traditional Basic – Region 3
2024 Cap: 100% of Anthem Traditional Basic – Region 2

2023 and 2024 Monthly Caps		
Medical Coverage	2023	2024
Single	$ 942.73	$ 1,034.38
2-Party	1,885.46	2,068.76
Family	2,451.10	2,689.39

State Vesting Schedule Government Code Section 22893:

Applies to employees hired on or after January 1, 2012 or to employees who were hired prior to January 1, 2012 and elect to be covered by the 10/20 State Vesting Schedule. Vesting applies to the maximum of the District Cap or State 100/90 premiums, but not more than 100% of the premiums for the plan elected by the retiree.

To qualify for District paid retiree medical under the vesting schedule, an employee must meet the following eligibility criteria:

- A minimum of 10 years of CalPERS service credit,
- A minimum of five of those 10 years of CalPERS service credit must be performed at Metropolitan, and
- Must retire from Metropolitan within 120 days from date of separation.

Exceptions to the vesting requirements for those who are eligible for the full employer contribution are:

- An employee who retires on disability retirement.
- An employee who performs 20 or more years of CalPERS service credit solely with Metropolitan, even if they do not retire directly from the District.

2023 and 2024 Monthly 100/90 Premiums		
Medical Coverage	2023	2024
Single	$ 883	$ 983
2-Party	1,699	1,890
Family	2,124	2,366

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Vesting schedule percentage is based on CalPERS service, with a mimimum of five years of District service. Members are 100% vested for disability retirements or with 20 years of District service.

CalPERS Service	Vesting %	CalPERS Service	Vesting %
<10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20+	100%

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Medical Premiums: Initial premiums for this valuation as of July 1, 2023 are based on 2023 PEMHCA premium rates shown below:

2023 Premiums							
		Non Medicare Eligible			Medicare Eligible		
Medical Plan	Region	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	Region 1	$1,128.83	$2,257.66	$2,934.96	$413.59	$827.18	$1,240.77
Anthem Select	Region 2	765.37	1,530.74	1,989.96	413.59	827.18	1,240.77
Anthem Select	Region 3	737.91	1,475.82	1,918.57	413.59	827.18	1,240.77
Anthem Traditional	Region 2	935.12	1,870.24	2,431.31	413.59	827.18	1,240.77
Anthem Traditional	Region 3	942.73	1,885.46	2,451.10	413.59	827.18	1,240.77
Blue Shield	Region 1	1,035.21	2,070.42	2,691.55	361.90	723.80	1,085.70
Blue Shield	Region 2	842.61	1,685.22	2,190.79	361.90	723.80	1,085.70
Blue Shield	Region 3	738.29	1,476.58	1,919.55	361.90	723.80	1,085.70
Blue Shield Trio	Region 3	661.49	1,322.98	1,719.87	361.90	723.80	1,085.70
Health Net SmartCare	Region 2	834.65	1,669.30	2,170.09	0.00	0.00	0.00
Health Net SmartCare	Region 3	755.29	1,510.58	1,963.75	0.00	0.00	0.00
Kaiser	Region 1	913.74	1,827.48	2,375.72	283.25	566.50	849.75
Kaiser	Region 2	756.21	1,512.42	1,966.15	283.25	566.50	849.75
Kaiser	Region 3	754.64	1,509.28	1,962.06	283.25	566.50	849.75
Kaiser	Out of State	1,155.43	2,310.86	3,004.12	274.03	548.06	822.09
PERS Gold	Region 1	825.61	1,651.22	2,146.59	392.71	785.42	1,178.13
PERS Gold	Region 2	695.93	1,391.86	1,809.42	392.71	785.42	1,178.13
PERS Gold	Region 3	680.37	1,360.74	1,768.96	392.71	785.42	1,178.13
PERS Platinum	Region 1	1,200.12	2,400.24	3,120.31	420.02	840.04	1,260.06
PERS Platinum	Region 2	1,014.80	2,029.60	2,638.48	420.02	840.04	1,260.06
PERS Platinum	Region 3	992.59	1,985.18	2,580.73	420.02	840.04	1,260.06
PERS Platinum	Out of State	1,003.90	2,007.80	2,610.14	420.02	840.04	1,260.06
Sharp	Region 2	764.96	1,529.92	1,988.90	249.79	499.58	749.37
UnitedHealthcare	Region 1	1,044.07	2,088.14	2,714.58	299.68	599.36	899.04
UnitedHealthcare	Region 2	793.63	1,587.26	2,063.44	299.68	599.36	899.04
UnitedHealthcare	Region 3	790.46	1,580.92	2,055.20	299.68	599.36	899.04

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

2024 Premiums							
		Non Medicare Eligible			Medicare Eligible		
Medical Plan	Region	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	Region 1	$1,138.86	$2,277.72	$2,961.04	$405.83	$811.66	$1,217.49
Anthem Select	Region 2	807.71	1,615.42	2,100.05	405.83	811.66	1,217.49
Anthem Select	Region 3	841.13	1,682.26	2,186.94	405.83	811.66	1,217.49
Anthem Traditional	Region 2	1,034.38	2,068.76	2,689.39	405.83	811.66	1,217.49
Anthem Traditional	Region 3	1,012.67	2,025.34	2,632.94	405.83	811.66	1,217.49
Blue Shield	Region 1	1,076.84	2,153.68	2,799.78	392.68	785.36	1,178.04
Blue Shield	Region 2	869.14	1,738.28	2,259.76	392.68	785.36	1,178.04
Blue Shield	Region 3	756.65	1,513.30	1,967.29	392.68	785.36	1,178.04
Blue Shield Trio	Region 3	704.69	1,409.38	1,832.19	392.68	785.36	1,178.04
Health Net SmartCare	Region 2	0.00	0.00	0.00	0.00	0.00	0.00
Health Net SmartCare	Region 3	0.00	0.00	0.00	0.00	0.00	0.00
Kaiser	Region 1	1,021.41	2,042.82	2,655.67	324.79	649.58	974.37
Kaiser	Region 2	904.95	1,809.90	2,352.87	324.79	649.58	974.37
Kaiser	Region 3	865.41	1,730.82	2,250.07	324.79	649.58	974.37
Kaiser	Out of State	1,312.45	2,624.90	3,412.37	274.03	548.06	822.09
PERS Gold	Region 1	914.82	1,829.64	2,378.53	406.60	813.20	1,219.80
PERS Gold	Region 2	799.44	1,598.88	2,078.54	406.60	813.20	1,219.80
PERS Gold	Region 3	785.28	1,570.56	2,041.73	406.60	813.20	1,219.80
PERS Platinum	Region 1	1,314.27	2,628.54	3,417.10	448.15	896.30	1,344.45
PERS Platinum	Region 2	1,151.50	2,303.00	2,993.90	448.15	896.30	1,344.45
PERS Platinum	Region 3	1,131.47	2,262.94	2,941.82	448.15	896.30	1,344.45
PERS Platinum	Out of State	1,146.86	2,293.72	2,981.84	448.15	896.30	1,344.45
Sharp	Region 2	833.24	1,666.48	2,166.42	256.53	513.06	769.59
UnitedHealthcare	Region 1	1,091.13	2,182.26	2,836.94	341.72	683.44	1,025.16
UnitedHealthcare	Region 2	837.88	1,675.76	2,178.49	341.72	683.44	1,025.16
UnitedHealthcare	Region 3	826.44	1,652.88	2,148.74	341.72	683.44	1,025.16

Changes since Last Valuation

Premiums were updated to reflect current CalPERS premiums.

APPENDIX C – GLOSSARY OF TERMS

1. **Actuarial Assumptions**
   Assumptions as to the occurrence of future events affecting costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

2. **Actuarial Cost Method**
   A procedure for determining the Actuarial Present Value of Plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Liability.

3. **Actuarial Gain (Loss) (Called Actuarial Experience Gain and Loss)**
   A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

4. **Actuarial Liability**
   That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of projected benefits which will not be paid by future Normal Costs.

5. **Actuarial Present Value (Present Value)**
   The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

   a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.),
   b. multiplied by the probability of the occurrence of the event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
   c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

   As a simple example: assume you owe $100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

Amount		Probability of Payment		$\frac{1}{\text{(1+Discount Rate)}}$		
$100	x	(1 - .01)	x	1/(1+.1)	=	$90

APPENDIX C – GLOSSARY OF TERMS

6. **Actuarial Valuation**
   The determination as of a valuation date of the Normal Cost, Actuarial Liability, Actuarial Value of Assets, and related Actuarial Present Values for the Plan.

7. **Actuarial Value of Assets**
   The value of cash, investments and other property belonging to a Plan, as used by the actuary for the purpose of an Actuarial Valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. This way, long-term costs are not distorted by short-term fluctuations in the market.

8. **Amortization**
   The portion of the Plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Liability.

9. **Discount Rate**
   The estimated long-term interest yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments and the basis used to determine the Actuarial Value of Assets.

10. **Funded Ratio**
    The Actuarial Value of Assets expressed as a percentage of the Actuarial Liability.

11. **Normal Cost**
    That portion of the Actuarial Present Value of the Plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

12. **Per Person Cost Trend, i.e., Healthcare Cost Trend Rate**
    The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

13. **Projected Unit Credit Actuarial Cost Method**
    A method under which the benefits (projected or un-projected) of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years.

14. **Unfunded Actuarial Liability**
    The excess of the Actuarial Liability over the Actuarial Value of Assets.

