



**FINANCE COMMITTEE MEETING
MONTECITO WATER DISTRICT
583 SAN YSIDRO ROAD, MONTECITO, CALIFORNIA
TUESDAY, JULY 17, 2018
AT 9:30 AM**

AGENDA

1) CALL TO ORDER, DETERMINATION OF COMMITTEE QUORUM

2) PUBLIC FORUM

This portion of the agenda may be utilized by any person to address the Finance Committee on any matter within the jurisdiction of the Committee. No consideration or discussion shall be undertaken by Committee members at this time on any item not appearing on this agenda except as permitted by the Ralph M. Brown Act. Discussion items receiving recommendations by the Committee, and/or items requiring action will be placed on the agenda of a future meeting of the Montecito Water District Board of Directors.

3) ITEMS FOR COMMITTEE DISCUSSION

- A. Review Unaudited District Monthly Financial Reports for June 2018
- B. Discuss Cash Flow Regarding Emergency Spending
- C. Review CalPERS Annual Unfunded Liability Lump-sum Payment

4) DIRECTOR REQUESTS

5) ADJOURNMENT

This agenda was posted at the Montecito Water District front counter and outside front wall at 5:00 pm, June 15, 2018. The Americans with Disabilities Act provides that no qualified individual with a disability shall be excluded from participation in, or denied the benefits of, the District's programs, services or activities because of any disability. If you need special assistance to participate in this meeting, please contact the District Office at (805) 969-2271. Notification at least twenty-four (24) hours prior to the meeting will enable the District to make appropriate arrangements. Materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet are available for public inspection in the Montecito Water District offices located at 583 San Ysidro Road, Montecito, CA during normal business hours.

**MONTECITO WATER DISTRICT
MEMORANDUM**

SECTION: 3-A

DATE: JULY 17, 2018

TO: FINANCE COMMITTEE

FROM: BUSINESS MANAGER

SUBJECT: JUNE 2018 FINANCIAL REPORTS

RECOMMENDATION:

For information and discussion only.

BACKGROUND:

Each month, staff prepares a financial package that contains information comparing actual results against the budget, historical activity and other statistical data in order to identify potential fluctuations and/or trends. The information is reported to the Finance Committee and then to the Board of Directors, on a timely basis, for further discussion and appropriate Board action, if applicable.

Included in this financial package are the **Monthly Financial Statements** which include the Statement of Revenue and Expenditures and accompanying footnotes, the Statement of Net Position and the Statement of Cash Flows. These reports are prepared on an accrual basis and formatted much the same as the Annual Audited Financial Statements. These reports are prepared to provide the District's Board of Directors and customers with information about the activities and performance of the District during the month using accounting methods similar to those used by private sector companies and consistent with generally accepted accounting principles.

The financial package also includes **Dashboard Reports** which graphically depict various water sales data including water sales by classification, water sales for trailing 12, 24 and 36 months, water sales by tier and several other key trend indicators. The **Water Sales Analysis** and the **Metered Water Sales Report** track current year activity in both units of water sold (acre feet) and metered water sales.

ANALYSIS:

1. WATER SALES ANALYSIS – JUNE 2018

MONTH TO DATE WATER SALES (AF)				
CLASSIFICATION	ACTUAL	BUDGET	VARIANCE	
			AF	%
Single Family	278.72	277.35	1.37	0.5%
Multi Family	5.52	7.31	(1.80)	(24.6%)
Agricultural	37.84	44.97	(7.13)	(15.9%)
Institutional	26.01	39.16	(13.15)	(33.6%)
Commercial	19.96	26.90	(6.93)	(25.8%)
Non-Potable	16.07	13.81	2.26	16.4%
Monthly Total	384.12	409.50	(25.38)	(6.2%)

YEAR TO DATE WATER SALES (AF)				
CLASSIFICATION	ACTUAL	BUDGET	VARIANCE	
			AF	%
Single Family	2,817.74	2,818.51	(0.77)	(0.0%)
Multi Family	60.01	85.90	(25.89)	(30.1%)
Agricultural	319.59	303.94	15.65	5.1%
Institutional	247.11	367.62	(120.51)	(32.8%)
Commercial	213.93	315.40	(101.47)	(32.2%)
Non-Potable	124.69	108.23	16.46	15.2%
Yearly Total	3,783.07	3,999.60	(216.53)	(5.4%)

A. Water Sales in Acre Feet (AF)

During the month of June 2018, MWD sold 384.1 AF of water to its customers compared to a budgeted amount of 409.5 AF which translates to a budget variance of -25.4 AF or -6.2%. The reason for the variance has to do with the budget process and timing combined with some customers still not receiving service.

B. Sales by Classification

YEAR TO DATE WATER SALES (\$)				
CLASSIFICATION	CURRENT YTD	BUDGET YTD	VARIANCE	
			\$	%
Single Family	\$ 6,965,646	\$ 7,065,767	\$ (100,121)	(1.4%)
Multi Family	141,215	213,625	(72,410)	(33.9%)
Agricultural	447,492	423,019	24,473	5.8%
Institutional	668,889	958,416	(289,527)	(30.2%)
Commercial	575,380	857,934	(282,554)	(32.9%)
Non-Potable	76,042	70,579	5,463	7.7%
Adjustments	-	-	-	0.0%
Monthly Total	\$ 8,874,664	\$ 9,589,340	\$ (714,676)	(7.5%)

2. STATEMENT OF REVENUE AND EXPENDITURES – JUNE 2018

A. Revenues

Total Revenue YTD as of June 30, 2018 is \$18,908,327 compared to the YTD Budget of \$19,847,756 for a budget variance of -\$939,429 or -4.9%.

REVENUE	YTD ACTUAL	YTD BUDGET	FAVORABLE (UNFAVORABLE)
WATER SALES	8,874,664	9,589,341	(714,677)
WSE SURCHARGE	5,354,276	5,117,580	236,696
ORDINANCE 94 PENALTIES	(3,105)	-	(3,105)
SERVICE CHARGES	3,889,391	4,274,803	(385,412)
WATER AVAILABILITY CHARGE	304,609	306,499	(1,890)
PRIVATE FIRE HYDRANT	69,842	66,251	3,591
LATE CHARGES	50,492	51,018	(526)
SERVICE CONNECTION FEES	22,459	29,906	(7,447)
CAPITAL COST RECOVERY FEES	56,904	232,358	(175,454)
INTEREST REVENUE - GENERAL	127,014	100,000	27,014
OTHER REVENUE (LOSS)	142,017	56,000	86,017
REIMBURSEMENTS	19,762	24,000	(4,238)
TOTAL REVENUE	\$ 18,908,327	\$ 19,847,756	(\$ 939,429)

B. Expenses:

1. JPA Expenses

Total JPA Expenses YTD through June 30, 2018 are \$8,264,108 compared to the YTD budget of \$8,067,035 which is above budget by \$197,073. This variance is due to the variable portion of the SWP being below budget by \$97k, offset by \$131k of supplemental water purchased to repay the AVEK water debt that was not budgeted, Cater Treatment costs \$158k above budget as well as other miscellaneous differences. Please see footnotes to the Financial Statements for further clarification.

2. MWD Expenses

Total MWD Expenses YTD as of June 30, 2018 are \$6,946,152 compared to the YTD budget of \$6,955,181 which is below budget by \$9,029. This variance is primarily due to the following factors – **Engineering**, outside services are over by \$98k, a recycled water feasibility study has not yet been completed (\$31k), SGMA Study has not incurred expected costs (\$15k), as well as other combined variances (\$41k); **Public Information and Conservation**, website development has not yet taken place (\$20k), as well as other combined variances (\$44k); **Administration**, local water supply negotiations planned but not completed (\$195k), reduced insurance premiums (\$50k), offset by Legal expenses over budget by \$178k, as well as other combined variances of (\$52k). Please see footnotes to the Financial Statements for further clarification.

ATTACHMENTS:

- 1) Financial Package – June 2018



FINANCIAL REPORTS

FINANCE COMMITTEE MEETING

For the Month of June 2018

July 17, 2018

MONTECITO WATER DISTRICT
STATEMENT OF REVENUE AND EXPENDITURES
 June 30, 2018

MWD EXPENSE	MTD ACTUAL	MTD BUDGET	FAVORABLE (UNFAVORABLE)	YTD ACTUAL	YTD BUDGET	FAVORABLE (UNFAVORABLE)	Footnote
WATER SALES	918,746	955,734	(36,988)	8,874,664	9,589,341	(714,677)	(1)
WSE SURCHARGE	549,213	415,621	133,592	5,354,276	5,117,580	236,696	(1)
ORDINANCE 94 PENALTIES	-	-	-	(3,105)	-	(3,105)	
SERVICE CHARGES	354,491	356,104	(1,613)	3,889,391	4,274,803	(385,412)	(2)
WATER AVAILABILITY CHARGE	1,622	-	1,622	304,609	306,499	(1,890)	
PRIVATE FIRE HYDRANT	5,979	5,420	559	69,842	66,251	3,591	
LATE CHARGES	4,309	4,252	57	50,492	51,018	(526)	
SERVICE CONNECTION FEES	-	7,477	(7,477)	22,459	29,906	(7,447)	
CAPITAL COST RECOVERY FEES	-	58,090	(58,090)	56,904	232,358	(175,454)	(3)
INTEREST REVENUE - GENERAL	11,637	8,333	3,303	127,014	100,000	27,014	(4)
OTHER REVENUE (LOSS)	4,081	4,667	(586)	139,085	56,000	83,085	(5)
REIMBURSEMENTS	2,931	2,000	931	22,693	24,000	(1,307)	
TOTAL REVENUE	\$ 1,853,008	\$ 1,817,697	\$ 35,311	\$ 18,908,327	\$ 19,847,756	(\$ 939,430)	
OPERATING EXPENSE							
DIRECT EXPENSE							
JPA OPERATING EXPENSE							
CACHUMA OPERATIONS & MAINT BOARD (COMB)	39,115	139,744	100,629	615,973	558,974	(56,999)	(6)
CACHUMA CONSERVATION & RELEASE BOARD (CCRB)	8,638	25,913	17,275	103,652	103,652	(0)	(7)
US BUREAU OF RECLAMATION (USBR)	31,097	-	(31,097)	80,803	134,030	53,227	(8)
CATER WATER TREATMENT PLANT	355,000	315,000	(40,000)	1,418,276	1,260,000	(158,276)	(9)
STATE WATER PROJECT (SWP) - FIXED	410,975	410,975	(0)	4,931,705	4,931,704	(1)	
STATE WATER PROJECT (SWP) - VARIABLE	23,543	265,919	242,376	982,000	1,078,675	96,675	(10)
SUPPLEMENTAL WATER PURCHASE	(83,828)	-	83,828	131,697	-	(131,697)	(11)
TOTAL JPA OPERATING EXPENSE	\$ 784,541	\$ 1,157,551	\$ 373,011	\$ 8,264,108	\$ 8,067,035	(\$ 197,073)	
MWD DIRECT EXPENSE							
JAMESON	10,296	8,763	(1,533)	137,826	110,717	(27,109)	(12)
TRANSMISSION & DISTRIBUTION	127,296	114,057	(13,240)	1,446,418	1,417,071	(29,347)	(13)
TREATMENT	108,175	91,395	(16,781)	1,192,925	1,139,312	(53,613)	(14)
TOTAL MWD DIRECT EXPENSE	\$ 245,768	\$ 214,215	(\$ 31,553)	\$ 2,777,169	\$ 2,667,100	(\$ 110,069)	
MWD INDIRECT EXPENSE							
ENGINEERING	88,990	30,464	(58,526)	532,715	520,894	(11,821)	(15)
CUSTOMER SERVICE	24,657	33,184	8,527	412,531	396,607	(15,924)	(16)
PUBLIC INFORMATION / CONSERVATION	9,891	15,349	5,458	72,345	136,919	64,574	(17)
FLEET	25,830	14,078	(11,752)	205,099	168,323	(36,776)	(18)
ADMINISTRATION (incl Depreciation)	286,424	215,073	(71,350)	2,946,293	3,065,338	119,045	(19)
TOTAL MWD INDIRECT EXPENSE	\$ 435,791	\$ 308,148	(\$ 127,643)	\$ 4,168,983	\$ 4,288,081	\$ 119,098	

	MTD ACTUAL	MTD BUDGET	FAVORABLE (UNFAVORABLE)
TOTAL MWD EXPENSE	\$ 681,558	\$ 522,363	(\$ 159,196)
TOTAL OPERATING EXPENSE	\$ 1,466,099	\$ 1,679,914	\$ 182,262
NET OPERATING SURPLUS / (DEFICIT)	\$ 386,909	\$ 137,783	\$ 249,126
NON OPERATING EXPENSE			
2004 DWR ORTEGA LOAN	(76,448)	(295,200)	218,752
BOND INTEREST EXPENSE	-	(345,231)	345,231
CATER DWR LOAN	-	(109,576)	109,576
CATER CAPITAL	-	(129,669)	129,669
CATER OZONE	-	(138,150)	138,150
TOTAL NON OPERATING EXPENSE	(\$ 76,448)	(\$ 1,017,826)	\$ 941,378
NET OPERATING SURPLUS / (DEFICIT)	\$ 310,460	(\$ 880,043)	\$ 1,190,503
NET POSITION, BEGINNING OF PERIOD	\$ 31,631,677	\$ 32,705,435	(\$ 1,073,759)
NET POSITION, END OF PERIOD	\$ 31,942,137	\$ 31,825,392	\$ 116,745

YTD ACTUAL	YTD BUDGET	FAVORABLE (UNFAVORABLE)
\$ 6,946,152	\$ 6,955,181	\$ 9,029
\$ 15,210,260	\$ 15,022,216	(\$ 298,113)
\$ 3,698,067	\$ 4,825,541	(\$ 1,127,474)
(155,612)	(590,400)	434,788
(345,231)	(690,462)	345,231
(231,647)	(225,400)	(6,247)
-	(132,300)	132,300
(276,346)	(276,300)	(46)
(\$ 1,008,835)	(\$ 1,914,862)	\$ 906,027
\$ 2,689,232	\$ 2,910,679	(\$ 221,447)
\$ 29,252,905	\$ 28,992,747	\$ 260,158
\$ 31,942,137	\$ 31,903,426	\$ 38,711

(20)
(21)
(22)