APPENDIX D – ABBREVIATION LIST

Actuarial Liability (AL)
Actuarial Valuation Report (AVR)
Actuarially Determined Contribution (ADC)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Line of Duty Act (LODA)
Medicare Eligible (ME)
Net Other Postemployment Benefit (NOO)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)

CHEIRON

Classic Values, Innovative Advice

Metropolitan Water District of Southern California Retiree Healthcare Plan

Classic Values, Innovative Advice

Actuarial Valuation Results
July 1, 2023

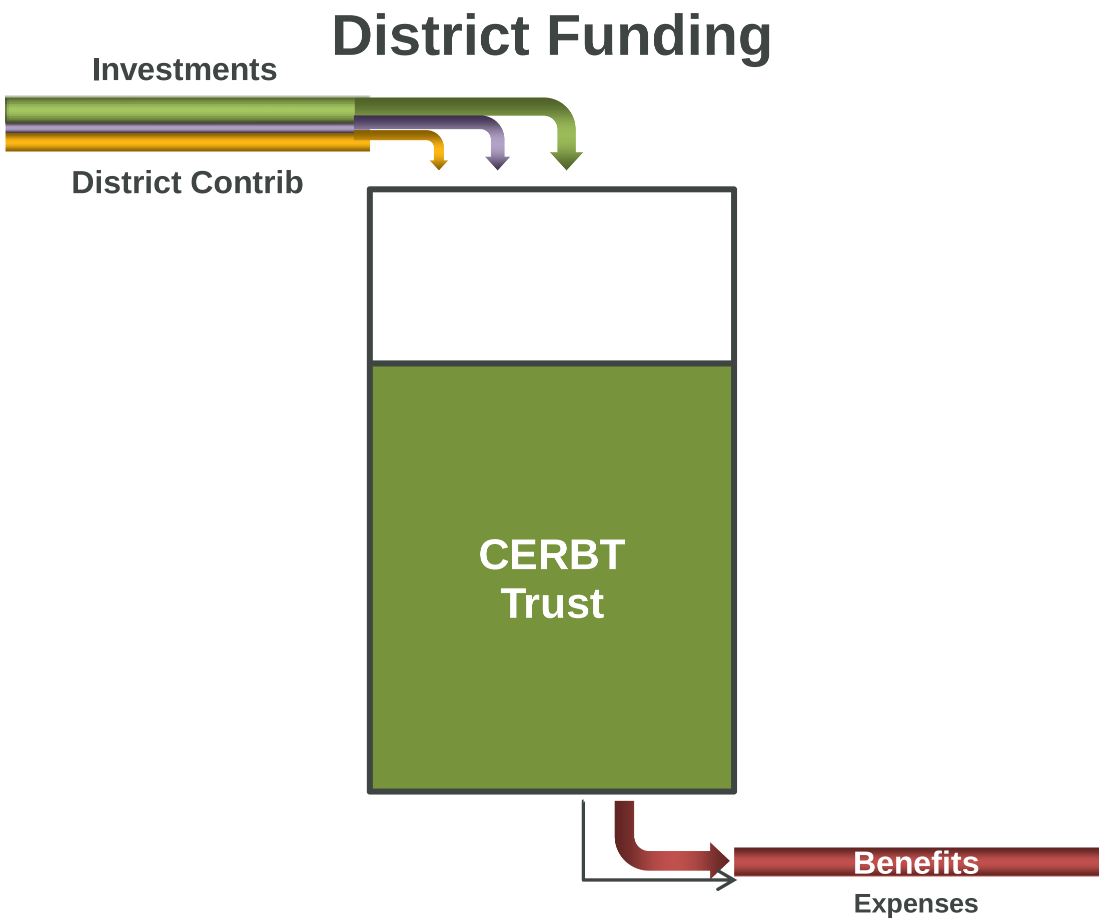
June 11, 2024

Margaret Tempkin, FSA, EA, MAAA
Kathleen Weaver, FSA, EA, MAAA
Taylor Stevens, ASA, MAAA

Agenda

- Background
- Valuation Results
  - Membership
  - Funded Status
  - Changes in UAL
  - Contributions
  - Projections

A Dynamic System



- Primary purpose of valuation is to set District contributions
  - 2023 valuation develops contributions for FYE 2025 and FYE 2026
- Project future benefit payments
  - Plan provisions, census data, and actuarial assumptions
- Determine funding target
  - Actuarial cost method and assumptions
- Set District contributions
  - Plan provisions, actuarial methods, and discount rate

Membership

Valuation Date	June 30, 2021	June 30, 2023	% Change
Active Employees			
Active Employees	1,856	1,824	**-1.7%**
Average Age	48.3	48.0	-0.7%
Average Service	13.3	12.6	-5.6%
Covered Payroll	$ 235,294	$ 249,812	6.2%
Inactive with Medical Coverage			
Retired participants & Surviving Spouses	1,921	1,996	3.9%
Spouses	1,000	1,044	4.4%
Total	**2,921**	**3,040**	**4.1%**

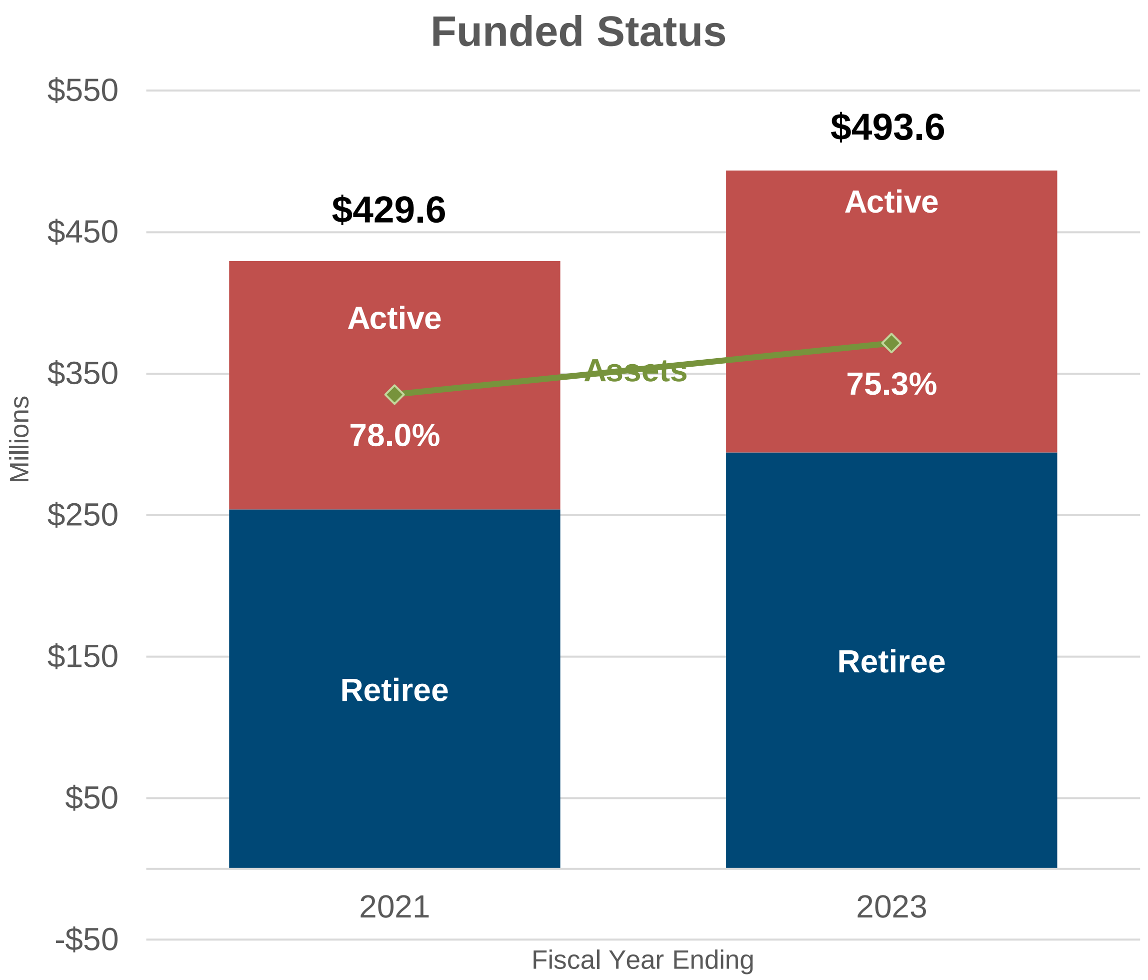
- Active population decreased by 1.7%
- Retired population increased by 4.1%
  - Retirees and surviving spouses increased by 3.9%
  - Covered spouses increased by 4.4%

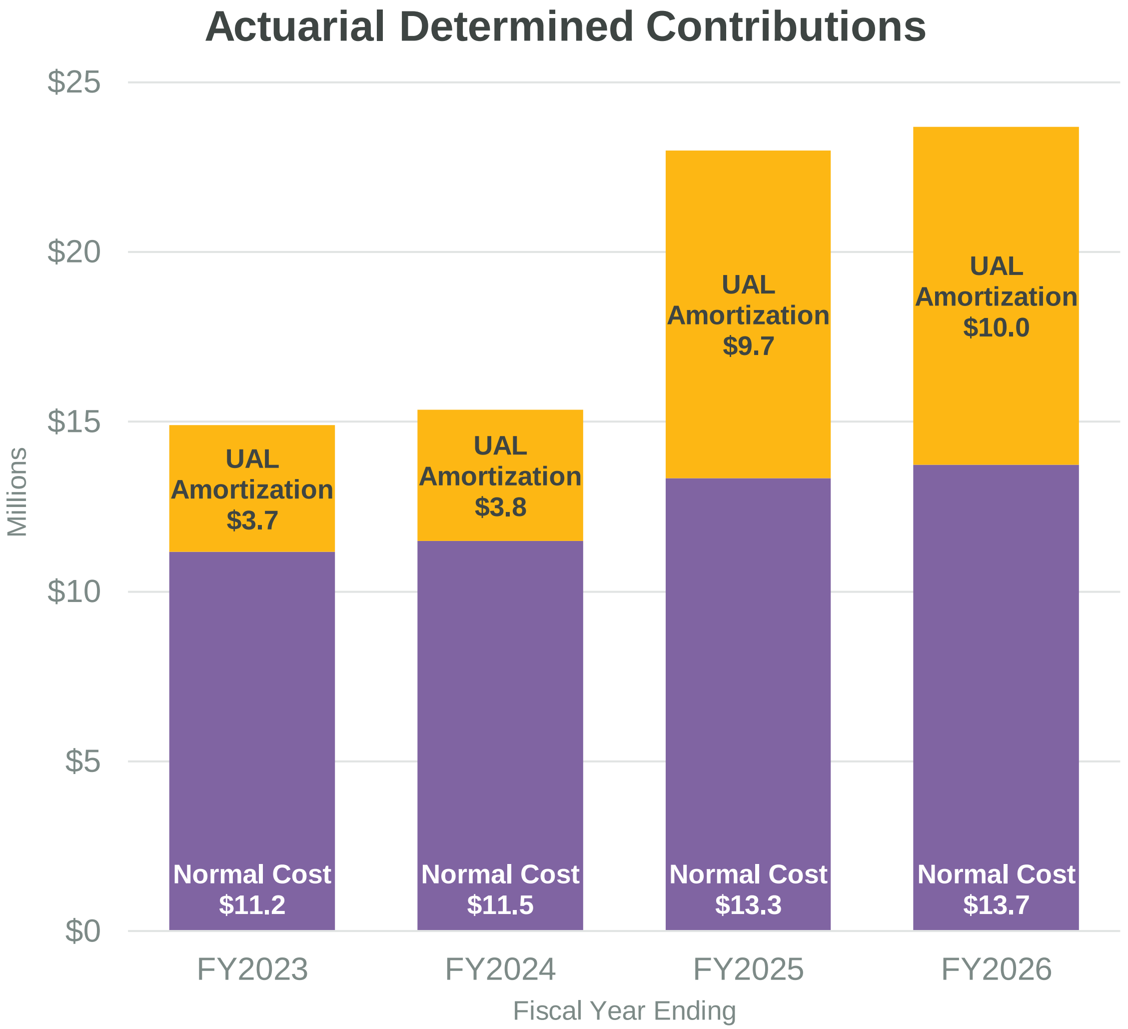
Funded Status

Unfunded Actuarial Liability (UAL)		
	June 30, 2021	June 30, 2023
Actuarial Liability (AL)	$429,603,000	$493,593,000
Actuarial Value of Assets	335,254,000	371,530,000
Unfunded Actuarial Liability (UAL)	$ 94,349,000	$122,063,000
% Funded	78.04%	75.27%

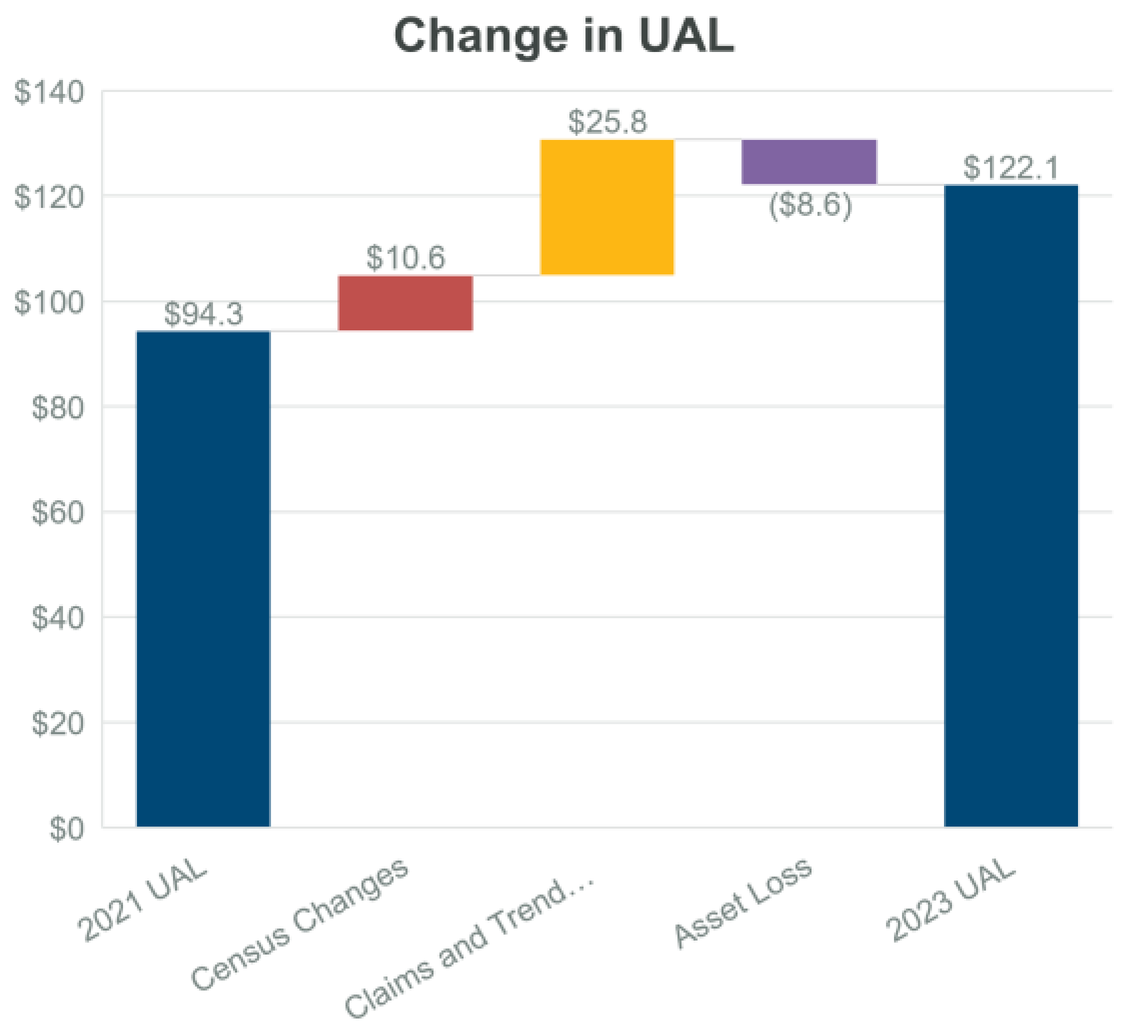
- Liability grew while assets under preformed expectations, decreasing the funded status from 78% to 75%
- Assets return between 2021 and 2022 dropped 13.4%
- Asset return between 2022 and 2023 grew at 6.2%

Valuation Results





Changes in UAL



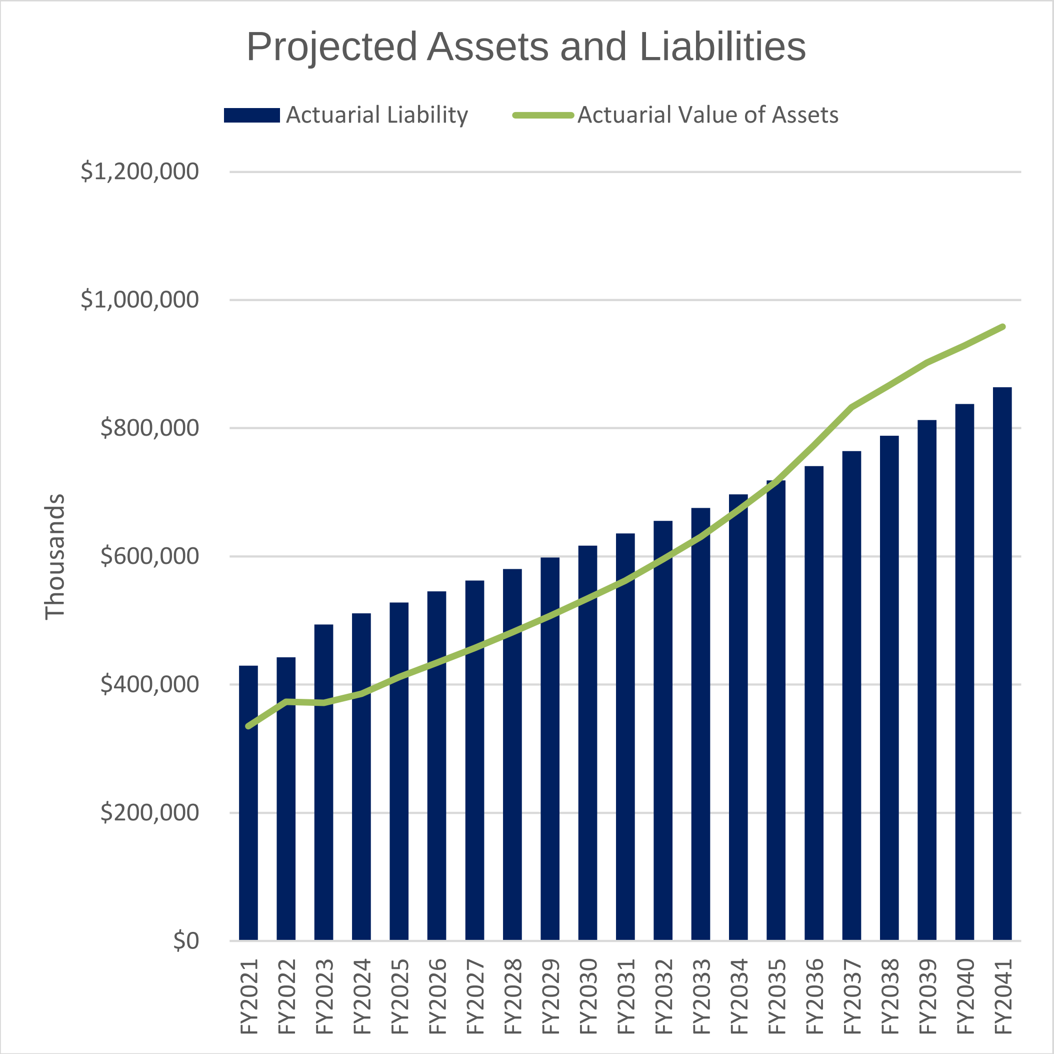
- UAL increased $27.7 million
- Increases
  – $10.6 million due to census changes
  – $25.8 million due to claims experience and trend assumptions
- Decreases
  – $8.6 million due to investment gains and losses factored into the AVA

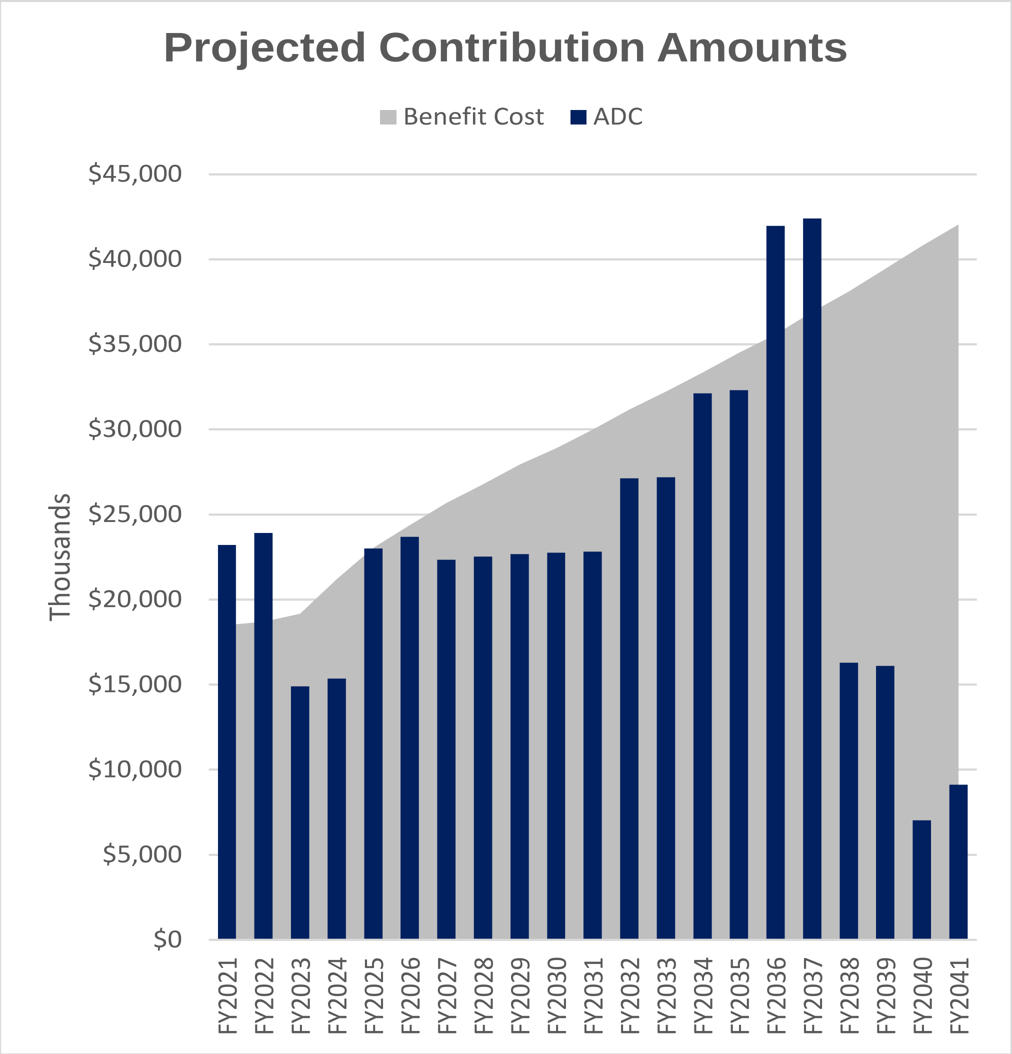
Contributions

Actuarial Determined Contribution	FY2023	FY2024	FY2025	FY2026
Normal Cost	$11,166,000	$11,501,000	$13,336,000	$13,736,000
UAL Amortization	$3,737,000	$3,848,000	$9,664,000	$9,955,000
Total	**$14,903,000**	**$15,349,000**	**$23,000,000**	**$23,691,000**