June 30, 2018

FOOTNOTES

- (1) **WATER SALES (in AF) - MTD UNDER** Actual 384.1 and Budget 409.5 = Variance -25.4; **YTD UNDER** Actual 3,783.1 and Budget 3,999.6 = Variance -216.5
*The WSE is over budget while water sales are under budget due to the fact that it was budgeted at \$2.33/AF, but remains at \$3.45/AF in actuals
- (2) **SERVICE CHARGES - MTD UNDER by \$2k** - Monthly Service Charges lost due to 1/9 event;
YTD UNDER \$385k - Meter Service Charge was forgiven for the month of January due to the 1/9 event combined with continued monthly loss
- (3) **CAPITAL COST RECOVERY - MTD UNDER by \$58k; YTD UNDER by \$175k** - Anticipated new meter installations have not occurred
- (4) **INTEREST REVENUE - YTD OVER by \$27k** - Mainly due to realized interest on the sale of T-Bills used to make the State Water Project fixed cost payment
- (5) **OTHER REVENUE - YTD OVER by \$83k** - \$42k ACWA/JPIA refund, \$5k Recycling and \$34 Gain on the sale of fixed assets
- (6) **COMB - MTD UNDER by \$100k** - timing with budget amounts; **YTD OVER by \$57k** - actual billings came in higher for the year
- (7) **CCRB - MTD OVER by \$17k** - due to timing differences
- (8) **USBR - MTD OVER by \$31k** - timing of budgeted amounts; **YTD UNDER \$53k** - Actuals came in lower for the year
- (9) **CATER WTP - MTD OVER by \$40k** - This is an accrual based on the average of the prior 3 quarterly billings
YTD OVER by \$158k - Anticipated actual billings are higher than budgeted amounts, Cater Capital not tracked separately (see footnote 22)
- (10) **STATE WATER PROJECT (VARIABLE) -MTD UNDER by \$242k** - timing with budget amounts; **YTD UNDER by \$97K** - Anticipated slow down in billing occurred
- (11) **SUPPLEMENTAL WATER PURCHASE - MTD UNDER by \$83k** - Actual cost of accrued liability was less than anticipated when invoice was received
YTD OVER by \$132k - Net purchases from Santa Maria to leave \$500,000 in Water Repayment Debt to AVEK relating to 2015 purchase, actual was \$416k
- (12) **JAMESON - YTD OVER by \$27k** - Outside Services \$37k, Repairs and Maintenance (UNDER) (-\$9K)
- (13) **TRANSMISSION & DISTRIBUTION - MTD OVER by \$13k** - Supplies \$14k
YTD OVER by \$29k - Salaries & Benefits \$12, Supplies \$57k, Repairs and Maint (UNDER) (-\$22k), Garbage (UNDER)(-\$8k), Road & Paving (UNDER) (-\$8k) and Utilities (UNDER) (-\$8k)
- (14) **TREATMENT - MTD OVER by \$17k** - Outside Services \$8k Supplies \$4k, Chemicals \$2k; Utilities \$2k
YTD OVER by \$53k - Salaries & benefits \$10k, Supplies \$40k, Chemicals \$16k, Outside Services \$14k and Repairs & Maint. (UNDER)(-\$28k)
- (15) **ENGINEERING - MTD OVER by \$58k** - Outside Svcs. \$27k, Recycled Water Feasibility Study (timing) \$20k and SGMA (timing) \$10k
YTD OVER by \$12k - Supplies 13k, Outside Services \$97k, GIS (-\$5k), SGMA (-\$10k), Fish Relocation (-\$16k), Cloud Seeding (cancelled) (-\$11), Recycled Water Feasibility (-\$31k), and Salaries and Benefits (-\$25k)
- (16) **CUSTOMER SERVICE - MTD UNDER by \$8k** - Salaries and Benefits (-\$6k), Repairs & Maintenance (-\$3k); **YTD OVER by \$16k** - Salaries and Benefits \$50k, Repairs and Maint (UNDER) (-\$35k)
- (17) **PUBLIC INFORMATION / CONSERVATION - MTD UNDER by \$5k** - Legal-Drought Related (-\$5k)
YTD UNDER by \$64k - Website development (budgeted incorrectly) (-\$20k), Postage (-\$16k), Legal-Special (-\$20k), Conserv Prg (-\$5k), Printing & publishing (\$5k)
- (18) **FLEET - MTD OVER by \$12k** - Fuels \$10K, Salaries and Benefits \$1k, Small Tools \$1k; **YTD OVER by \$36k** - Salaries and Benefits \$14k, Fuels \$16k, Supplies \$6k
- (19) **ADMINISTRATION - MTD OVER by \$71k** - Legal \$27k, Local Water Supply Negotiations (timing) \$36k, Outside Services \$3k, Professional Training \$3k and Rate Study \$2k
YTD UNDER by \$119k - Salaries (-\$42k), Local Water Supply Negotiations (-\$196k), Rate Study (-\$15k), Insurance (-\$50k),-Computer (-\$26k), Building Maintenance (-\$26k), Legal (OVER) \$178k, Outside Svcs (OVER) \$73k
- (20) **2004 DWR Ortega Loan** - The principal and interest were budgeted to this expense, when paid, only the interest was recorded as expense
- (21) **Bond Interest Expense** - The second payment was made 6/29/2018 and was not recorded at the bank as of 6/30/2018, It is on the Balance Sheet in account 1065
- (22) **Cater Capital** - Cater Capital costs are being rolled into the quarterly Cater invoices and are not tracked separately

MONTECITO WATER DISTRICT
STATEMENT OF NET POSITION - UNAUDITED
June 30, 2018

ASSETS

Current:

Cash and investments

Operating accounts

Board reserves:

Reserve for Operations	\$ 3,400,000	
Reserve for Emergencies	\$ 1,000,000	
Reserve for Unanticipated Projects	<u>\$ 1,000,000</u>	
		\$ 5,400,000

Unreserved Cash		<u>\$ 2,380,338</u>
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Total unrestricted cash and investments	\$ 7,780,338	
Restricted - cash and investments	<u>\$ 3,813,590</u>	
Total Cash (unrestricted & restricted)		\$ 11,593,928

Other Investments - Semitropic Shares	\$ 630,000	\$ 630,000
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Receivables:

Accounts receivable - water sales & services, net	\$ 1,831,316	
Accounts receivable - other	\$ 8,320	
Accrued Interest	\$ 20,961	
FEMA Reimbursable	\$ 427,169	
ACWA/JPIA receivable	\$ 383,245	
Materials and supplies inventory	\$ 362,929	
Prepaid water charges (SWP and other prepaid water)	\$ 8,815,765	
Prepaid expenses and other deposits	<u>\$ 113,258</u>	
Total Current Assets		\$ 11,962,963

Noncurrent:

Capital assets - not being depreciated	\$ 1,289,039	
Capital assets - being depreciated, net	<u>\$ 31,299,521</u>	
Total Noncurrent Assets		\$ 32,588,560

DEFERRED OUTFLOWS OF RESOURCES

Deferred pensions	<u>\$ 1,116,776</u>	
Total Deferred Outflows of Resources		\$ 1,116,776

TOTAL COMBINED ASSETS:

\$ 57,892,228

**MONTECITO WATER DISTRICT
STATEMENT OF NET POSITION - UNAUDITED
June 30, 2018 (Continued)**

LIABILITIES

Current:

Accounts payable and accrued expenses	\$	477,272	
Accrued wages and related payables	\$	54,253	
Unearned revenue and other deposits	\$	87,628	
Accrued interest payable	\$	-	
Long-term liabilities - due within one year:			
Accrued compensated absences	\$	-	
Bonds Payable	\$	-	
Loan Payable	\$	635,016	
Total Current Liabilities		\$	1,254,169

Noncurrent:

Accrued compensated absences	\$	369,206	
Accrued water exchange transfer	\$	-	
Bonds payable	\$	13,360,000	
Loan payable	\$	5,864,989	
Other post-employment benefits payable	\$	780,930	
Net pension liability	\$	3,797,410	
Total Noncurrent Liabilities		\$	24,172,536
Total Liabilities		\$	25,426,704

DEFERRED INFLOWS OF RESOURCES

Deferred pensions	\$	523,384	
Total Deferred Inflows of Resources		\$	523,384

NET POSITION

Net investment in capital assets	\$	12,072,809	
Restricted	\$	3,813,590	
Unrestricted	\$	16,055,740	
Total Net Position		\$	31,942,139

TOTAL COMBINED LIABILITIES, DEFERRALS AND NET POSITION:

\$ 57,892,228

MONTECITO WATER DISTRICT
STATEMENT OF CASH FLOWS - UNAUDITED
June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>MTD</u>	<u>YTD</u>
Operating Income (loss)	\$ 375,272	\$ 3,571,053
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	104,458	1,245,734
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	945,211	(622,430)
Materials and supplies inventory	1,382	(115,149)
Prepaid water charges	292,906	(873,525)
Prepaid expenses and other deposits	(6,321)	6,544
Litigation Liability	-	(1,140,668)
Accounts payable	474,653	(673,771)
Accrued wages and related payables	8,437	(512)
Unearned revenue and other deposits	(4,063)	56,062
Accrued water exchange transfer	(500,000)	(1,334,475)
Compensated absences	4,676	28,825
	<hr/>	<hr/>
Net cash provided (used) by operating activities	\$ 1,696,611	\$ 147,688

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(6,800)	\$ (1,807,303)
Interest Payable	-	-
	<hr/>	<hr/>
Net cash provided (used) by capital financing and related activities	\$ (6,800)	\$ (1,807,303)

**MONTECITO WATER DISTRICT
STATEMENT OF CASH FLOWS - UNAUDITED
June 30, 2018 (Continued)**

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

	MTD	YTD
Ortega Interest	\$ (76,448)	\$ (155,612)
Bond Interest	-	(345,231)
Cater DWR Loan	(218,761)	(450,408)
Cater Capital	-	-
Cater Ozone	-	(276,346)
	\$ (295,209)	\$ (1,227,597)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings	\$ 11,637	\$ 127,013
Purchase of underground water banking shares	\$ -	\$ (630,000)
	\$ 11,637	\$ (502,987)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,406,239	\$ (3,390,199)
Cash and cash equivalents, beginning of period	\$ 10,187,689	\$ 14,984,127
Cash and cash equivalents, end of period	\$ 11,593,928	\$ 11,593,928

RECONCILIATION TO STATEMENT OF NET POSITION:

Cash and investments - cash equivalents	\$ 7,780,338	\$ 7,780,338
Restricted cash and investments - cash equivalents	3,813,590	3,813,590
	\$ 11,593,928	\$ 11,593,928



DASHBOARD REPORT WATER SALES (AF)

6/30/2018

MONTH TO DATE WATER SALES (AF)				
CLASSIFICATION	ACTUAL	BUDGET	VARIANCE	
			AF	%
Single Family	278.72	277.35	1.37	0.5%
Multi Family	5.52	7.31	(1.80)	(24.6%)
Agricultural	37.84	44.97	(7.13)	(15.9%)
Institutional	26.01	39.16	(13.15)	(33.6%)
Commercial	19.96	26.90	(6.93)	(25.8%)
Non-Potable	16.07	13.81	2.26	16.4%
Monthly Total	384.12	409.50	(25.38)	(6.2%)

YEAR TO DATE WATER SALES (AF)				
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Agricultural	319.59	303.94	15.65	5.1%
Institutional	247.11	367.62	(120.51)	(32.8%)
Commercial	213.93	315.40	(101.47)	(32.2%)
Non-Potable	124.69	108.23	16.46	15.2%
Yearly Total	3,783.07	3,999.60	(216.53)	(5.4%)

Fiscal Year = July thru June



DASHBOARD REPORT WATER SALES (\$)

MONTH TO DATE WATER SALES (\$)				
CLASSIFICATION	CURRENT MONTH	BUDGET MONTH	VARIANCE	
			\$	%
Single Family	\$ 722,921	\$ 690,569	\$ 32,352	4.7%
Multi Family	12,984	17,191	(4,207)	(24.5%)
Agricultural	52,052	62,487	(10,435)	(16.7%)
Institutional	68,642	102,004	(33,362)	(32.7%)
Commercial	52,344	72,478	(20,134)	(27.8%)
Non-Potable	9,803	11,005	(1,202)	(10.9%)
Adjustments	-	-	-	0.0%
Monthly Total	\$ 918,746	\$ 955,734	\$ (36,988)	(3.9%)

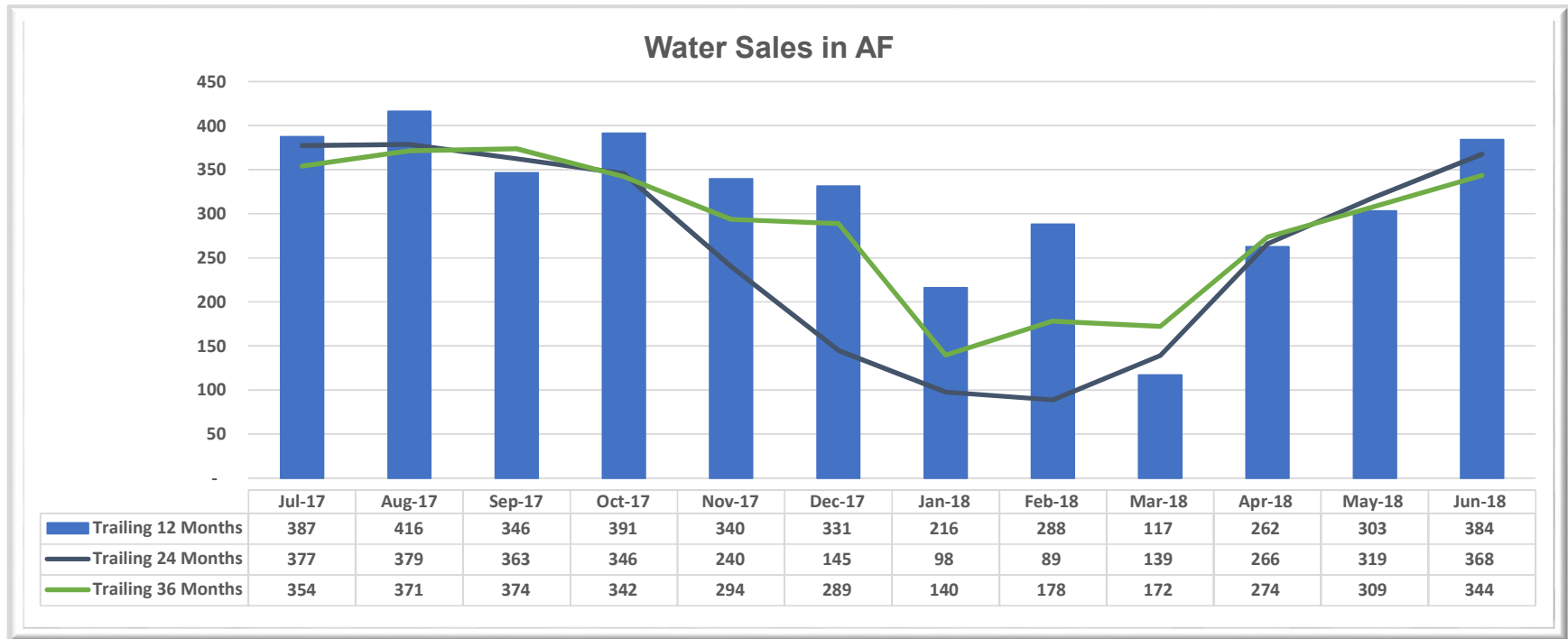
YEAR TO DATE WATER SALES (\$)				
CLASSIFICATION	CURRENT YTD	BUDGET YTD	VARIANCE	
			\$	%
Single Family	\$ 6,965,646	\$ 7,065,767	\$ (100,121)	(1.4%)
Multi Family	141,215	213,625	(72,410)	(33.9%)
Agricultural	447,492	423,019	24,473	5.8%
Institutional	668,889	958,416	(289,527)	(30.2%)
Commercial	575,380	857,934	(282,554)	(32.9%)
Non-Potable	76,042	70,579	5,463	7.7%
Adjustments	-	-	-	0.0%
Monthly Total	\$ 8,874,664	\$ 9,589,340	\$ (714,676)	(7.5%)