- District's FY2023 and FY 2024 contribution declined due to significant reduction in UAL
- District's FY2025 and FY 2026 contributions increase due to loss on investments during 2021 to 2022
- The normal cost portion has increase as expected

Projections – Explicit Subsidy Paid Through Trust





Questions/Comments

Certification

- The purpose of this presentation is to present the preliminary results of the June 30, 2023, Actuarial Valuation for the Metropolitan Water District of Southern California Retiree Healthcare Plan (the District).
- This presentation was prepared exclusively for the District for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.
- In preparing our presentation, we relied on information (some oral and some written) supplied by the Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.
- Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.
- Health care trends for this valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

Certification (continued)

- We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this valuation.
- This presentation has been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Margaret Tempkin, FSA, EA, MAAA
Principal Consulting Actuary

Kathleen Weaver, FSA, EA, MAAA
Consulting Actuary

Finance and Asset Management Committee

Board Requested Discussion on Section 115 Trusts for Pension and Other Post-Employment Benefit (OPEB) Plans

Item 6b

June 11, 2024

Item 6b
Board Requested Discussion on Section 115 Trusts for Pension and OPEB Plans

Subject

- Metropolitan's Pension and OPEB Plans

Purpose

- Present data of participant counts and actual and projected contributions
- Provide information on plan assets, liabilities, funding status, and funding ratio
- Present the benefits of Section 115 trust funding

Agenda

- Benefits Structure
- Pension Background
- OPEB Background
- Additional Funding Options
- Conclusion

Benefit Structure

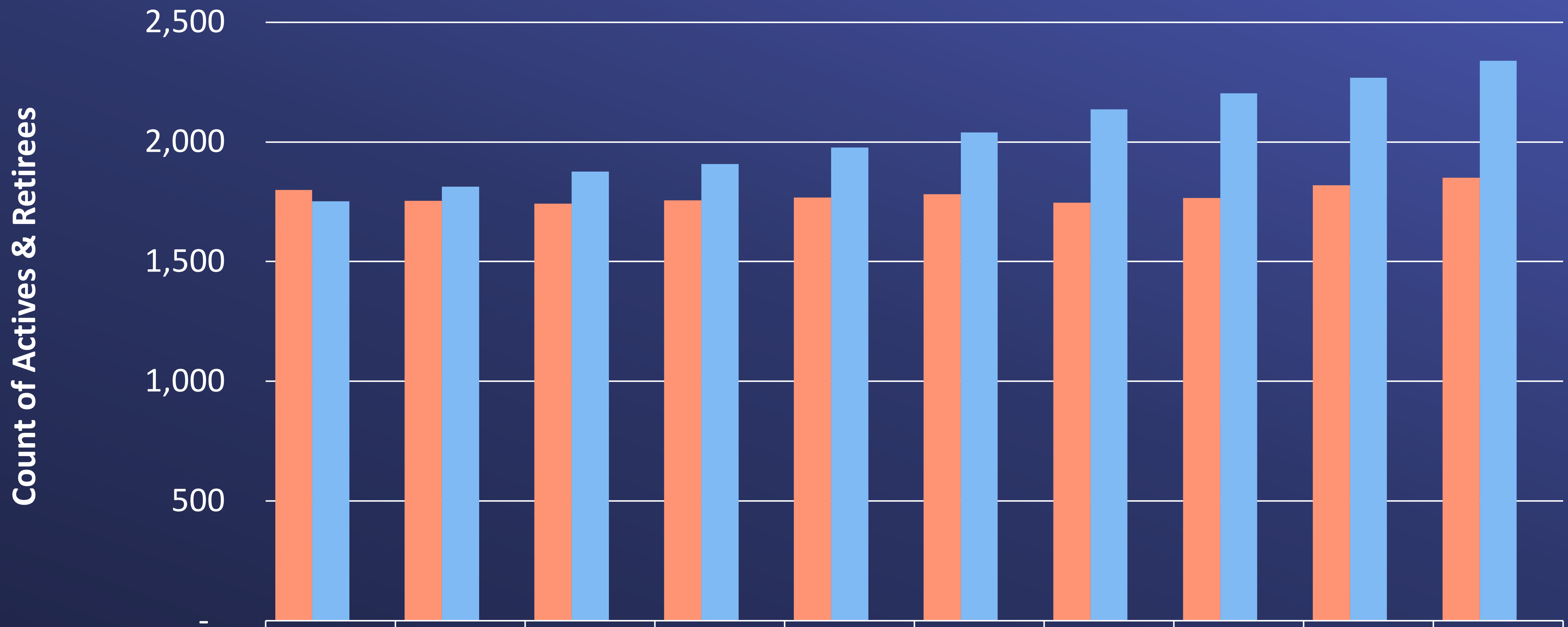
Metropolitan's Benefit Structure, Funding Policy, and Key Assumption

Plan	Defined Benefit Pension	OPEB
Investment Administrator	CalPERS, a public pension system	CalPERS CERBT, a section 115 trust
Benefits Provided	Retirement, disability, COLA and death benefits to plan members and beneficiary	Medical insurance to retirees and qualified dependents
Contribution	Mandated by CalPERS law Contribution is required	Negotiated MOU with bargaining units Contribution to the trust is not required
Funding Policy	Annually funding full ADC	Annually funding full ADC
FY 2023/24 Discount Rate	6.80%	6.75%

ADC – Actuarial Determined Contribution
CERBT – California Employers' Retiree Benefit Trust
COLA – Cost of Living Adjustment
MOU – Memorandum of Understanding

Pension Background

Pension Historical Participant Data

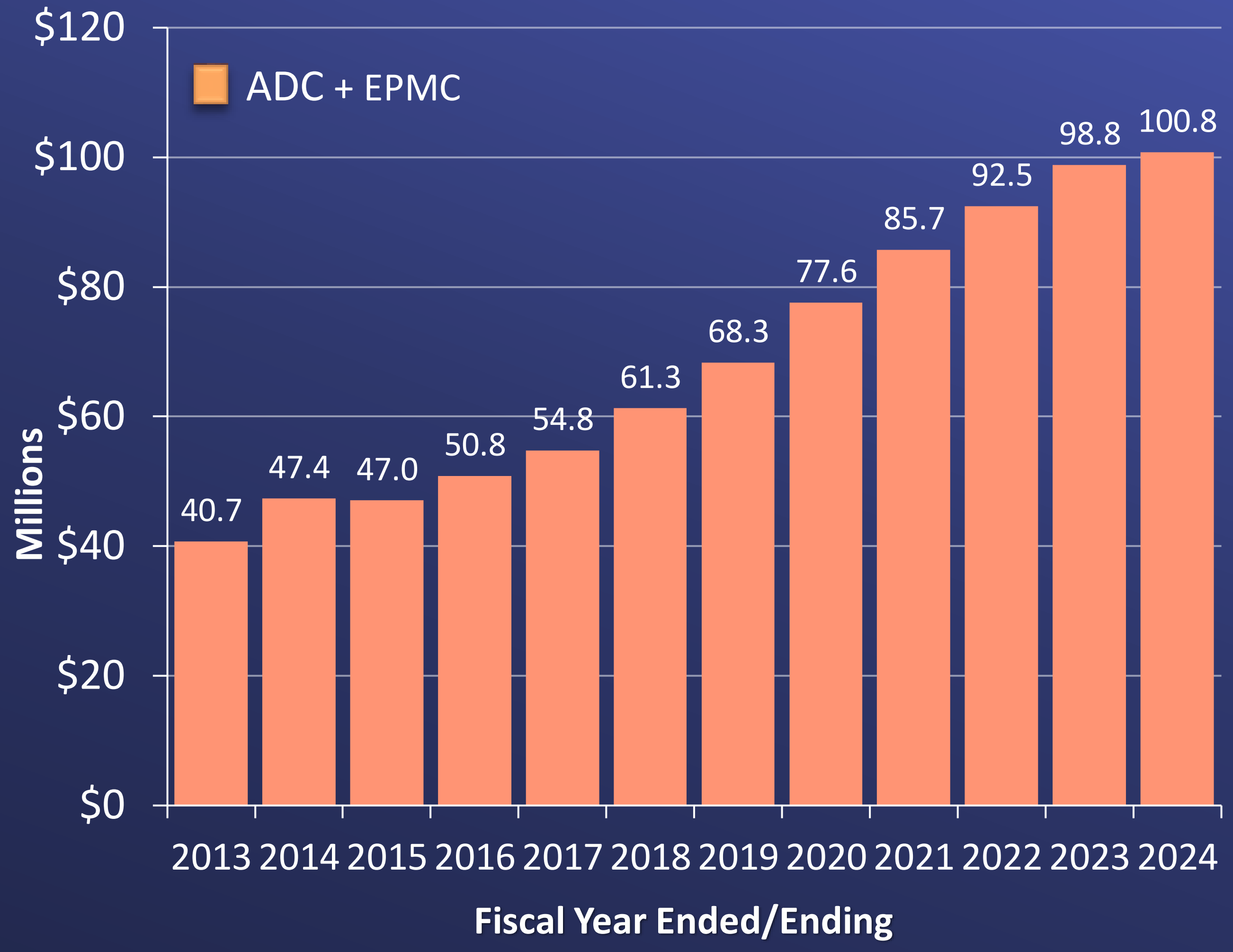


	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actives	1,799	1,753	1,743	1,756	1,767	1,782	1,746	1,766	1,818	1,850
Retirees & Beneficiaries	1,752	1,813	1,876	1,907	1,976	2,040	2,136	2,203	2,268	2,338
Ratio (Active/Ret)	1.03	0.97	0.93	0.92	0.89	0.87	0.82	0.80	0.80	0.79

Fiscal Year Ended

Pension Actuarially Determined Contribution (ADC)[1]

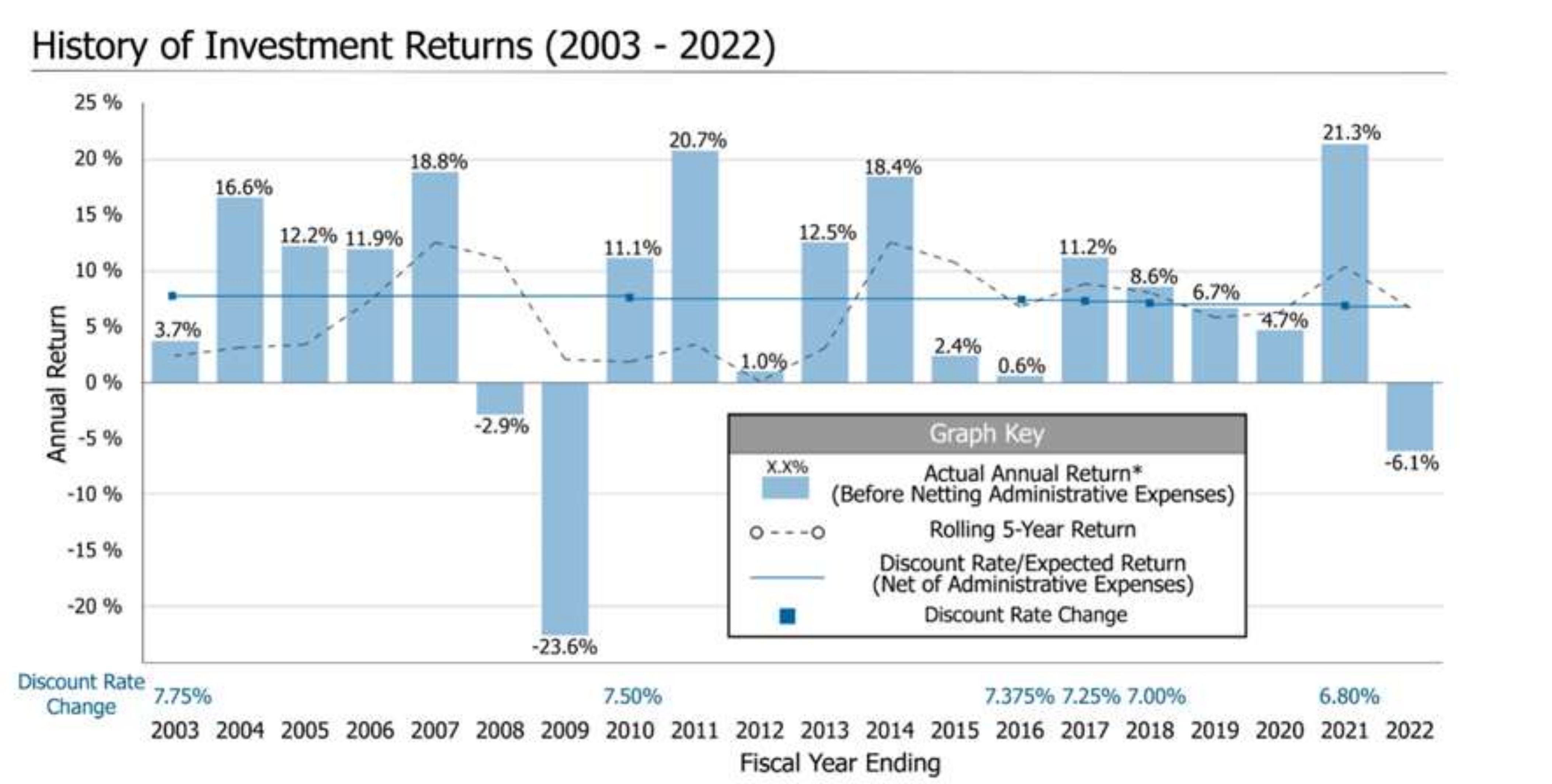
- Factors contributing to increased costs:
  - Earlier retirement ages
  - Updates to mortality assumptions
  - Discount rate reductions (Funding Risk Mitigation Policy)
  - Wage inflation assumptions
  - Change in the Unfunded Accrued Liability amortization methodology
  - Market gains and losses



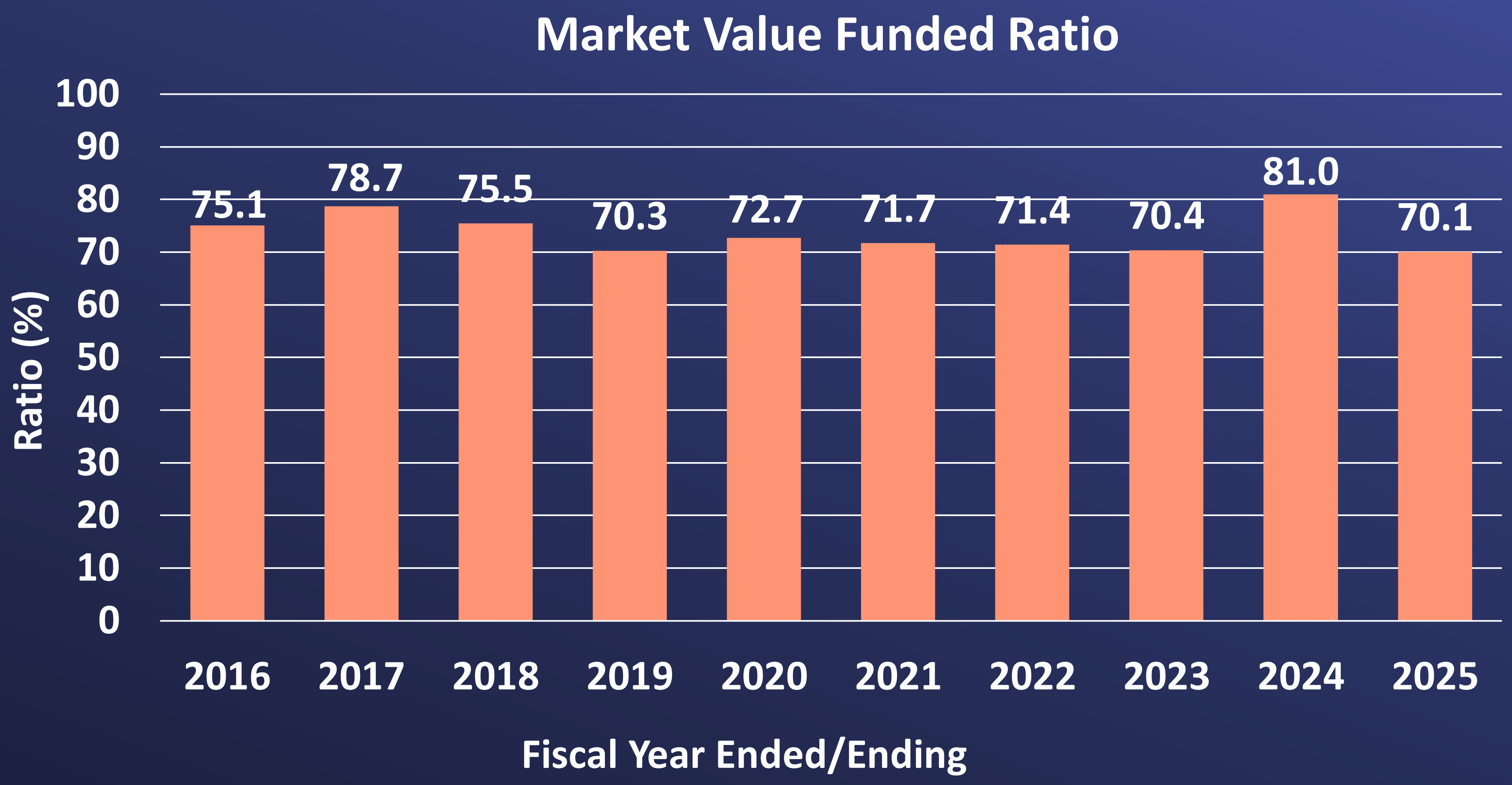
Source: California Public Employers' Retirement System (CalPERS) 2021 experience study and Circular 200-006-22

[1] Annual Required Contribution in fiscal years 2014 through 2017
EPMC – Employer Paid Member Contribution

CalPERS History of Investment Returns



Pension Funded Ratio



FY 2024/25
(6/30/2022 Valuation Date)

Accrued Liability
$2.88 billion

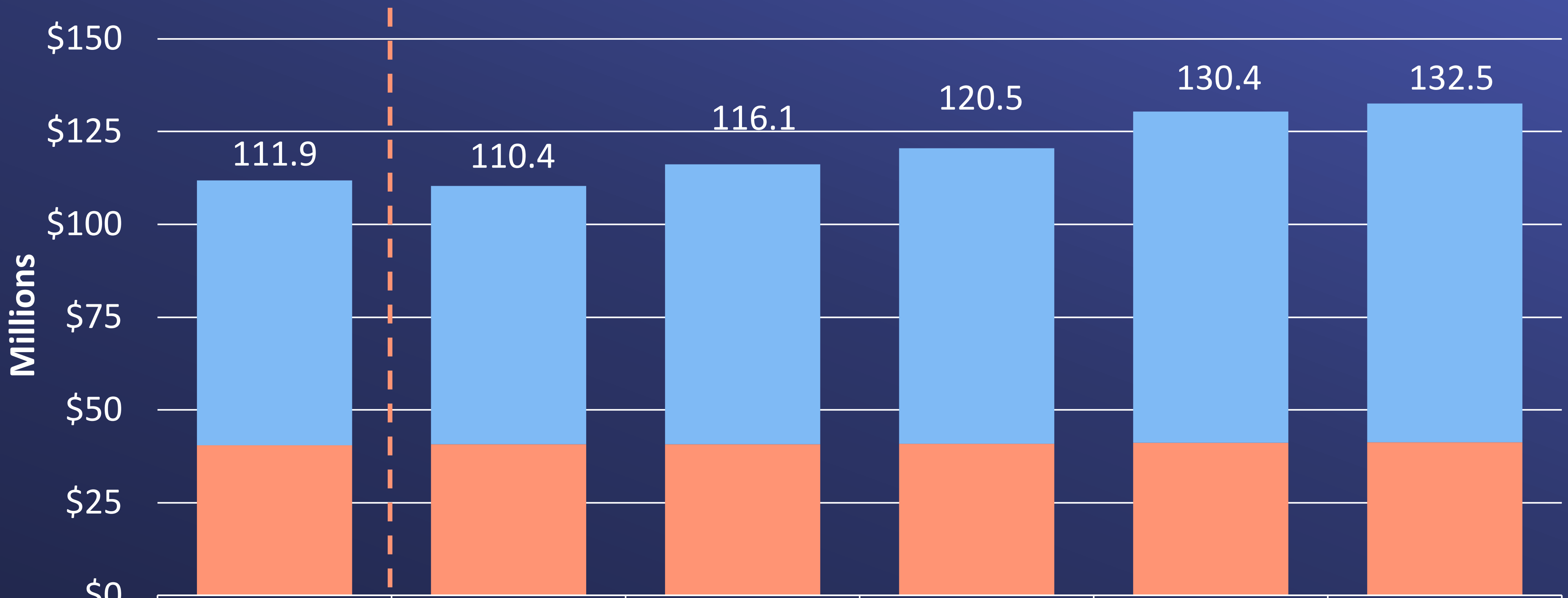
Market Value of Assets
$2.02 billion

Unfunded Accrued Liability
$859.24 million

MVA Funded Ratio
70.1%

Source: CalPERS Actuarial Report – Miscellaneous Plan

Pension Projected Future Employer Contribution



	2025	2026	2027	2028	2029	2030
UAL Payment	71,361	69,679	75,469	79,578	89,297	91,198
NC + EPMC	40,521	40,718	40,679	40,904	41,119	41,324