Fiscal Year = July thru June

MONTH ENDING

6/30/2018

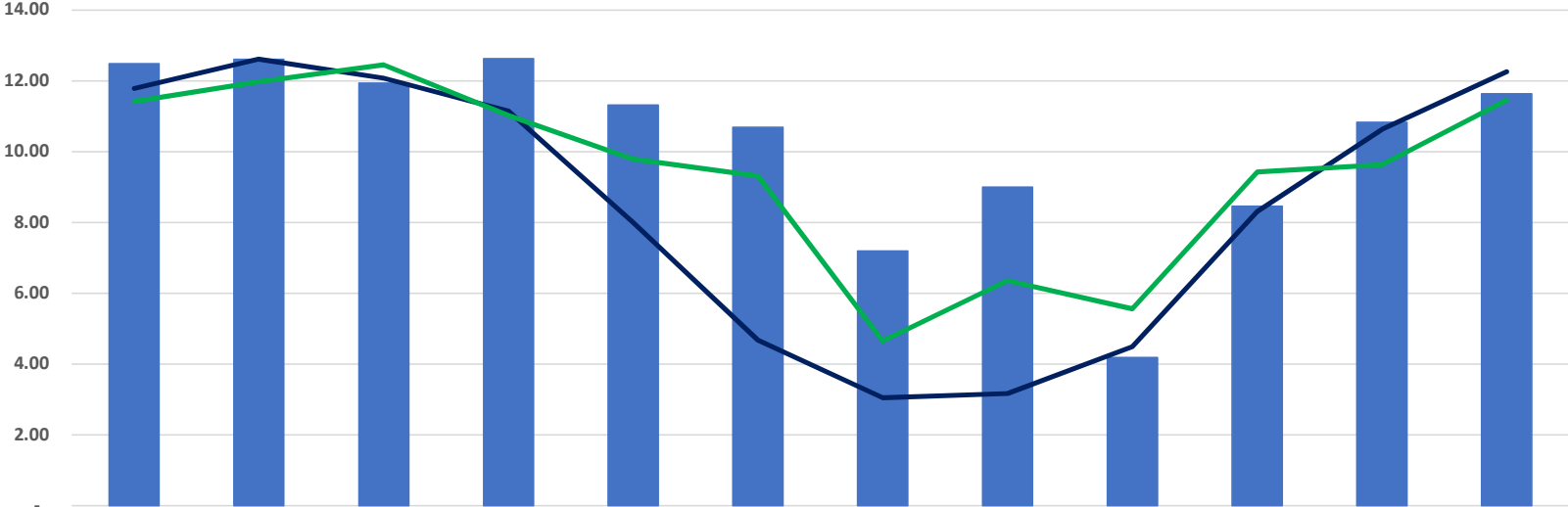
(Select Date From Drop Down Arrow)





6/30/2018

Average Daily Water Sales Per Month (AF)



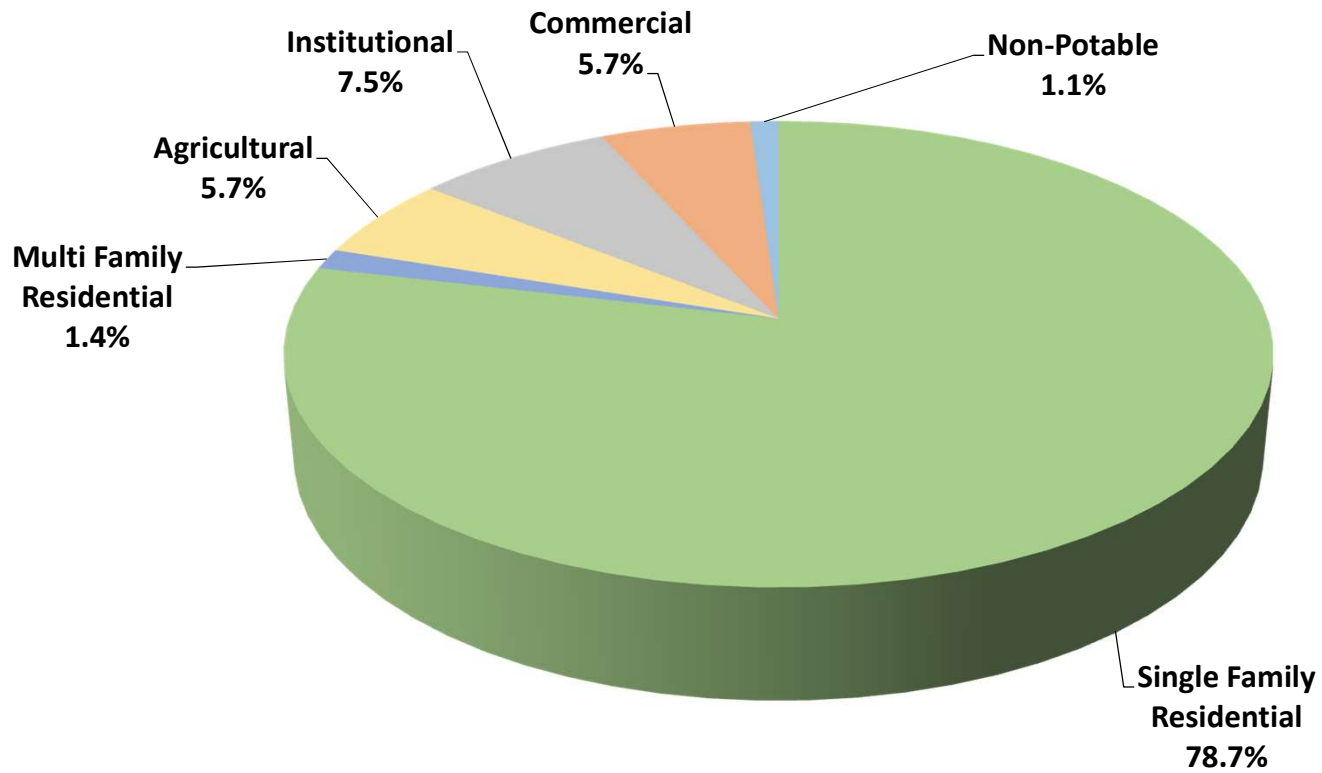
	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Trailing 12 Months	12.49	12.61	11.94	12.63	11.32	10.69	7.20	9.00	4.19	8.46	10.83	11.64
Trailing 24 Months	11.79	12.62	12.08	11.15	8.00	4.68	3.05	3.17	4.49	8.31	10.63	12.26
Trailing 36 Months	11.42	11.98	12.46	11.03	9.79	9.32	4.65	6.36	5.56	9.43	9.64	11.46

MONTH ENDING

6/30/2018

(Select Date From Drop Down Arrow)