Fiscal Year Ending

UAL – Unfunded Accrued Liability
NC – Normal Cost (Calculated based on projected payroll and does not include the 5.5% pay increase).
EPMC – Employer Paid Member Contribution (Assumed to be constant throughout the years)

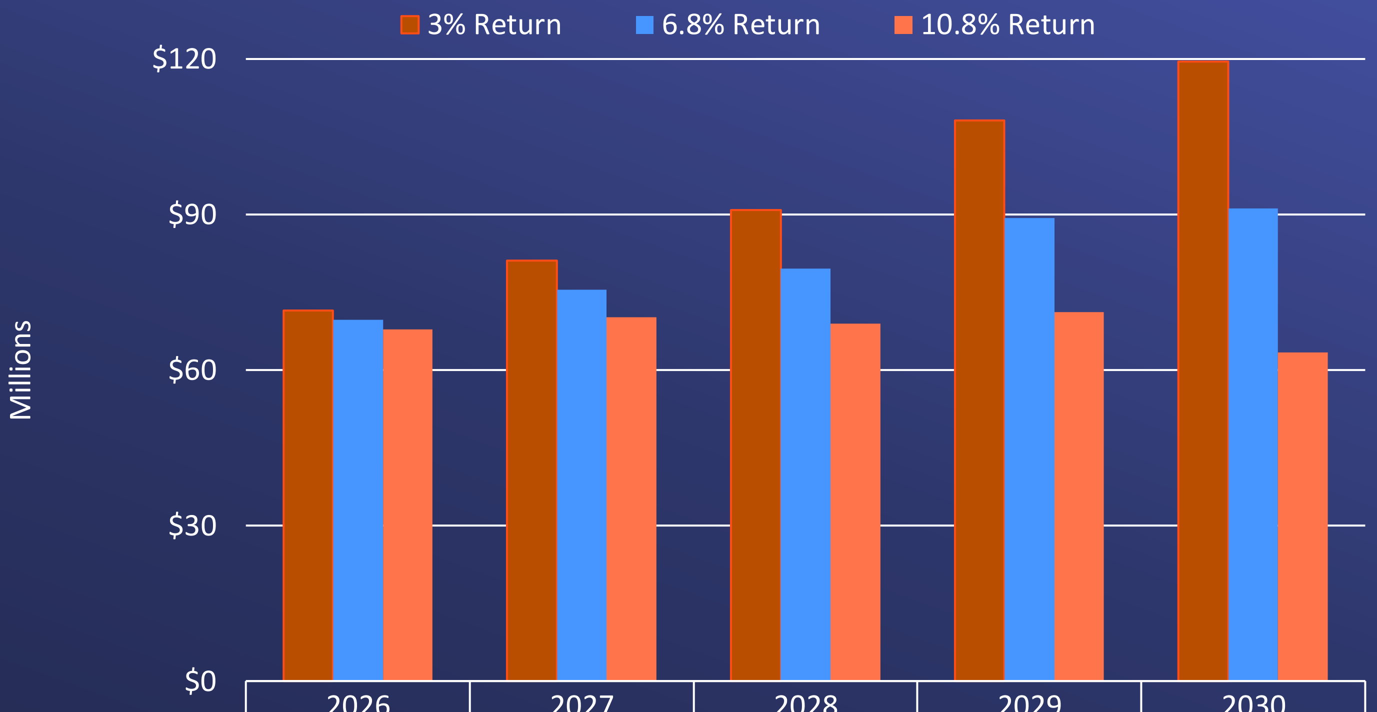
Pension Future Contribution Requirement Based on Various Investment Return Scenarios

Normal Cost & EPMC Requirement

Year	3.0% Return	6.8% Return (Expected)	10.8% Return[1]
2026	$40.7M	$40.7M	$41.3M
2027	$40.7M	$40.7M	$42.1M
2028	$40.9M	$40.9M	$42.9M
2029	$41.1M	$41.1M	$43.8M
2030	$41.3M	$41.3M	$45.0M

[1] Impact on normal cost of the CalPERS Funding Risk Mitigation policy

Projected UAL Payment Under Alternative Return Scenarios



	2026	2027	2028	2029	2030
3% Return	71,539	81,068	90,817	108,102	119,524
6.8% Return	69,679	75,469	79,578	89,297	91,198
10.8% Return	67,892	70,193	68,952	71,154	63,366

Fiscal Year Ending

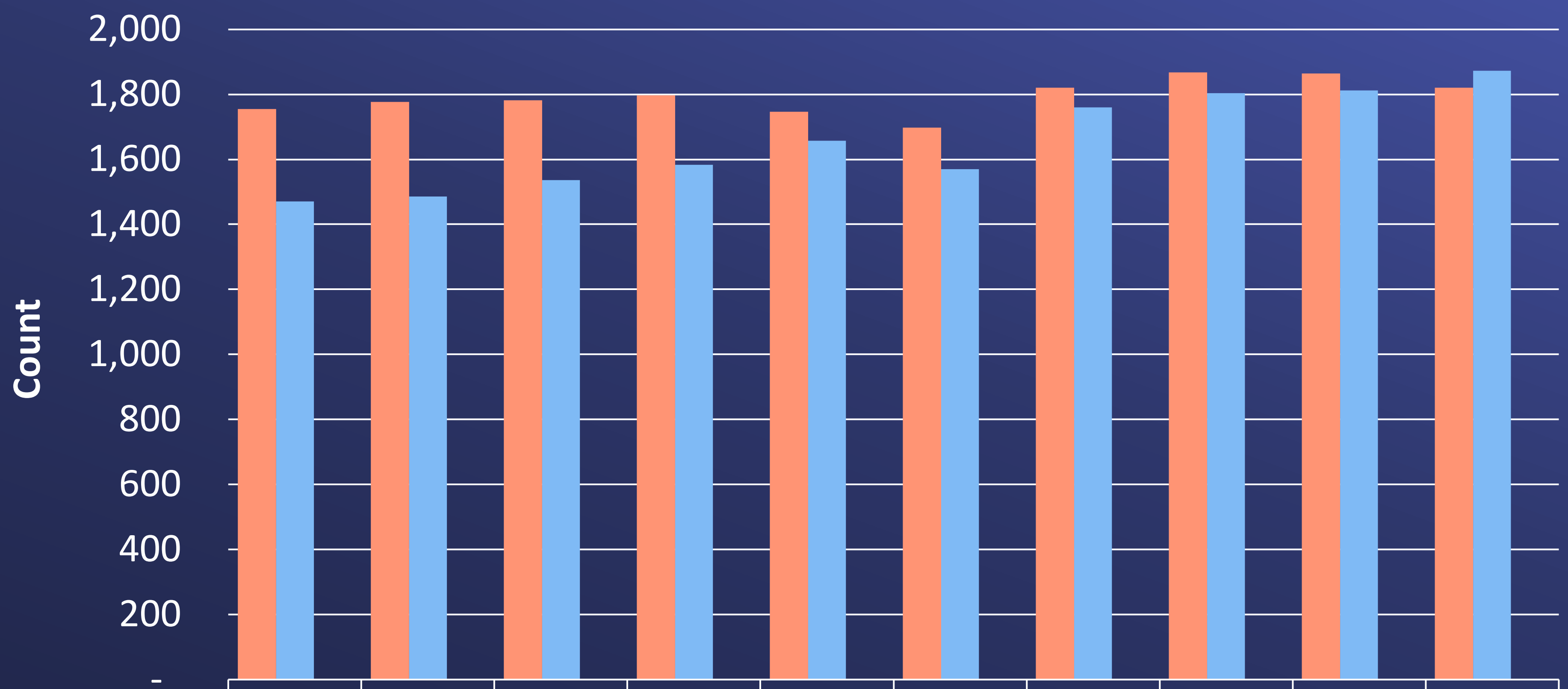
Pension UAL Sensitivity

Impact of Investment Losses on Fiscal Year 2026 UAL Contribution

Rate of Return	UAL
6.8% (Expected Return)	$69.7M
-5.20% (1 Standard Deviation)	$75.6M
-17.20% (2 Standard Deviation)	$81.4M

OPEB Background

OPEB Historical Participant Count

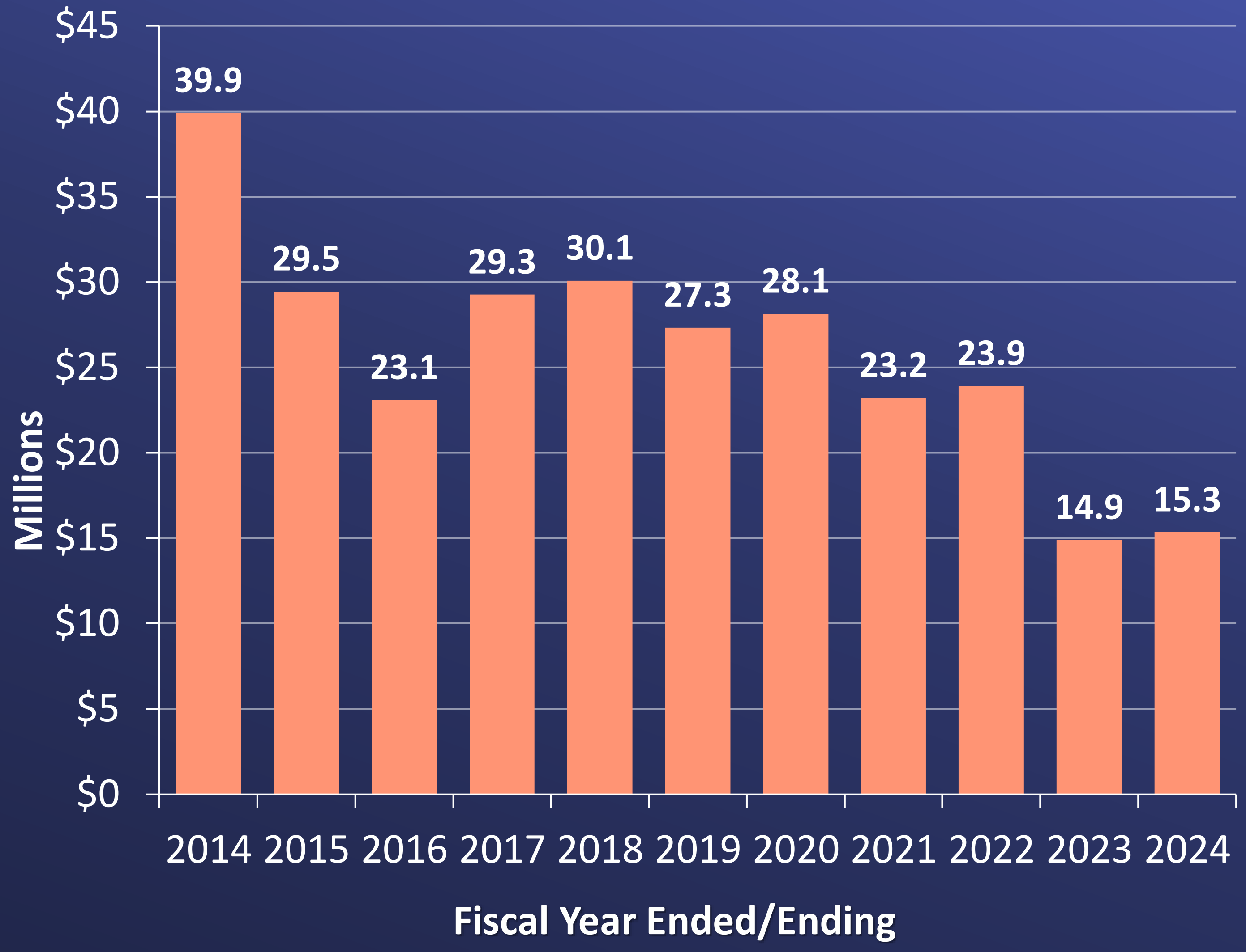


	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actives	1,755	1,777	1,782	1,796	1,747	1,698	1,820	1,867	1,864	1,821
Retirees	1,470	1,486	1,536	1,583	1,658	1,569	1,759	1,803	1,812	1,872
Ratio (Active/Ret)	1.19	1.20	1.16	1.13	1.05	1.08	1.03	1.04	1.03	0.97

Fiscal Year Ended

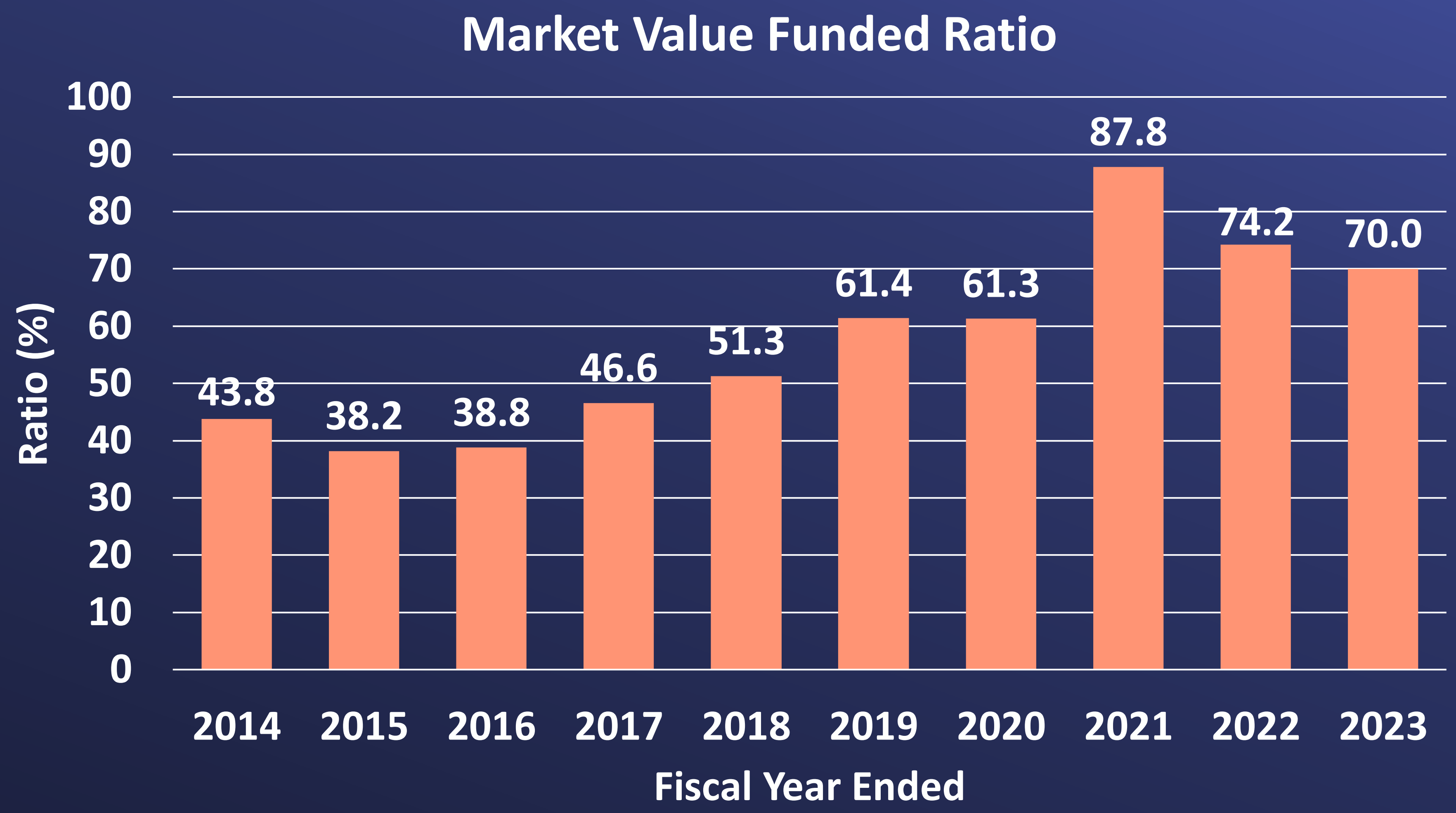
OPEB Actuarially Determined Contribution[1]

- In September 2013, Metropolitan established the OPEB Trust with an initial investment of $40M in CalPERS California Employers' Retirement Benefit Trust (CERBT)
- In June and July of 2014 an additional $50M each was contributed to the trust **(total of $140 million)**
- The Board has approved to contribute the full ADC annually since fiscal year 2014 as part of the adopted budget



[1] Annual Required Contribution in fiscal years 2013 through 2017

OPEB Funded Ratio



FY 2022/23
(6/30/2023 Valuation Date)

Accrued Liability
$493.6 million

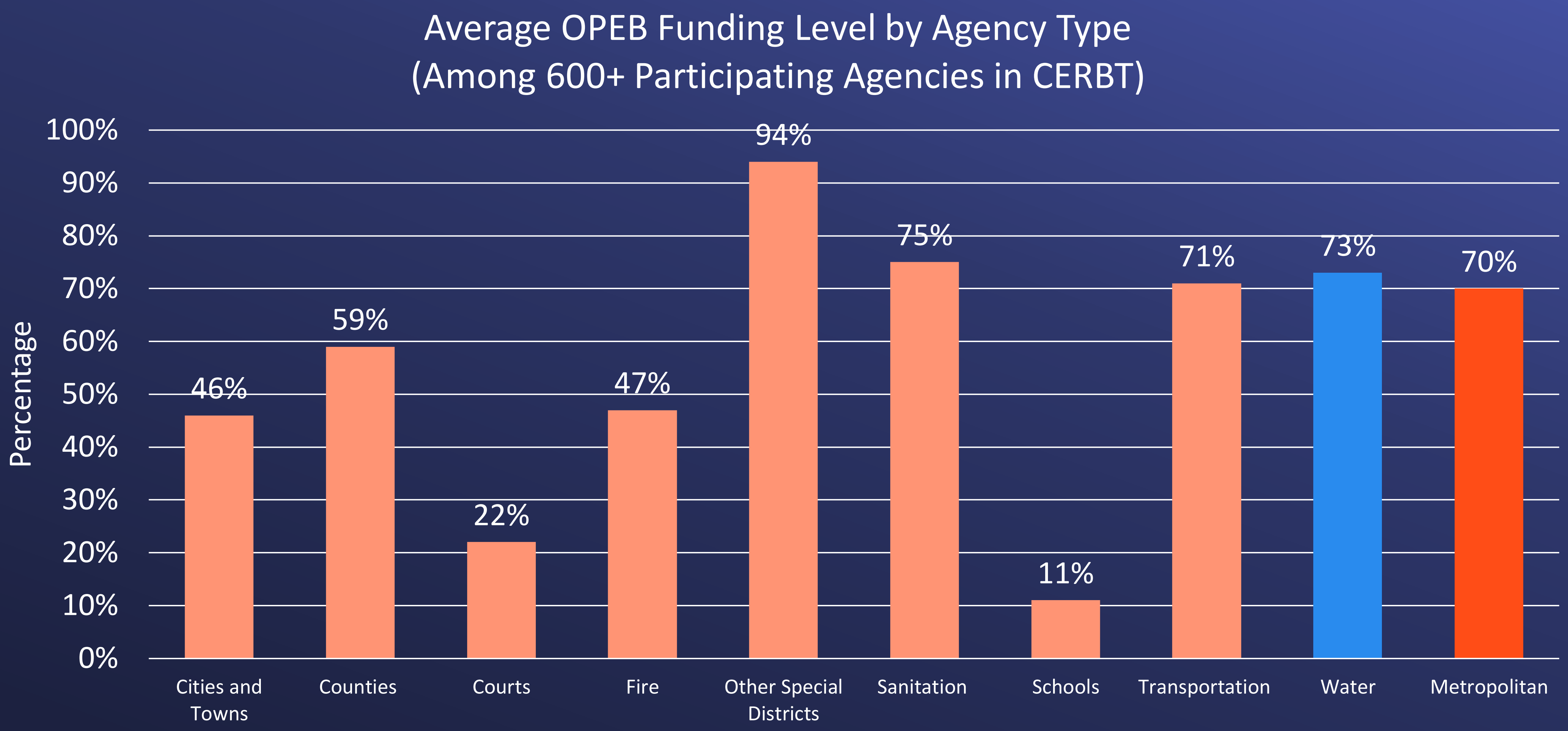
Market Value of Assets
$345.29 million

Unfunded Accrued Liability
$148.31 million

MVA Funded Ratio
70.0%

Source: OPEB Actuarial Reports and CalPERS CERBT Statements

OPEB Funded Status - Benchmarking



Source: CalPERS Data and is based on employer's most recent OPEB Cost Reports

Additional Funding Options

Tools To Proactively Manage Pension and OPEB

Additional Discretionary Payment (ADP) (for pension only)	Additional Section 115 Trust for Pension & OPEB
• CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount • These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings • Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue • Liquidity considerations • CalPERS maintains investment control	• Agencies may establish trust funds in addition to and separate from CalPERS & CERBT that are funded with voluntary employer contributions • Section 115 Trusts can help to stabilize future cash flows & reduce volatility in budget • Can serve as a catch up, keep up, and level-out strategy • More direct investment control by employer, tailored to investment goals and risk tolerance • Higher investment income relative to traditional pooled cash (not limited by Govt Code) • Reduces UAL for OPEB, but not for pension • Liquidity considerations