Water Sales by Classification - June 30, 2018

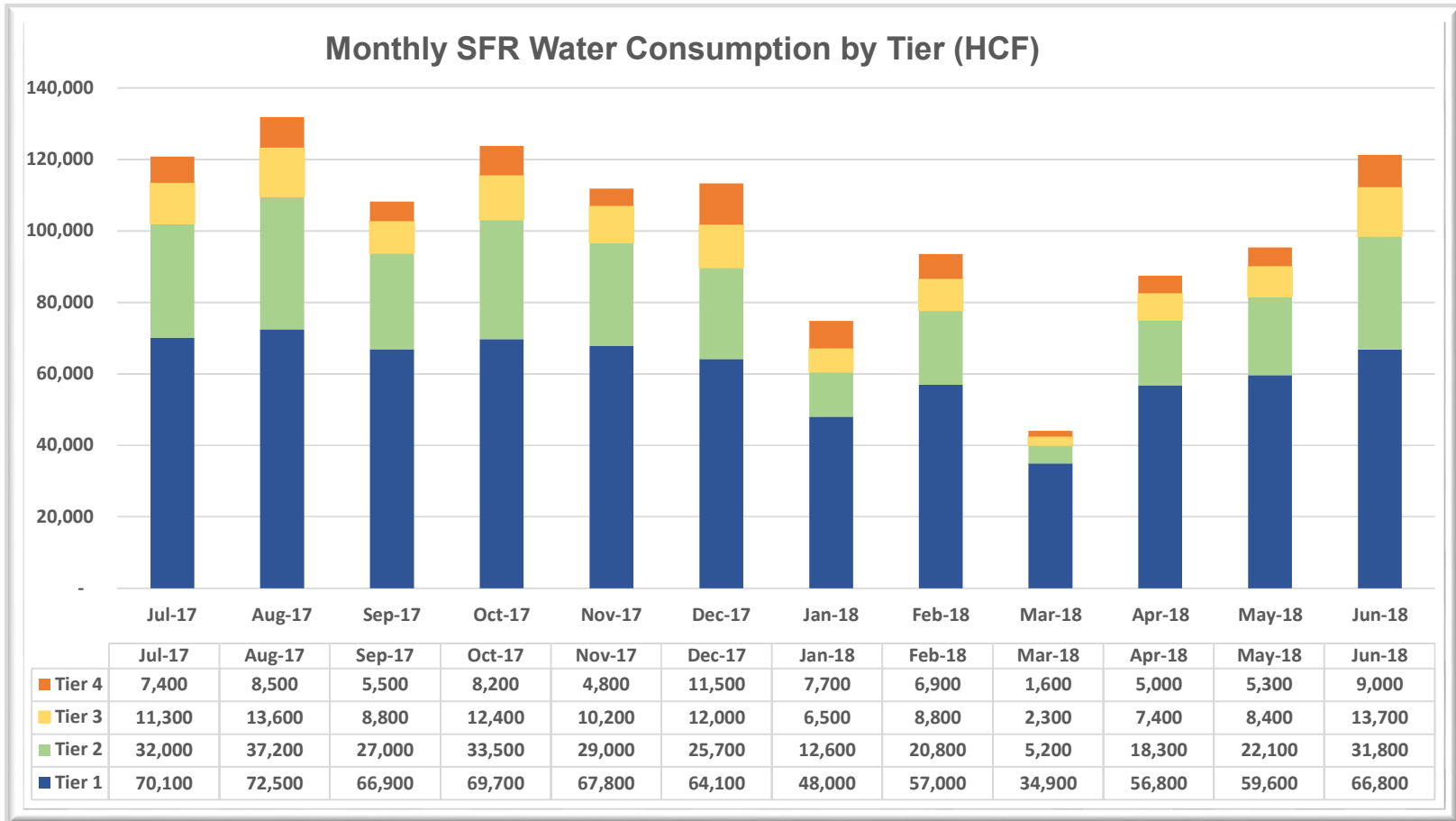




DASHBOARD REPORT SFR CONSUMPTION TRENDS

MONTH ENDING

6/30/2018

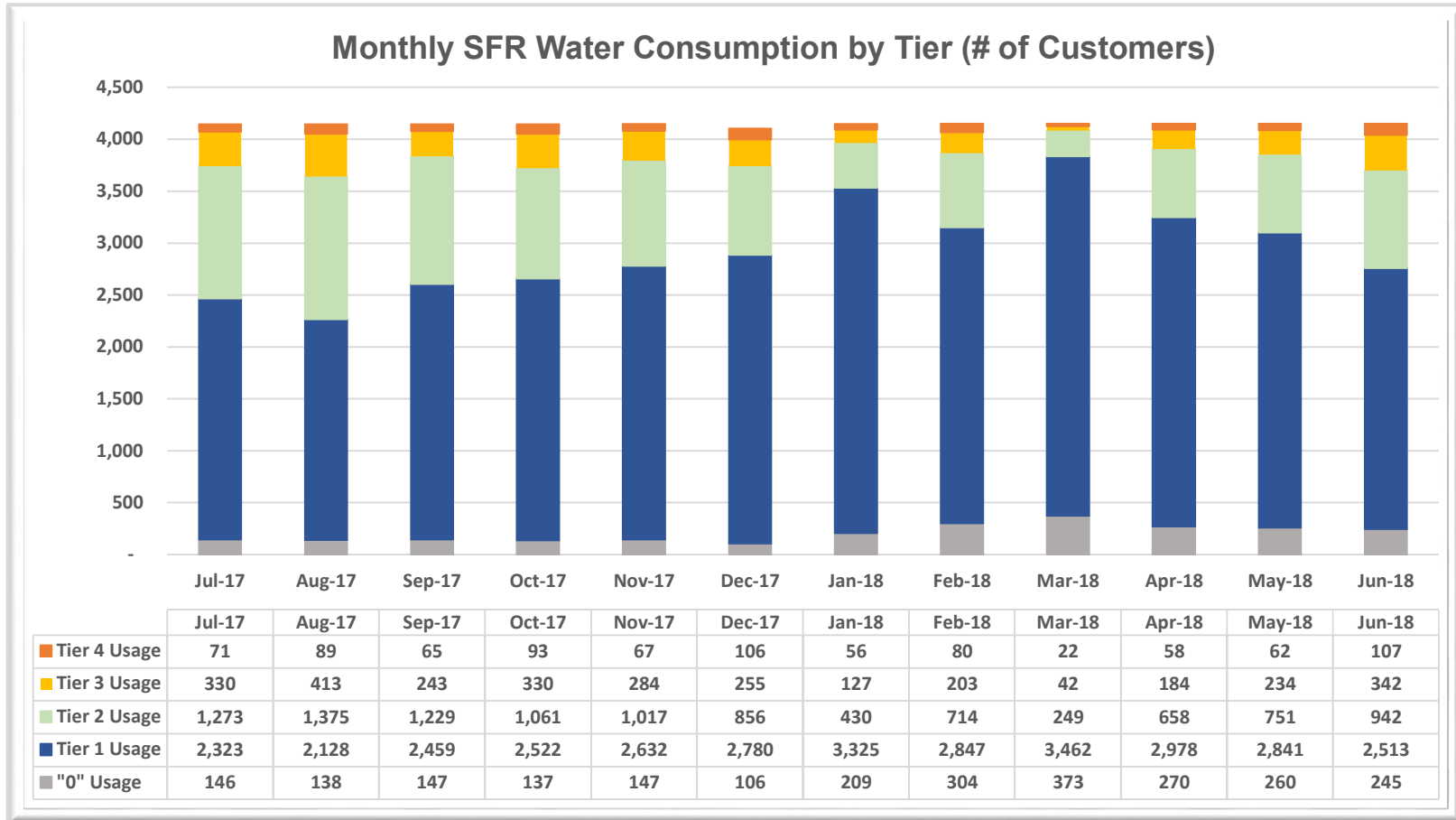




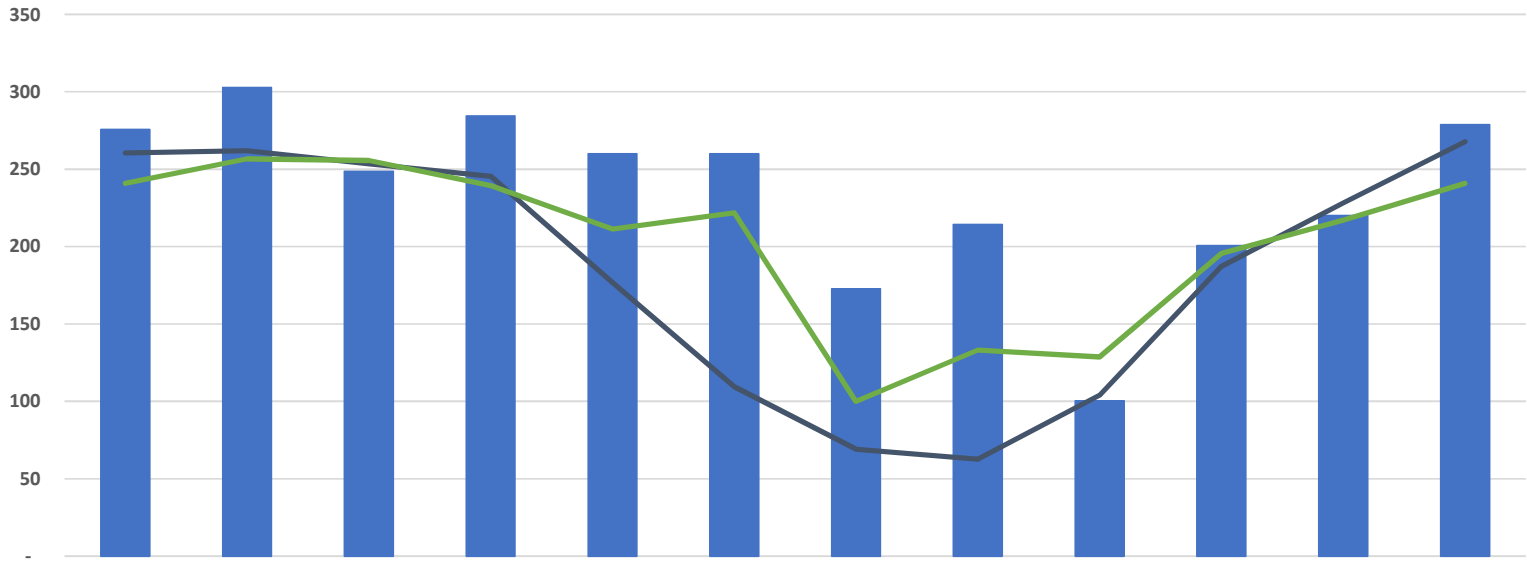
DASHBOARD REPORT SFR CONSUMPTION TRENDS

MONTH ENDING

6/30/2018



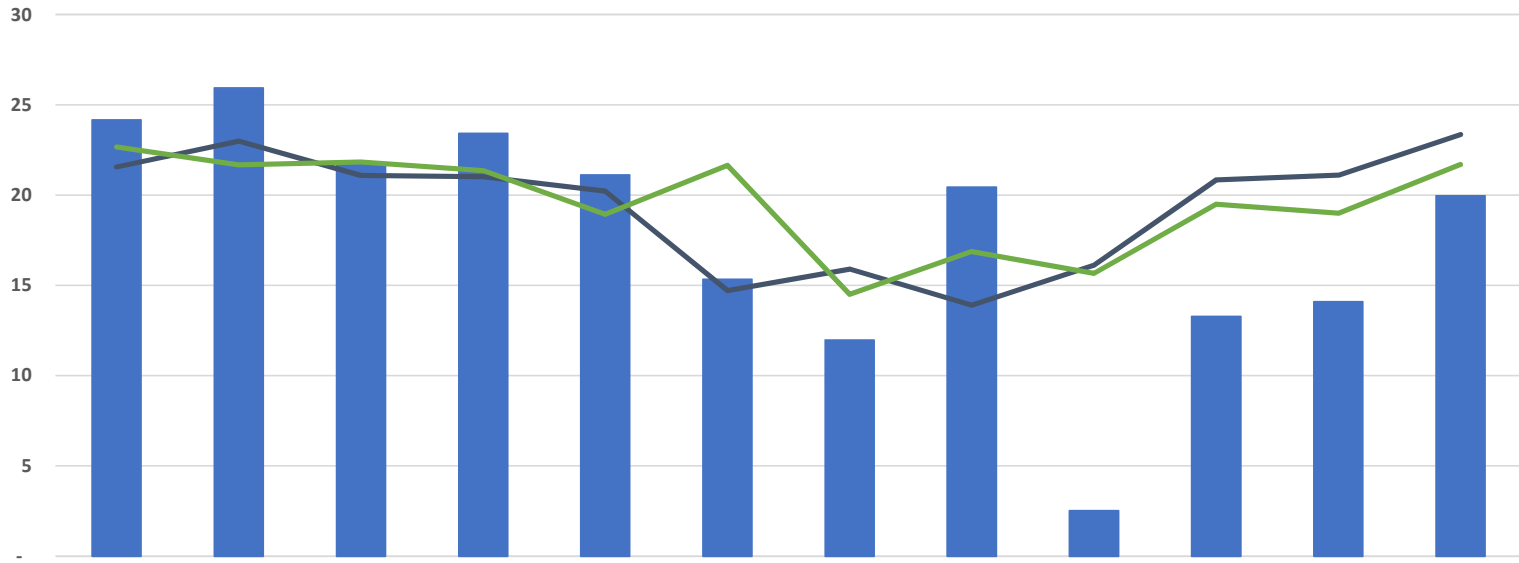
Water Sales by Month (AF) SINGLE FAMILY RESIDENTIAL



	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Trailing 12 Months	276	303	249	284	260	260	173	214	100	200	220	279
Trailing 24 Months	260	262	253	245	177	109	69	63	104	187	228	268
Trailing 36 Months	241	257	256	239	211	222	100	133	129	195	217	241

■ Trailing 12 Months(SINGLE FAMILY RESIDENTIAL) 2,441 AF
■ Trailing 24 Months(SINGLE FAMILY RESIDENTIAL) 2,226 AF
■ Trailing 36 Months(SINGLE FAMILY RESIDENTIAL) 2,818 AF
 Trailing 12 Months vs. Trailing 24 Months: 9.7%
 Trailing 12 Months vs. Trailing 36 Months: (13.4%)

Water Sales by Month (AF) COMMERCIAL

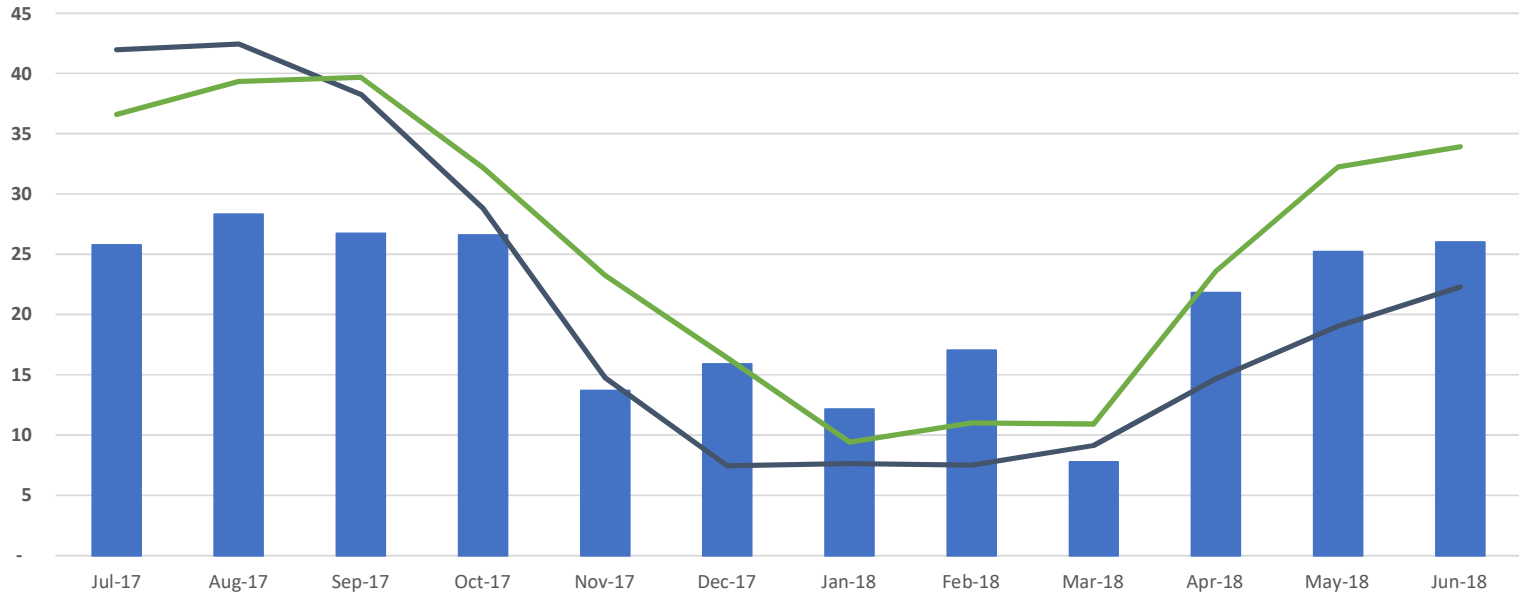


	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Trailing 12 Months	24	26	22	23	21	15	12	20	3	13	14	20
Trailing 24 Months	22	23	21	21	20	15	16	14	16	21	21	23
Trailing 36 Months	23	22	22	21	19	22	14	17	16	20	19	22

- Trailing 12 Months (COMMERCIAL) 214 AF
- Trailing 24 Months (COMMERCIAL) 233 AF
- Trailing 36 Months (COMMERCIAL) 235 AF

Trailing 12 Months vs. Trailing 24 Months: (8.1%)
 Trailing 12 Months vs. Trailing 36 Months: (9.1%)

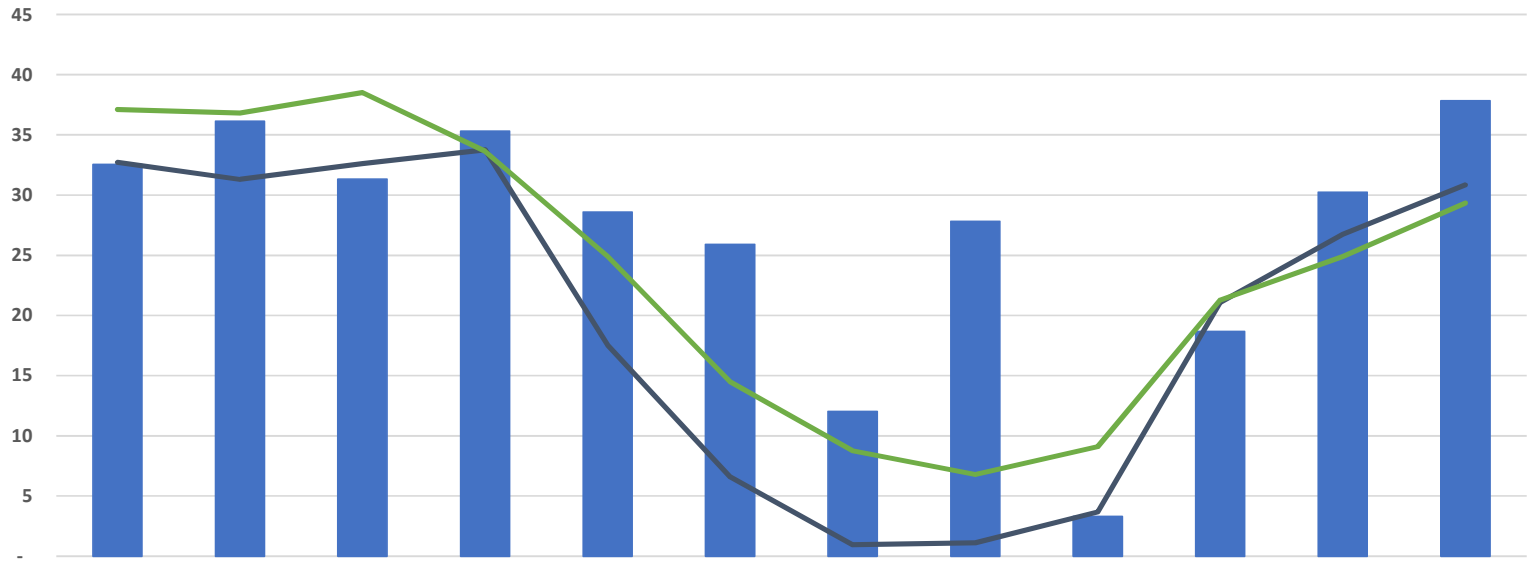
Water Sales by Month (AF) INSTITUTIONAL



	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Trailing 12 Months	26	28	27	27	14	16	12	17	8	22	25	26
Trailing 24 Months	42	42	38	29	15	7	8	8	9	15	19	22
Trailing 36 Months	37	39	40	32	23	16	9	11	11	24	32	34

■ Trailing 12 Months (INSTITUTIONAL) 247 AF
■ Trailing 24 Months (INSTITUTIONAL) 254 AF
■ Trailing 36 Months (INSTITUTIONAL) 309 AF
 Trailing 12 Months vs. Trailing 24 Months: (2.7%)
 Trailing 12 Months vs. Trailing 36 Months: (19.9%)

Water Sales by Month (AF) AGRICULTURE

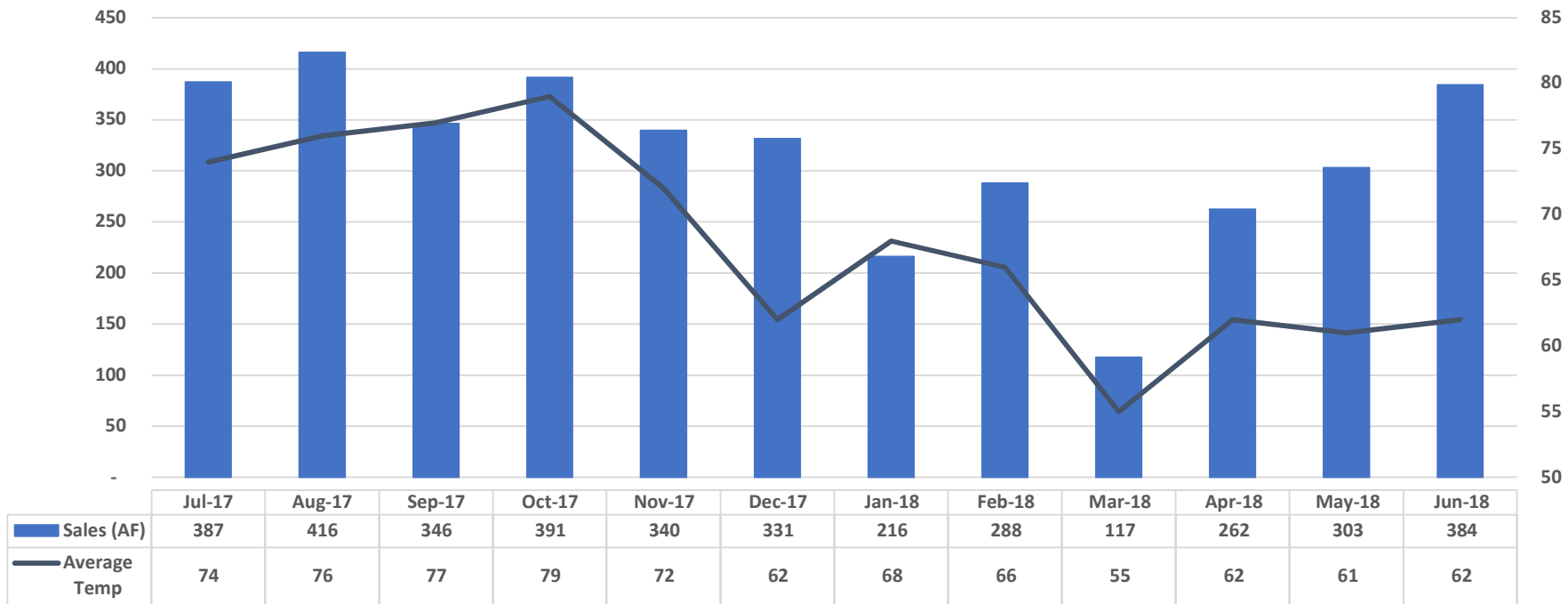


	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Trailing 12 Months	33	36	31	35	29	26	12	28	3	19	30	38
Trailing 24 Months	33	31	33	34	18	7	1	1	4	21	27	31
Trailing 36 Months	37	37	39	34	25	14	9	7	9	21	25	29

■ Trailing 12 Months (AGRICULTURE) 320 AF
■ Trailing 24 Months (AGRICULTURE) 239 AF
■ Trailing 36 Months (AGRICULTURE) 286 AF
 Trailing 12 Months vs. Trailing 24 Months: **33.7%**
 Trailing 12 Months vs. Trailing 36 Months: **11.9%**



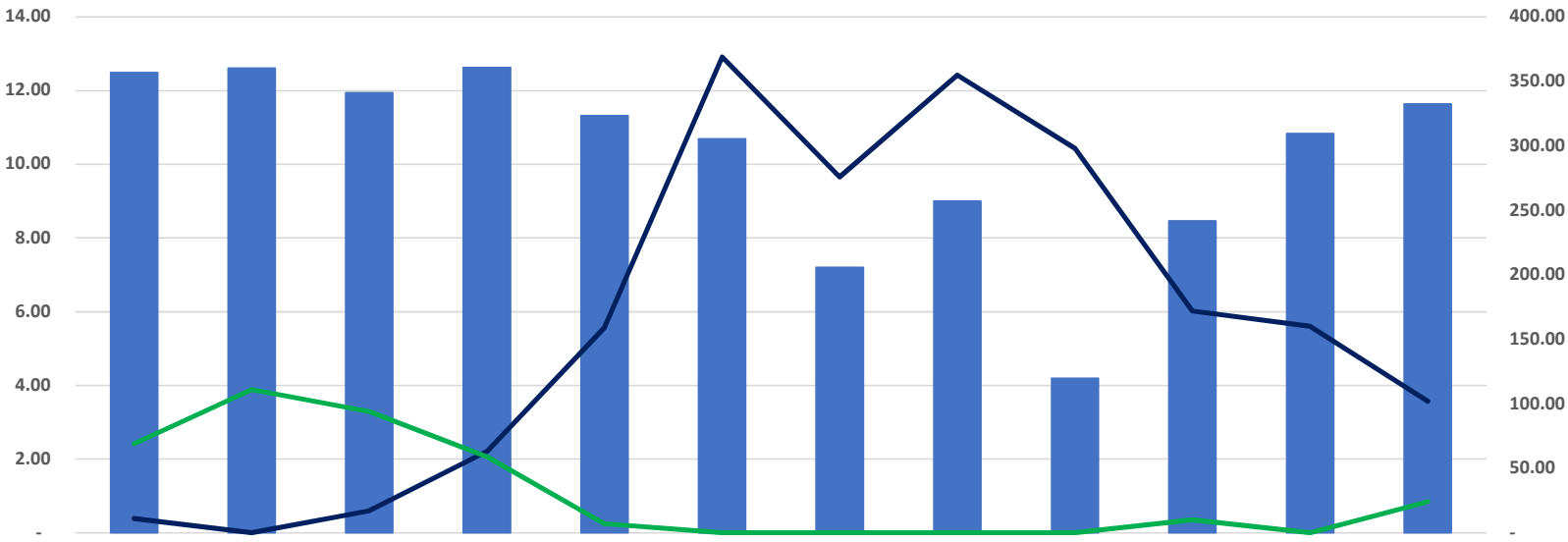
Sales (AF) / Average Temperature (°F)





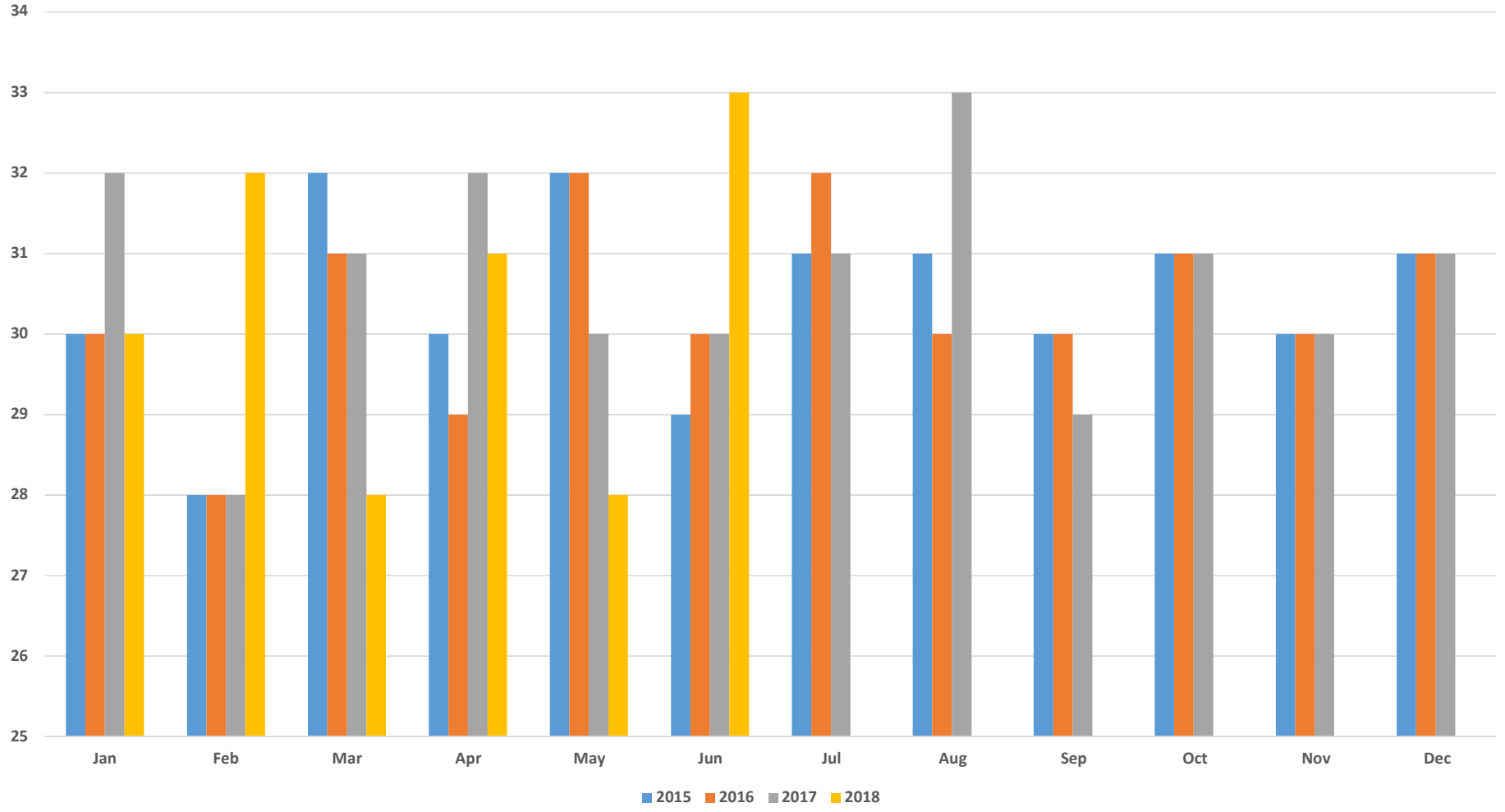
6/30/2018

Average Daily Sales (AF) - Degree Days (Base 65)



	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Average Daily Sales	12.49	12.61	11.94	12.63	11.32	10.69	7.20	9.00	4.19	8.46	10.83	11.64
Heating Degree Days	11.00	-	17.00	63.00	159.00	369.00	276.00	355.00	298.00	172.00	160.00	102.00
Cooling Degree Days	69.00	111.00	94.00	59.00	7.00	-	-	-	-	10.00	-	24.00

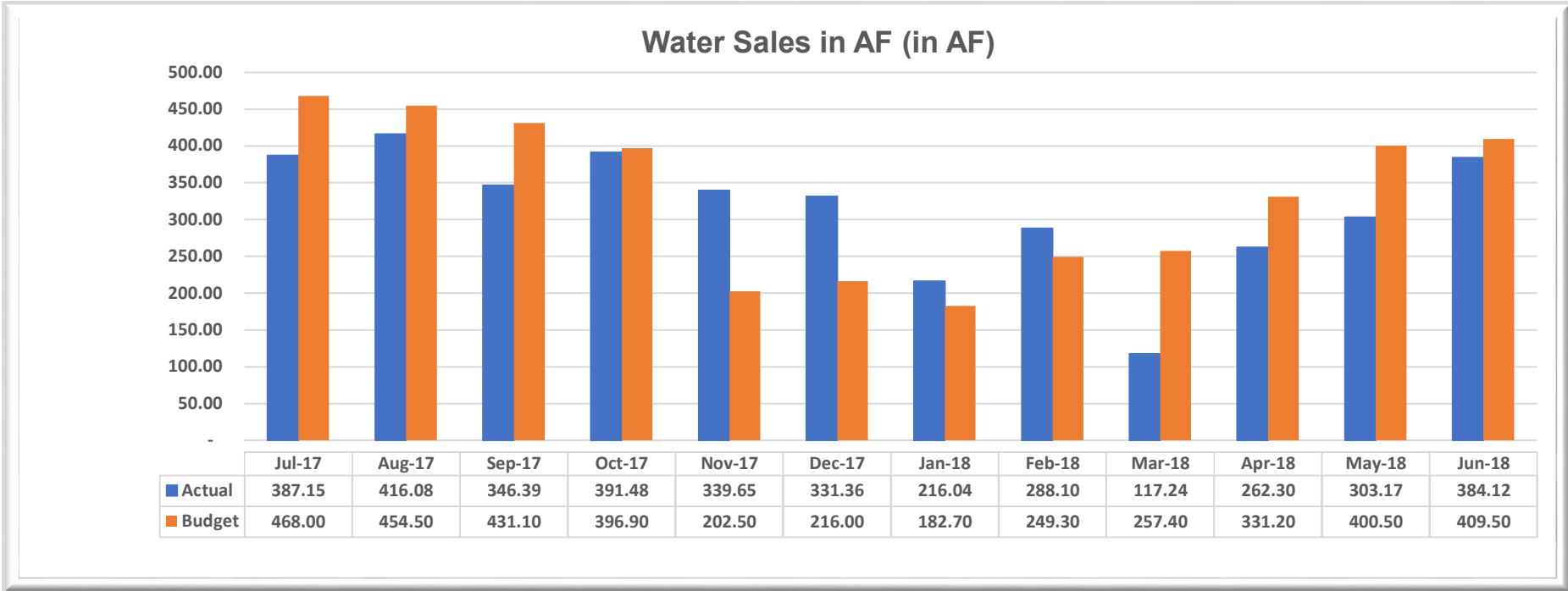
Billing Days per Month





DASHBOARD REPORT WATER SALES (AF)

6/30/2018



**MONTECITO WATER DISTRICT
WATER SALES ANALYSIS
FOR FISCAL YEAR 2017/18**

MONTH	% SALES BREAKDOWN	2016/17 ACTUAL SALES (*)		2017/18 BUDGET SALES		2017/18 ACTUAL SALES (*)		YTD VARIANCE PRIOR YEAR VS. CURRENT YEAR				YTD VARIANCE BUDGET VS. ACTUAL			
		AF	\$	AF	\$	AF	SALES	AF	%	\$	%	AF	%	\$	%
JUL	11.6%	377.4	898,395	468.0	\$1,114,126	387.1	\$909,119	9.7	2.6%	\$10,724	1.2%	(80.9)	(17.3%)	(205,007)	(18.4%)
AUG	11.2%	378.7	897,501	454.5	\$1,077,194	416.1	\$997,265	37.4	9.9%	\$99,764	11.1%	(38.4)	(8.4%)	(79,929)	(7.4%)
SEP	10.7%	362.5	865,208	431.1	\$1,028,830	346.4	\$828,165	(16.1)	(4.4%)	-\$37,043	(4.3%)	(84.7)	(19.6%)	-\$200,665	(19.5%)
OCT	9.9%	345.5	824,021	396.9	\$946,534	391.5	\$933,549	46.0	13.3%	\$109,528	13.3%	(5.4)	(1.4%)	-\$12,985	(1.4%)
NOV	5.0%	239.9	567,578	202.5	\$479,064	339.6	\$815,859	99.7	41.6%	\$248,281	43.7%	137.1	67.7%	\$336,795	70.3%
DEC	5.3%	145.0	343,009	216.0	\$510,956	331.4	\$799,566	186.4	128.6%	\$456,557	133.1%	115.4	53.4%	\$288,610	56.5%
JAN	4.7%	97.6	239,823	182.7	\$448,968	216.0	\$400,615	118.4	121.3%	\$160,792	67.0%	33.3	18.2%	-\$48,353	(10.8%)
FEB	6.4%	88.8	218,446	249.3	\$613,435	288.1	\$657,160	199.3	224.4%	\$438,714	200.8%	38.8	15.6%	\$43,725	7.1%
MAR	6.4%	139.1	332,989	257.4	\$615,911	117.2	\$266,987	(21.9)	(15.7%)	-\$66,002	(19.8%)	(140.2)	(54.5%)	-\$348,924	(56.7%)
APR	8.2%	266.0	612,907	331.2	\$785,317	262.3	\$628,625	(3.7)	(1.4%)	\$15,718	2.6%	(68.9)	(20.8%)	-\$156,692	(20.0%)
MAY	10.6%	318.9	743,836	400.5	\$1,013,272	303.2	\$719,008	(15.7)	(4.9%)	-\$24,828	(3.3%)	(97.3)	(24.3%)	-\$294,264	(29.0%)
JUN	10.0%	367.8	871,971	409.5	\$955,734	384.1	\$918,746	16.3	4.4%	\$46,775	5.4%	(25.4)	(6.2%)	-\$36,988	(3.9%)
TOTAL	100.0%	3,127.2	7,415,684	3,999.6	\$9,589,341	3,783.0	\$8,874,664	655.8	20.4%	\$1,458,980	19.0%	(216.6)	(4.8%)	(\$714,677)	(17.0%)