Section 115 Trust Providers

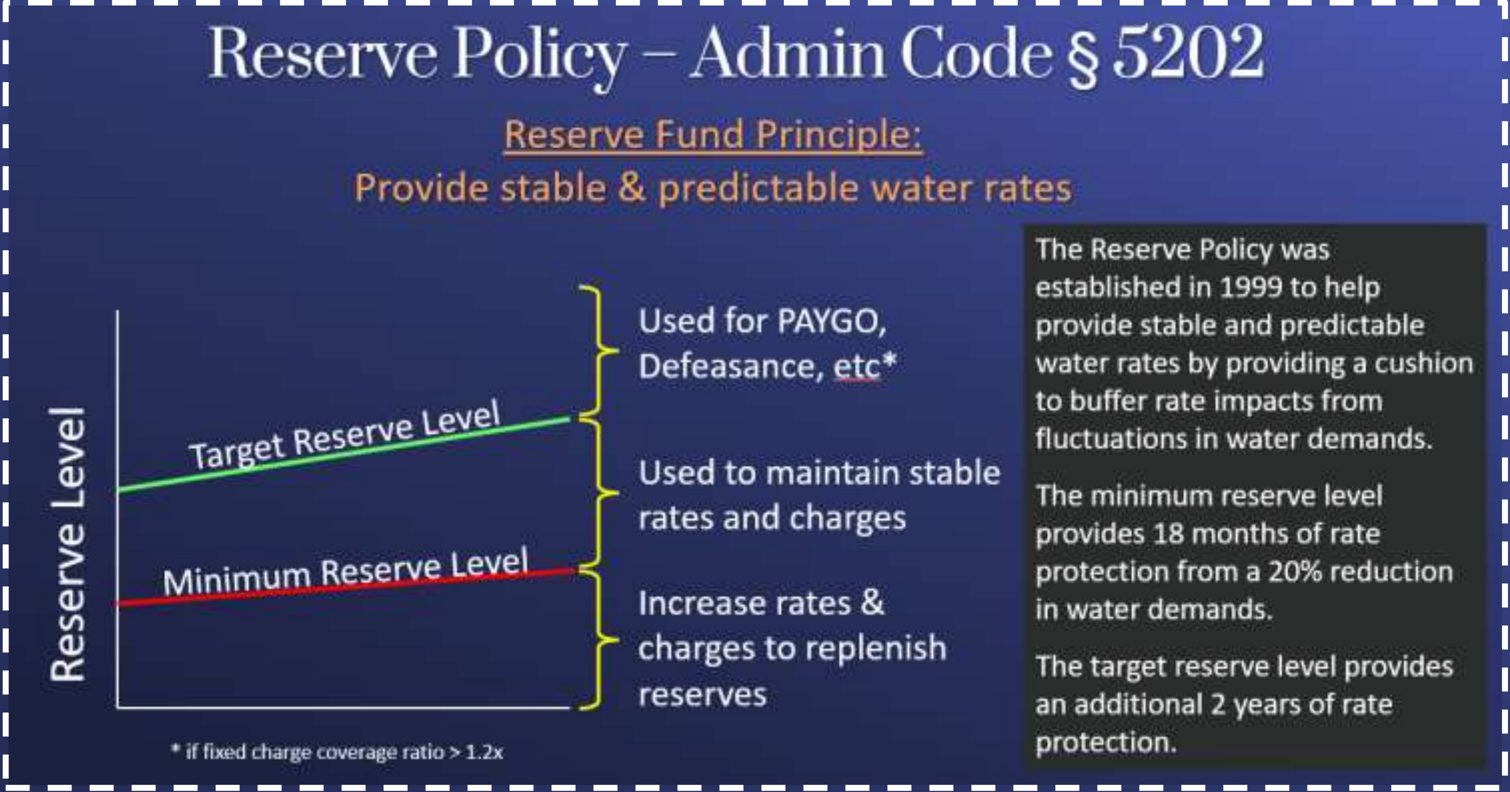
- Several different fund managers/administrators exist (not an exhaustive list)
  - PARS – Public Agency Retirement Services
  - PFM Asset Management
  - Keenan
  - CalPERS
    - California Employers' Pension Prefunding Trust (CEPPT)
    - California Employers' Retirement Benefit Trust (CERBT)

Conclusion

- Metropolitan's pension and OPEB plans are in a **healthy position with strong funding levels**
  - ➢ Metropolitan will benefit from future pension cost savings as classic members retire and new PEPRA members are hired due to statewide pension reforms
  - ➢ Nonetheless, broad market risks remain and employer UAL costs continue to escalate, particularly for pensions, in the near-term
- Metropolitan **fully funds the ADC** for both pension and OPEB, consistent with best practices
- Tools and options exist to help accelerate paydown of Metropolitan's pension and OPEB liabilities such as the ADP for pensions and a new Section 115 Trust for pension and OPEB

Conclusion (continued)

- Importantly, any additional funding to a Section 115 Trust or additional discretionary payments to CalPERS for pensions, must be considered against the backdrop of:
  - Metropolitan's limited resources
  - Prioritization of needs
  - Liquidity and unrestricted reserve levels



The FY 23/24 projected unrestricted reserve does not support this investment, nor is it practical over the term of the recently adopted biennial budget. Staff will continue to monitor financial conditions and report back to the Board as appropriate.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Report

Finance Group and Administrative Services Section

- **Finance and Administrative Services Activities Report**

Summary

This report provides a summary of the Finance group and Administrative Services section activities for April 2024 and May 2024

Purpose

Informational

Attachments

Attachment 1–Finance group and Administrative Services section activities for April 2024 and May 2024

Date of Report: 6/11/2024

Finance Group and Administrative Services Section Activities Report for April 2024 and May 2024

Maintain Strong Financial Position

Provide timely and discerning financial analyses, planning, and management to ensure that forecasted revenues are sufficient to meet planned expenses and provide a prudent level of reserves consistent with board policy.

In April the Board approved the Biennial budget for fiscal years 2024/25 and 2025/26 with overall rate increases of 8.5 percent in CY 2025 and 8.5 percent for CY 2026, which includes the Capital Investment Plan and revenue requirements for fiscal years 2024/25 and 2025/26 and the ten-year financial forecast.

Manage risk to protect Metropolitan's assets against exposure to loss.

The Risk Management Unit completed 54 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits, and spills.

Risk Management completed 52 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events, and film permits.

Business Continuity

Facilitate district-wide planning and training to prepare employees and managers to effectively carry out critical roles and recover mission essential functions thus ensuring continuity of operations and resiliency in the event of a disaster.

Manage the Business Continuity Management Program in accordance with Operating Policy A-06.

- In conjunction with Information Technology, continued planning for employee webinars focused on creating awareness about alternate ways of accessing systems.
- Continued working with the district on Business Continuity Plan updates and approvals.
- In conjunction with the core planning team, continued working on the district-wide Local Hazard Mitigation Plan.
- Collaborated with the Office of Safety, Security and Protection to develop guidelines and training for emergency communications using the MetAlert employee emergency notification system.
- Conducted a Business Continuity plan update kickoff meeting for Water Quality.

Financial Management

Manage Metropolitan's finances in an ethical and transparent manner and provide consistent, clear, and timely financial reporting. Update Metropolitan's capital financing plans and work with rating agencies and investors to communicate Metropolitan's financial needs, strategies, and capabilities, thus ensuring that Metropolitan has cost effective access to capital markets and the ability to finance ongoing future needs. In addition, actively manage Metropolitan's short-term investment portfolio to meet ongoing liquidity needs and changing economic environments

Record and report the financial activities of Metropolitan in a timely, accurate, and transparent manner to the Board, executive management, member agencies, and the financial community.

- Water Transactions for April 2024 (for water delivered in February 2024) totaled 60.1 thousand acre-feet (TAF), which was 32.6 TAF lower than the budget of 92.7 TAF and translate to $57.6 million in receipts for April 2024, which was $33.9 million lower than budget of $91.5 million.

- Year-to-date water transactions through April 2024 (for water delivered in May 2023 through February 2024) were 1,014.9 TAF, which was 302.8 TAF lower than the budget of 1,317.7 TAF. Year-to-date water receipts through April 2024 were $1,015.4 million, which was $300.0 million lower than the budget of $1,315.4 million.
- In April 2024, Accounts Payable processed approximately 3,500 vendor invoices for payment.

Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities, ensure cost-effective access to capital markets, and maintain long-term bond ratings of AA or better.

Metropolitan priced its $367 million 2024 Series A bonds at favorably low spreads to industry benchmark indices, resulting in a true interest cost (TIC) of 3.08 percent for bonds with a final maturity of April 1, 2054. Treasury and Debt Management staff and the financing team continued to refine the structure and develop documentation for Metropolitan's 2024 Series B bonds, anticipated to price and close in June 2024. Both the Treasury and Debt Management Staff developed and released RFQs for the solicitation of services related to investment management and municipal advisory engagements.

Prudently manage the investment of Metropolitan's funds in accordance with policy guidelines and liquidity considerations.

As of April 30, 2024, Metropolitan's investment portfolio balance was $1.08 billion; the total April earnings were $3.5 million, and the effective rate of return was 4.38 percent.

Treasury staff managed daily cash flow to cover Metropolitan's operational expenditures and invest excess funds.

In April 2024, Metropolitan's portfolio manager executed three buy trades. Treasury staff completed the following transactions:

- 39 Dreyfus Cash Management Fund transactions
- 21 CAMP Investment Pool transactions
- $34.7 million in Metropolitan's bond and SWAP payments
- 1,183 disbursements by check, 21 by Automated Clearing House (ACH), and 162 by wire transfer
- 81 receipts by check, 29 by ACH, and 50 by incoming wires and bank transfers
- Stop unauthorized ACH 4 times

The Treasury staff also processed for DCA the following transactions:

- Received and deposited 16 checks totaling $3.77 million
- Issued 5 checks and 20 wires totaling approximately $4.09 million

In addition, Treasury staff processed 21 professional services invoice payment requests totaling approximately $0.46 million.

Furthermore, 8,896 P-One Card transactions, totaling $1.3 million, recorded in the April bank statement were monitored by the P-One Card Administrator.

Administrative Services

Accomplishments

A major U.S. supplier that provided bulk chlorine trans-loading for over 15 years to Metropolitan ceased trans-loading operations at one of their terminals. In response to this urgent circumstance, the Procurement Team sourced, negotiated, and executed a new replacement contract with a second supplier, thereby helping ensure continuity of operations.

The Procurement Team also successfully renewed a contract option with another major supplier of bulk chlorine and negotiated better terms and conditions, resulting in less operational risk for Metropolitan.