**YTD ACTUAL WATER SALES COMPARISON
FOR FISCAL YEAR 2017/18**

	2016/17 ACTUAL SALES (YTD)		2017/18 BUDGET SALES (YTD)		2017/18 ACTUAL SALES (YTD)		YTD VARIANCE PRIOR YEAR VS. CURRENT YEAR				YTD VARIANCE BUDGET VS. ACTUAL			
	AF	\$	AF	\$	AF	\$	AF	%	\$	%	AF	%	\$	%
Cummulative (YTD)	3,127.2	7,415,684	3,999.6	\$9,589,341	3,783.0	\$7,955,918	639.5	20.4%	\$1,412,205	19.0%	(191.2)	(4.8%)	(\$1,633,423)	(17.0%)

QUARTERLY COMPARISON - ACTUALS THROUGH JUNE 2018 (*)

	2016/17 ACTUAL SALES		2017/18 BUDGET SALES		2017/18 ACTUAL SALES (*)		VARIANCE PRIOR YEAR VS. CURRENT YEAR				VARIANCE BUDGET VS. ACTUAL			
	AF	\$	AF	\$	AF	\$	AF	%	\$	%	AF	%	\$	%
Jul-Sep (Actual)	1,118.6	\$2,661,104	1,353.6	\$3,220,150	1,149.6	\$2,734,549	31.0	2.8%	\$73,445	2.8%	(204.0)	(15.1%)	(\$485,601)	(15.1%)
Oct-Dec (Actual)	730.4	1,734,608	815.4	1,936,554	1,062.5	\$2,548,974	332.1	45.5%	\$814,366	46.9%	247.1	30.3%	\$612,420	31.6%
Jan-Mar (Actual)	325.5	791,258	689.4	1,678,314	621.3	\$1,324,762	295.8	90.9%	\$533,504	67.4%	(68.1)	(9.9%)	(\$353,552)	(21.1%)
Apr-Jun (Actual)	952.7	2,228,714	1,141.2	2,754,323	949.6	\$2,266,379	(3.1)	(0.3%)	\$37,665	1.7%	(191.6)	(16.8%)	(\$487,944)	(17.7%)
Total (Actual)	3,127.2	\$7,415,684	3,999.6	\$9,589,341	3,783.0	\$8,874,664	655.8	20.4%	\$1,458,980	19.0%	(216.6)	(4.8%)	(\$714,677)	(17.0%)

(*) Sales figures reported are as of the close of billing for that period and do not reflect final financial amounts. Budgeted amounts are used prior to actual figures being available for comparative purposes

**MONTECITO WATER DISTRICT
METERED WATER SALES - ACRE FEET
ACTUALS THROUGH JUNE 2018 (*)**

MONTH	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YR TOTAL
1996-97	541.74	608.10	490.40	441.30	240.80	167.50	146.40	253.70	405.00	527.50	616.60	535.40	4974.44
1997-98	627.20	629.90	624.60	590.00	235.40	179.90	159.40	128.70	186.06	242.03	290.00	415.40	4308.59
1998-99	567.80	566.30	447.60	548.00	352.67	297.30	279.40	202.90	252.80	310.00	440.10	547.97	4812.84
1999-00	656.44	621.80	542.90	541.00	341.90	501.30	285.90	146.30	288.20	329.59	529.63	556.20	5341.16
2000-01	574.40	719.30	568.50	368.20	381.30	364.00	224.90	162.00	257.00	318.60	438.00	534.20	4910.40
2001-02	571.70	631.20	501.40	436.70	214.10	191.70	235.20	331.20	378.90	499.80	655.70	586.40	5234.00
2002-03	714.96	691.72	572.91	543.09	316.16	228.56	323.44	236.50	312.70	372.00	423.10	458.72	5193.86
2003-04	707.18	677.68	675.26	528.96	286.21	320.92	275.41	267.97	398.04	624.78	623.60	668.60	6054.61
2004-05	693.71	763.52	753.31	408.50	367.50	301.60	158.00	195.30	189.00	516.50	493.40	607.50	5447.84
2005-06	659.00	695.60	656.00	413.00	372.00	294.80	265.08	345.20	180.50	203.40	357.30	623.30	5065.18
2006-07	681.40	707.50	606.70	540.80	530.70	359.80	415.50	201.10	462.90	469.10	703.00	655.00	6333.50
2007-08	739.40	832.60	642.00	594.20	509.30	328.80	188.00	212.00	474.10	629.00	694.00	675.00	6518.40
2008-09	798.00	724.64	633.87	674.67	384.67	225.41	325.87	159.67	370.15	504.98	596.33	566.11	5964.37
2009/10	742.30	631.10	657.00	458.30	445.12	227.74	190.35	139.34	294.99	348.93	571.75	538.61	5245.53
2010/11	538.41	727.65	548.36	380.37	305.68	190.81	200.96	261.47	203.60	366.94	544.19	447.14	4715.58
2011/12	617.27	555.95	610.01	446.47	294.66	316.66	337.17	394.72	371.30	271.33	504.24	582.64	5302.42
2012/13	638.77	712.13	681.09	650.89	415.54	149.43	240.86	311.99	388.90	536.67	601.32	617.82	5945.40
2013/14	697.66	730.90	684.30	662.58	496.06	378.50	530.73	357.85	206.59	305.52	373.14	352.27	5776.10
2014/15	362.48	360.73	368.36	345.56	233.41	166.23	158.11	188.53	227.57	308.96	300.16	311.07	3331.17
2015/16	353.90	371.40	373.74	342.06	293.71	289.17	139.62	178.14	172.29	273.55	308.50	343.65	3439.73
2016/17	377.38	378.68	362.54	345.53	239.92	145.00	97.59	88.78	139.09	266.01	318.90	367.79	3127.21
2017/18	387.15	416.08	346.39	391.48	339.65	331.36	216.04	288.10	117.24	262.30	303.20	384.10	3783.09
AVERAGE	602.19	625.20	561.24	484.17	345.29	270.75	245.18	229.61	285.31	385.79	485.73	517.04	5097.25
MAXIMUM	798.00	832.60	753.31	674.67	530.70	501.30	530.73	394.72	474.10	629.00	703.00	675.00	6518.40
MINIMUM	353.90	360.73	346.39	342.06	214.10	145.00	97.59	88.78	117.24	203.40	290.00	311.07	3127.21
17/18 % VS AVERAGE	64%	67%	62%	81%	98%	122%	88%	125%	41%	68%	62%	74%	74%
17/18 % VS MAXIMUM	49%	50%	46%	58%	64%	66%	41%	73%	25%	42%	43%	57%	58%

Total METER Connections = **4,604**

Total OFF Connections = **57**

Total ACTIVE METER Connections = **4,547**

**MONTECITO WATER DISTRICT
MEMORANDUM**

SECTION: 3-B

DATE: JULY 17, 2018

TO: FINANCE COMMITTEE

FROM: BUSINESS MANAGER

SUBJECT: PROJECTED CASH FLOWS REGARDING EMERGENCY SPENDING

RECOMMENDATION:

For information and discussion only.

BACKGROUND:

As a result of the catastrophic debris flow that occurred on Jan 9, 2018, the District has been experiencing non-budgeted expenses and the possibility of needing additional cash. With the January billing postponed and reduced due to the Board's decision to waive the monthly meter service charge and the District incurring additional expenses as a result of emergency repairs and subcontract work necessary to get the system back to an operational level, cash management is crucial.

DISCUSSION

At the end of June, the Operating Cash is approximately \$2.7M with approximately \$1.5M in Wells Fargo and \$1.2M in American Riviera. The District experienced a dramatic increase in operating and emergency expenses in January. Approximately one-quarter of the invoices for these emergency expenses were received and payable in February, an additional quarter in March and April, and the District believes the remainder was received and payable in May, potentially putting a strain on cash. The concern that the District had in regards to borrowing money or liquidating investments to cover the additional expenses has greatly diminished as reimbursements from FEMA and Cal OES were received in June. Based on a current estimated cash flow analysis, it appears that the District has sufficient cash on hand available through July without the need to borrow money or liquidate investments for operations.

ATTACHMENTS

1) Estimated Cash Flow

Cash Flow

<u>May</u>		Forecast		Actual	
Operating Cash Beginning	\$	3,499,586	\$	2,986,448	
Revenue	\$	1,800,535	\$	1,568,150	Actual as of 5/31/2018 (\$210k short from est)
Expenses	\$	(937,477)	\$	(1,734,020)	Actual as of 5/31/2018
Emergency - Construction			\$	(214,636)	Increase BS Item
Emergency - Consultants			\$	(33,537)	Increase BS Item
Emergency - Mutual Aid			\$	(20,122)	Increase BS Item
Other Asset & Liability Fluctuations*			\$	(818,530)	Not including Charles Schwab
Increase in A/R	\$	(173,725)	\$	(173,725.44)	
Depreciation	\$	103,249	\$	103,249	
Cash Flows From Operations	\$	792,582	\$	(1,323,171)	

Ending Operating Cash	\$	4,292,168	\$	1,663,277	Actual as of 5/31/2018
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<u>June</u>		Forecast		Actual	
Operating Cash Beginning	\$	4,292,168	\$	1,663,277	
Revenue	\$	1,817,697	\$	1,851,448	Actual as of 6/30/2018
Expenses	\$	(1,679,914)	\$	(1,542,547)	Actual as of 6/30/2018
Emergency - Construction					Assume rec'd final in May
Emergency - Consultants					Assume rec'd final in May
Emergency - Mutual Aid					Assume rec'd final in May
Other Asset & Liability Fluctuations*			\$	895,856	Includes FEMA Reimbursement
Increase in A/R	\$	(244,968)	\$	(244,968.11)	
Depreciation	\$	103,638	\$	104,458	
Cash Flows From Operations	\$	(3,547)	\$	1,064,246	

Ending Operating Cash	\$	4,288,621	\$	2,727,523	Actual as of 6/30/2018
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<u>July</u>		Forecast		Estimate	
Operating Cash Beginning	\$	4,288,621	\$	2,727,523	
Revenue	\$	2,198,678	\$	2,152,978	Budgeted amount
Expenses	\$	(1,186,128)	\$	(1,443,205)	Budgeted amount
Emergency - Construction					Assume rec'd final in May
Emergency - Consultants					Assume rec'd final in May
Emergency - Mutual Aid					Assume rec'd final in May
Other Asset & Liability Fluctuations*					Not including Charles Schwab
Increase in A/R	\$	(394,103)	\$	(394,103)	
Depreciation	\$	(104,458)	\$	104,458	
Cash Flows From Operations	\$	513,989	\$	420,128	
Ending Operating Cash	\$	4,802,610	\$	3,147,651	

Assumptions

1. \$87k of invoices for the services provided during the emergency were paid in June, based on invoices in the Districts possession with an estimated balance to account for \$2.3M in total emergency spend
2. Cash collections in June were slightly higher than expected. July is estimated at 95% of prior months sales
3. In addition to the slightly higher receivables collected, the District also received a FEMA advance of \$1.7M in June
4. Non-emergency AP will remain at normal levels with a negligible fluctuation
5. No significant change in Inventory as items purchased were put immediately into use
6. In May, the District reduced investments by approximately \$5M dollars to pay the SWP annual payment. This did not cause operating cash to utilize reserve funds as authorized by the Board.

Actual/Estimated fluctuations in A/R

May

\$	1,412,622.45	Beginning A/R	
\$	1,568,150.00	May Billing - Add to A/R	Actual as of 5/31/2018
\$	(1,394,424.56)	April Payments Rec'd @ 95%	
\$	1,586,347.89	Ending A/R	Actual as of 5/31/2018
		\$	173,725 Increase in A/R

June

\$	1,586,347.89	Beginning A/R	
\$	1,851,447.77	June Billing - Add to A/R	
\$	(1,489,742.50)	May Payments Rec'd @ 95%	
\$	1,831,316.00	Ending A/R	Actual as of 6/30/2018
		\$	244,968 Increase in A/R

July

\$	1,831,316.00	Beginning A/R	
\$	2,152,978.00	July Billing - Add to A/R	
\$	(1,758,875.38)	June Payments Rec'd @ 95%	
\$	2,225,418.62	Ending A/R	
		\$	394,103 Increase in A/R

**MONTECITO WATER DISTRICT
MEMORANDUM**

SECTION: 3-C

DATE: JULY 17, 2018

TO: FINANCE COMMITTEE

FROM: BUSINESS MANAGER

**SUBJECT: PAYMENT OF CALPERS ANNUAL UNFUNDED ACCRUED LIABILITY
AS OF JUNE 30, 2016 ACTUARIAL VALUATION FOR RATE PLAN
FOR CLASSIC AND PEPRA EMPLOYEES**

RECOMMENDATION:

For information and discussion only.

BACKGROUND:

A. History of MWD's Participation in CalPERS

Montecito Water District has participated in CalPERS since 1945 for the retirement benefit of its employees. CalPERS provides an annual Actuarial Valuation report that establishes the future minimum contribution rates. These contribution rates are calculated based on the membership and financial data which is then combined with many assumptions and methods by CalPERS Actuaries that are detailed in the Actuarial Valuation Report.

In June of 2003, the CalPERS Board implemented a requirement that all plans with less than 100 active members be assigned to a risk-sharing pool with all other agencies in the State with similar benefit packages. The purpose of establishing these risk pools was to establish consistent, less volatile employer contribution rates for smaller agencies within the collective pool. Prior to this time the District had a stand-alone plan. As the District has less than 100 employees, it was placed in the 2% percent @ 55 Miscellaneous pool.

CalPERS required that all participating agencies in the risk pool plan have fully funded pension liabilities. Therefore, CalPERS gave each contracting agency the option of contributing the unfunded liability with a single lump-sum payment or have the agency repay the unfunded liability as a loan over 15 years based on an actuarial determined amortization schedule. At the time, the District made no decision regarding the payment of the Side Fund and the District was assigned the default 15-year amortization period for its unfunded liability in 2005.

B. Changes Made to the MWD Employee Member Contribution Rate

Effective July 1, 2012, the Montecito Water District approved a resolution that all employees directly contribute to the District's PERS plan under the defined 7% employee member contribution for the 2% @ 55 plan. The employee's direct contribution was set up as a "phased-in direct employee cost" in the manner described below:

- The employer's total contribution was to be capped at 20.814% which is equal to the combined 2011/12 FY PERS employer rate of 13.814% and the employee rate of 7%.
- All subsequent PERS rate increases above the 20.814% shall be paid by the employee subject to the employee member not exceeding the 7% employee maximum contribution as defined under the PERS 2% @ 55 Miscellaneous Plan for Public Agencies.
- Beginning July 1, 2012, the PERS combined employer and employee rate was set by PERS at 21.321% which therefore defined the employee member contribution for the 2012/13 Fiscal Year at .51%. Annual incremental increases assumed by the Classic employee members as a result of the Board resolution are detailed below:

Fiscal Year	Incremental Increase	Cumulative Increase
2012/13	0.51%	0.51%
2013/14	0.54%	1.05%
2014/15	0.74%	1.79%
2015/16	2.48%	4.27%
2016/17	1.44%	5.71%
2017/18	1.29%	7.00%

- All employees hired on or after July 1, 2012 (and who are "Classic" employees as defined by CalPERS) shall directly pay the full 7% employee member contribution for the Districts current 2% at 55 PERS plan.
- During FY 2012/13, the District made a one-time, lump sum payment in the approximate amount of \$472,000 to pay off it's "side fund" balance that was created back in 2003 when the District was transferred into the 2% @ 55 Miscellaneous Plan. The net effect of this one-time payment was a reduction in the employer rate by 4.083%

C. Adoption of Public Employees' Pension Reform Act of 2013 (PEPRA)

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas (2% at 62 PERS plan) for newly hired members, PEPRA also effectively closed all existing active ("Classic") risk pools to new employees. As such it became no longer appropriate to assume that the payroll of the risk pools for the "Classic" formula would grow at 3 percent annually.

Funding the promised pension benefits under the current methodology, as a percentage of payroll, would lead to the underfunding of the plans due to the decrease population of active participants. As a result, beginning with 2015/16, CalPERS began collecting employer contributions toward the unfunded liability as a fixed dollar amount for "Classic" employees.

It should be further noted that on February 19, 2014 the CalPERS Board made changes that will reduce their expected volatility of returns. A future discount rate of 7.5 percent is assumed and other demographic assumptions were changed to align more closely to actual experience. The most significant change was a 20-year projected improvement to the mortality rate realizing that members are living longer.

The most recent change to note occurred on December 21, 2016 when the CalPERS Board lowered the discount rate from 7.5 to 7.0 percent. The reduction of the discount rate will take place over a three year period, beginning with FY 2018/19 being reduced from 7.5 to 7.375 percent. These rate changes are reflected in the newest future calculations as of the June 30, 2016 valuation report.

DISCUSSION:

A. Miscellaneous Plan / Classic Employees

Attached for the Board's review is Section 1 of the CalPERS Actuarial Valuation of the Miscellaneous Plan for Montecito Water District, dated June 30, 2016. This report is used to set the FY 18/19 required employer contribution rate for "Classic" employees.

The Total Unfunded Accrued Liability (UAL) as of June 30, 2016 is \$4,304,298 which equates to a Funded Ratio of 74.3%. This amount is compared to the previous year UAL of \$3,148,078 with a Funded Ratio of 80.1%. The goal is to be 100% funded.

The unfunded liability amount is attributed to investment losses over the recent years, as well as a change in actuarial methodology implemented by CalPERS in FY 2014.

As described in the previous section, beginning with 2015/16 CalPERS began collecting employer contributions toward the unfunded liability as a fixed dollar payment in addition to Employer Normal Cost Rate which is based on a percentage of payroll.

The required employer contribution rate for 2018/19 is broken down as follows:

TABLE 1

Fiscal Year	Employer Normal Cost Rate	+	Employer Payment of Unfunded Liability
2018/19	9.409%		\$ 223,359
2017/18	8.921%		\$ 170,911

The District has the option to pay the 2018/19 unfunded liability amount of \$223,359 as a lump sum payment or on a monthly basis as follows:

1. Monthly Basis – twelve monthly payments of \$19,287.39 (Total = \$231,448)
2. Lump Sum Payment - \$223,359 due by July 31, 2018. By paying the lump sum payment the District will save \$8,090 (or 3.6%).

The total unfunded liability has been amortized over 30 years with a 5 year ramp up/ramp down. The table on the below displays the current employer contribution rate, the rate effective July 1, 2018, and CalPERS projected future employer contribution rates through 2024.

In addition to the 30-year amortization, CalPERS offers a 20-year amortization (which shows an estimated savings of \$1,012,534) and a 15-year amortization (which shows an estimated savings of \$2,482,432). The amortization schedules and savings do not reflect the impact of the reduced discount rate.

These projections assume that CalPERS earns 7.375% for FY 2016/17, 2017/18 and 2018/19, 7.25% for FY 2019/20 and 7.0% every fiscal year thereafter.

TABLE 2

Employer Contributions	Required Contribution	Projected Future Employer Contribution Rates				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Normal Cost %	9.409%	9.9%	10.8%	10.8%	10.8%	10.8%
(+) Unfunded Liability	\$231,449	\$294,000	\$341,000	\$401,000	\$452,000	\$515,000

By converting the fixed dollar UAL payment as a percentage of payroll as used in the past to pay contributions, the total Employer Contribution Rate for FY18/19 is 23.086%. Compared to FY17/18 of 17.435%, this results in a 5.651% increase in expenditures to the District.

The full amount of the increase is to be passed on to the staff under the Board resolution passed in July 2012 in that all employees contribute to their PERS plan up to 7% as defined under their retirement program.

TABLE 3

REQUIRED EMPLOYER CONTRIBUTION	FY 2017/18	FY 2018/19
<u>A. Employer Contribution (in Projected Dollars)</u>		
Plan's Employer Normal Cost	\$ 185,680	\$ 159,228
Plan's Payment of Amortization Bases	<u>177,204</u>	<u>231,449</u>
Total Employer Contribution	\$ 362,884	\$ 390,677
Projected Payroll for the Contribution		
Fiscal Year	\$ 2,081,382	\$ 1,692,293
<u>B. Employer Contribution (Percentage of Payroll)</u>		
Plan's Employer Normal Cost	8.921%	9.409%
Plan's Payment of Amortization Bases	<u>8.514%</u>	<u>13.677%</u>
Total Employer Contribution	17.435%	23.086%

B. Miscellaneous Plan / PEPRA Employees

Also attached for the Board's review is Section 1 of the CalPERS Actuarial Valuation of the PEPRA Miscellaneous Plan for Montecito Water District, dated June 30, 2016. This report is used to set the FY 18/19 required employer contribution rate for "PEPRA" employees.

For all "new" employees hired on or after January 1, 2013 who are not "classic" members as defined by CalPERS, the District participates in the 2% @ 62 formula.

These "new" employees are subject to the terms and conditions defined by Assembly Bill 340, California Employee's Pension Reform Act, with an effective date of January 1, 2013, including the requirement that these "new" employees pay the full employee's contribution of the 2%@62 formula.

The employer contribution rate for FY 2018/19 has been set at 6.842%

ATTACHMENT:

- 1) CalPERS Actuarial Report Section 1 as of June 30, 2016 for the Classic Plan of the Montecito Water District
- 2) CalPERS Actuarial Report Section 1 as of June 30, 2016 for the PEPRA Plan of the Montecito Water District



California Public Employees' Retirement System
Actuarial Office
 P.O. Box 942709
 Sacramento, CA 94229-2709
 TTY: (916) 795-3240
 (888) 225-7377 phone – (916) 795-2744 fax
www.calpers.ca.gov

August 2017

**MISCELLANEOUS PLAN OF THE MONTECITO WATER DISTRICT
 (CalPERS ID: 6529901682)
 Annual Valuation Report as of June 30, 2016**

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of the pension plan.

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

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2016.

Section 2 can be found on the CalPERS website at (www.calpers.ca.gov). From the home page, go to "Forms & Publications" and select "View All". In the search box, enter "Risk Pool Report" and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your June 30, 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 31, 2017.

The exhibit below displays the minimum employer contributions, before any cost sharing, for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees.**

Required Contribution

Fiscal Year	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
2018-19	9.409%	\$231,449
<i>Projected Results</i>		
2019-20	9.9%	\$294,000
2020-21	10.8%	\$341,000

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal Year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal Year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The "Risk Analysis" section of the valuation report also contains estimated employer contributions in future years under a variety of investment return scenarios.

Changes since the Prior Year's Valuation

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19 determined in this valuation were calculated using a discount rate of 7.375 percent. The projected employer contributions on Page 5 are calculated assuming that the discount rate will be lowered to 7.25 percent next year and to 7.00 percent the following year as adopted by the Board.

The CalPERS Board of Administration adopted a Risk Mitigation Policy which is designed to reduce funding risk over time. This Policy has been temporarily suspended during the period over which the discount rate is being lowered. More details on the Risk Mitigation Policy can be found on our website.

Besides the above noted changes, there may also be changes specific to the plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Statement of Actuarial Data, Methods and Assumptions" of the Section 2 report.

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 31 to contact us with actuarial related questions.

If you have other questions, please call our customer contact center at (888) CalPERS or **(888-225-7377)**.

Sincerely,

SCOTT TERANDO
Chief Actuary



**ACTUARIAL VALUATION
as of June 30, 2016**

**for the
MISCELLANEOUS PLAN
of the
MONTECITO WATER DISTRICT
(CalPERS ID: 6529901682)**

**REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2018 - June 30, 2019**

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SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Plan Specific Information
for the
MISCELLANEOUS PLAN
of the
MONTECITO WATER DISTRICT**

**(CalPERS ID: 6529901682)
(Rate Plan: 73)**

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ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2016 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2016 provided by employers participating in the Miscellaneous Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuary has certified that, in their opinion, the valuation of the risk pool containing your MISCELLANEOUS PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that Unfunded Accrued Liability amortization bases as of June 30, 2016 and employer contribution as of July 1, 2018, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

STUART BENNETT, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

HIGHLIGHTS AND EXECUTIVE SUMMARY

- **INTRODUCTION**
- **PURPOSE OF SECTION 1**
- **REQUIRED EMPLOYER CONTRIBUTION**
- **PLAN'S FUNDED STATUS**
- **PROJECTED EMPLOYER CONTRIBUTIONS**
- **CHANGES SINCE THE PRIOR YEAR'S VALUATION**
- **SUBSEQUENT EVENTS**

Introduction

This report presents the results of the June 30, 2016 actuarial valuation of the MISCELLANEOUS PLAN of the MONTECITO WATER DISTRICT of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for Fiscal Year 2018-19.

Purpose of Section 1

This Section 1 report for the MISCELLANEOUS PLAN of the MONTECITO WATER DISTRICT of the California Public Employees' Retirement System (CalPERS) was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2016;
- Determine the required employer contribution for this plan for the fiscal year July 1, 2018 through June 30, 2019; and
- Provide actuarial information as of June 30, 2016 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

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

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

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 9.

Additionally, this report includes the following "Enhanced Risk Disclosures" also recommended by the CAAP in the Model Disclosure Elements document:

- A "Deterministic Stress Test," projecting future results under different investment income scenarios
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 6.0 percent, 7.0 percent and 8.0 percent.

Required Employer Contribution

	Fiscal Year	
Required Employer Contribution	2018-19	
Employer Normal Cost Rate	9.409%	
<i>Plus Either</i>		
1) Monthly Employer Dollar UAL Payment	\$	19,287.39
<i>Or</i>		
2) Annual Lump Sum Prepayment Option	\$	223,359
<p><i>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).</i></p> <p><i>Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.</i></p> <p><i>§ 20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.</i></p>		

	Fiscal Year	Fiscal Year
	2017-18	2018-19
Development of Normal Cost as a Percentage of Payroll¹		
Base Total Normal Cost for Formula	15.314%	15.794%
Surcharge for Class 1 Benefits ²		
a) FAC 1	0.503%	0.517%
Phase out of Normal Cost Difference ³	0.000%	0.000%
Plan's Total Normal Cost	15.817%	16.311%
Formula's Expected Employee Contribution Rate	6.896%	6.902%
Employer Normal Cost Rate	8.921%	9.409%
Projected Payroll for the Contribution Fiscal Year	\$ 2,081,382	\$ 1,692,293
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost	\$ 185,680	\$ 159,228
Plan's Payment on Amortization Bases ⁴	177,204	231,449
% of Projected Payroll (illustrative only)	8.514%	13.677%
Estimated Total Employer Contribution	\$ 362,884	\$ 390,677
% of Projected Payroll (illustrative only)	17.435%	23.086%

¹ The results shown for Fiscal Year 2017-18 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after June 30, 2016.

² Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

³ The normal cost difference is phased out over a five year period. The phase out of normal cost difference is 100 percent for the first year of pooling, and is incrementally reduced by 20 percent of the original normal cost difference for each subsequent year. This is non-zero only for plans that joined a pool within the past 5 years. Most plans joined a pool June 30, 2003, when risk pooling was implemented.

⁴ See page 9 for a breakdown of the Amortization Bases.

Plan's Funded Status

		June 30, 2015		June 30, 2016
1. Present Value of Projected Benefits (PVB)	\$	17,622,983	\$	18,238,960
2. Entry Age Normal Accrued Liability (AL)		15,821,678		16,768,050
3. Plan's Market Value of Assets (MVA)		12,673,600		12,463,752
4. Unfunded Accrued Liability (UAL) [(2) - (3)]		3,148,078		4,304,298
5. Funded Ratio [(3) / (2)]		80.1%		74.3%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Statement of Actuarial Data, Methods and Assumptions" of the Section 2 report. The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period.

Fiscal Year	Required Contribution	Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)					
		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Normal Cost %	9.409%	9.9%	10.8%	10.8%	10.8%	10.8%	10.8%
UAL Payment	\$231,449	\$294,000	\$341,000	\$401,000	\$452,000	\$487,000	\$515,000

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A of Section 2. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

Changes since the Prior Year's Valuation

Benefits

None. This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B of Section 2 for a summary of the plan provisions used in this valuation.

Actuarial Methods and Assumptions

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19 determined in this valuation were calculated using a discount rate of 7.375 percent. The projected employer contributions on Page 5 are calculated assuming that the discount rate will be lowered to 7.25 percent next year and 7.00 percent the following year as adopted by the Board. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff. The specific decision adopted by the Board reflected recommendations from CalPERS staff and additional input from employer and employee stakeholder groups. Based on the investment allocation adopted by the Board and capital market assumptions, the reduced discount rate assumption provides a more realistic assumption for the long term investment return of the fund.

Notwithstanding the Board's decision to phase into a 7.0 percent discount rate, subsequent analysis of the expected investment return of CalPERS assets or changes to the investment allocation may result in a change to this three year discount rate schedule. A comprehensive analysis of all actuarial assumptions and methods including the discount rate will be conducted in 2017.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2016. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the required contribution, while investment returns above the assumed rate of return will decrease the actuarial cost of the plan.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2017. Any subsequent changes or actions are not reflected.

ASSETS AND LIABILITIES

- **BREAKDOWN OF ENTRY AGE NORMAL ACCRUED LIABILITY**
- **ALLOCATION OF PLAN'S SHARE OF POOL'S EXPERIENCE/ASSUMPTION CHANGE**
- **DEVELOPMENT OF PLAN'S SHARE OF POOL'S MVA**
- **SCHEDULE OF PLAN'S AMORTIZATION BASES**
- **30-YEAR AMORTIZATION SCHEDULE AND ALTERNATIVES**
- **EMPLOYER CONTRIBUTION HISTORY**
- **FUNDING HISTORY**

Breakdown of Entry Age Normal Accrued Liability

1. Active Members	\$	7,299,440
2. Transferred Members		1,269,924
3. Terminated Members		56,318
4. Members and Beneficiaries Receiving Payments		<u>8,142,368</u>
5. Total	\$	16,768,050

Allocation of Plan's Share of Pool's Experience/Assumption Change

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

1. Plan's Accrued Liability	\$	16,768,050
2. Projected UAL balance at 6/30/16		3,274,628
3. Pool's Accrued Liability	\$	14,775,287,594
4. Sum of Pool's Individual Plan UAL Balances at 6/30/16		2,987,498,021
5. Pool's 2015/16 Investment & Asset (Gain)/Loss		771,070,186
6. Pool's 2015/16 Other (Gain)/Loss		(95,296,686)
7. Plan's Share of Pool's Asset (Gain)/Loss $[(1)-(2)]/[(3)-(4)] * (5)$		882,640
8. Plan's Share of Pool's Other (Gain)/Loss $[(1)]/[(3)] * (6)$		(108,149)
9. Plan's New (Gain)/Loss as of 6/30/2016 $[(7)+(8)]$	\$	774,491
10. Increase in Pool's Accrued Liability due to Change in Assumptions		224,853,121
11. Plan's Share of Pool's Change in Assumptions $[(1)]/[(3)] * (10)$	\$	255,179

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

1. Plan's Accrued Liability	\$	16,768,050
2. Plan's UAL	\$	4,304,298
3. Plan's Share of Pool's MVA $[(1)-(2)]$	\$	12,463,752

Schedule of Plan's Side Fund and Other Amortization Bases

There is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2016.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date: Fiscal Year 2018-19.

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

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the payment on the UAL for the fiscal year and adjusting for interest.

Reason for Base	Date Established	Amortization Period	Balance 6/30/16	Payment 2016-17	Balance 6/30/17	Payment 2017-18	Amounts for Fiscal 2018-19	
							Balance 6/30/18	Scheduled Payment for 2018-19
ASSET (GAIN)/LOSS	06/30/13	27	\$1,787,542	\$48,841	\$1,868,763	\$75,460	\$1,928,391	\$102,129
SHARE OF PRE-2013 POOL UAL	06/30/13	19	\$1,295,411	\$94,873	\$1,292,638	\$97,719	\$1,286,712	\$99,439
NON-ASSET (GAIN)/LOSS	06/30/13	27	\$(17,184)	\$(470)	\$(17,964)	\$(725)	\$(18,538)	\$(982)
NON-ASSET (GAIN)/LOSS	06/30/14	28	\$1,377	\$19	\$1,459	\$40	\$1,525	\$61
ASSET (GAIN)/LOSS	06/30/14	28	\$(1,273,288)	\$(17,909)	\$(1,348,635)	\$(36,892)	\$(1,409,869)	\$(56,136)
ASSUMPTION CHANGE	06/30/14	18	\$796,643	\$15,174	\$839,672	\$31,259	\$869,207	\$47,762
ASSET (GAIN)/LOSS	06/30/15	29	\$744,165	\$0	\$799,047	\$11,252	\$846,317	\$22,810
NON-ASSET (GAIN)/LOSS	06/30/15	29	\$(60,038)	\$0	\$(64,466)	\$(908)	\$(68,279)	\$(1,840)
ASSET (GAIN)/LOSS	06/30/16	30	\$882,640	\$0	\$947,735	\$0	\$1,017,630	\$14,105
NON-ASSET (GAIN)/LOSS	06/30/16	30	\$(108,149)	\$0	\$(116,125)	\$0	\$(124,690)	\$(1,728)
ASSUMPTION CHANGE	06/30/16	20	\$255,179	\$(6,907)	\$281,156	\$(7,114)	\$309,263	\$5,829
TOTAL			\$4,304,298	\$133,621	\$4,483,280	\$170,091	\$4,637,669	\$231,449

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed on the previous page. These (gain)/loss bases will be amortized according to Board policy over 30 years with a 5-year ramp-up.

If the total Unfunded Liability is negative (i.e., plan has a surplus), the scheduled payment is \$0, because the minimum required contribution under PEPRAs must be at least equal to the normal cost.

30-Year Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the possible savings in doing so. As a result, we have provided alternate amortization schedules to help analyze the current amortization schedule and illustrate the advantages of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on: 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternate "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. Note that the payments under each alternate scenario increase by 3 percent for each year into the future. **The schedules do not attempt to reflect any experience after June 30, 2016 that may deviate from the actuarial assumptions. Therefore, future amortization payments displayed in the Current Amortization Schedule may not match projected amortization payments shown in connection with Projected Employer Contributions provided elsewhere in this report.**

The Current Amortization Schedule typically contains individual bases that are both positive and negative. Positive bases result from plan changes, assumption changes or plan experience that result in increases to unfunded liability. Negative bases result from plan changes, assumption changes or plan experience that result in decreases to unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years such as:

- A positive total unfunded liability with a negative total payment,
- A negative total unfunded liability with a positive total payment, or
- Total payments that completely amortize the unfunded liability over a very short period of time

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

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy. For purposes of this display, total payments include any negative payments. Therefore, the amount of estimated savings may be understated to the extent that negative payments appear in the current schedule.

30-Year Amortization Schedule and Alternatives

Date	<u>Current Amortization Schedule</u>		<u>Alternate Schedules</u>			
	Balance	Payment	20 Year Amortization		15 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2018	4,637,670	231,449	4,637,670	346,677	4,637,670	421,823
6/30/2019	4,739,867	291,135	4,620,465	357,078	4,542,597	434,478
6/30/2020	4,787,753	327,367	4,591,213	367,790	4,427,400	447,512
6/30/2021	4,801,626	368,539	4,548,704	378,824	4,290,200	460,938
6/30/2022	4,773,859	400,086	4,491,627	390,188	4,128,969	474,766
6/30/2023	4,711,354	412,089	4,418,563	401,894	3,941,520	489,009
6/30/2024	4,631,802	424,451	4,327,982	413,951	3,725,487	503,679
6/30/2025	4,533,573	437,185	4,218,227	426,369	3,478,320	518,789
6/30/2026	4,414,905	450,300	4,087,509	439,161	3,197,266	534,353
6/30/2027	4,273,895	463,809	3,933,896	452,335	2,879,358	550,384
6/30/2028	4,108,486	477,724	3,755,302	465,905	2,521,392	566,895
6/30/2029	3,916,461	492,055	3,549,476	479,883	2,119,918	583,902
6/30/2030	3,695,423	506,817	3,313,986	494,279	1,671,211	601,419
6/30/2031	3,442,787	522,021	3,046,211	509,107	1,171,261	619,462
6/30/2032	3,155,764	513,601	2,743,322	524,381	615,744	638,045
6/30/2033	2,856,298	504,205	2,402,269	540,112		
6/30/2034	2,544,484	484,429	2,019,762	556,315		
6/30/2035	2,230,165	463,012	1,592,255	573,005		
6/30/2036	1,914,858	439,875	1,115,925	590,195		
6/30/2037	1,600,272	268,482	586,653	607,901		
6/30/2038	1,440,087	266,008				
6/30/2039	1,270,650	273,988				
6/30/2040	1,080,449	282,208				
6/30/2041	867,703	240,769				
6/30/2042	682,207	234,586				
6/30/2043	489,437	205,862				
6/30/2044	312,215	148,512				
6/30/2045	181,350	87,536				
6/30/2046	104,018	80,622				
6/30/2047	28,147	29,166				
Totals		10,327,887		9,315,352		7,845,453
Interest Paid		5,690,216		4,677,681		3,207,782
Estimated Savings				1,012,534		2,482,432

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2016. For Projected Employer Contributions, please see Page 5.

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made during a fiscal year.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment (\$)
2016 - 17	8.880%	\$140,530
2017 - 18	8.921%	\$177,204
2018 - 19	9.409%	\$231,449

Funding History

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

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	\$ 12,840,239	\$ 10,084,117	\$ 2,756,122	78.5%	\$ 1,850,958
06/30/2012	13,592,943	10,122,837	3,470,106	74.5%	1,948,619
06/30/2013	14,249,698	11,580,672	2,669,026	81.3%	1,926,867
06/30/2014	15,272,944	12,879,585	2,393,359	84.3%	1,959,494
06/30/2015	15,821,678	12,673,600	3,148,078	80.1%	1,904,760
06/30/2016	16,768,050	12,463,752	4,304,298	74.3%	1,548,688

RISK ANALYSIS

- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**
- **VOLATILITY RATIOS**
- **HYPOTHETICAL TERMINATION LIABILITY**

Analysis of Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2016-17, 2017-18, 2018-19 and 2019-20). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Each of the five investment return scenarios assumes a return of 7.375 percent for fiscal year 2016-17. For fiscal years 2017-18, 2018-19, and 2019-20 each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are -3.0 percent, 3.0 percent, 7.0 percent (7.25 percent for 2017-18), 11.0 percent and 17.0 percent.

Alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four year period ending June 30, 2020. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced ten thousand stochastic outcomes for this period. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all of the 4-year outcomes generated in the stochastic analysis, approximately 25 percent of them had an average annual return of 3.0 percent or less.

Required contributions outside of this range are also possible. In particular, while it is unlikely that investment returns will average less than -3.0 percent or greater than 17.0 percent over this four year period, the possibility of a single investment return less than -3.0 percent or greater than 17.0 percent in any given year is much greater.

Assumed Annual Return From 2017-18 through 2019-20	Projected Employer Contributions			
	2019-20	2020-21	2021-22	2022-23
(3.0%)				
Normal Cost	9.9%	10.8%	10.8%	10.8%
UAL Contribution	\$294,000	\$361,000	\$463,000	\$577,000
3.0%				
Normal Cost	9.9%	10.8%	10.8%	10.8%
UAL Contribution	\$294,000	\$349,000	\$426,000	\$505,000
Assumed Discount Rate				
Normal Cost	9.9%	10.8%	10.8%	10.8%
UAL Contribution	\$294,000	\$341,000	\$401,000	\$452,000
11.0%				
Normal Cost	9.9%	10.8%	11.0%	11.2%
UAL Contribution	\$294,000	\$333,000	\$376,000	\$403,000
17.0%				
Normal Cost	9.9%	10.8%	11.4%	12.1%
UAL Contribution	\$294,000	\$321,000	\$338,000	\$325,000

Given the temporary suspension of the Risk Mitigation Policy during the period over which the discount rate assumption is being phased down to 7.0 percent, the projections above were performed without reflection of any possible impact of this Policy for Fiscal Years 2019-20 and 2020-21.

Analysis of Discount Rate Sensitivity

Shown below are various valuation results as of June 30, 2016 assuming alternate discount rates. Results are shown using the current discount rate of 7.375 percent as well as alternate discount rates of 6.0 percent, 7.0 percent, and 8.0 percent. The alternate rate of 7.0 percent was selected since the Board has adopted this rate as the final discount rate at the end of the three year phase-in of the reduction in this assumption. The rates of 6.0 percent and 8.0 percent were selected since they illustrate the impact of a 1 percent increase or decrease to the 7.0 percent assumption. This analysis shows the potential plan impacts if the PERF were to realize investment returns of 6.0 percent, 7.0 percent, or 8.0 percent over the long-term.

This type of analysis gives the reader a sense of the long-term risk to required contributions. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Sensitivity Analysis				
As of June 30, 2016	Plan's Total Normal Cost	Accrued Liability	Unfunded Accrued Liability	Funded Status
7.375% (current discount rate)	16.311%	\$16,768,050	\$4,304,298	74.3%
6.0%	22.018%	\$19,801,477	\$7,337,725	62.9%
7.0%	17.663%	\$17,523,072	\$5,059,320	71.1%
8.0%	14.336%	\$15,614,472	\$3,150,720	79.8%

Volatility Ratios

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

Asset Volatility Ratio (AVR)

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

Liability Volatility Ratio (LVR)

Plans that have higher liability-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with a liability-to-payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability-to-payroll ratio of 4. The liability volatility ratio is also shown in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The asset volatility ratio, described above, will tend to move closer to the liability volatility ratio as the plan matures. Since the liability volatility ratio is a long-term measure, it is shown below at the current discount rate (7.375 percent) as well as the discount rate the Board has adopted to determine the contribution requirement in the June 30, 2018 actuarial valuation (7.00 percent).

Rate Volatility	As of June 30, 2016	
1. Market Value of Assets	\$	12,463,752
2. Payroll		1,548,688
3. Asset Volatility Ratio (AVR) [(1) / (2)]		8.0
4. Accrued Liability	\$	16,768,050
5. Liability Volatility Ratio (LVR) [(4) / (2)]		10.8
6. Accrued Liability (7.00% discount rate)		17,523,072
7. Projected Liability Volatility Ratio [(6) / (2)]		11.3

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2016. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

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

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 2-year period centered around the valuation date.

Market Value of Assets (MVA)	Hypothetical Termination Liability^{1,2} @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability^{1,2} @ 3.00%	Funded Status	Unfunded Termination Liability @ 3.00%
\$12,463,752	\$31,149,656	40.0%	\$18,685,904	\$27,005,514	46.2%	\$14,541,762

¹ The hypothetical liabilities calculated above include a 7 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

² The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 1.75 percent on June 30, 2016, and was 2.75 percent on January 31, 2017.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Participant Data

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

	June 30, 2015	June 30, 2016
Reported Payroll	\$ 1,904,760	\$ 1,548,688
Projected Payroll for Contribution Purposes	\$ 2,081,382	\$ 1,692,293
Number of Members		
Active	23	20
Transferred	10	12
Separated	3	3
Retired	35	34

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

PLAN'S MAJOR BENEFIT OPTIONS

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE MISCELLANEOUS PLAN OF THE MONTECITO WATER DISTRICT

Plan’s Major Benefit Options

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

Benefit Provision	Contract package		
	Active Misc	Inactive Misc	Receiving Misc
Benefit Formula	2.0% @ 55	2.0% @ 55	
Social Security Coverage	Yes	Yes	
Full/Modified	Modified	Modified	
Employee Contribution Rate	7.00%		
Final Average Compensation Period	One Year	One Year	
Sick Leave Credit	Yes	Yes	
Non-Industrial Disability	Standard	Standard	
Industrial Disability	No	No	
Pre-Retirement Death Benefits			
Optional Settlement 2W	Yes	Yes	
1959 Survivor Benefit Level	No	No	
Special	No	No	
Alternate (firefighters)	No	No	No
Post-Retirement Death Benefits			
Lump Sum	\$500	\$500	\$500
Survivor Allowance (PRSA)	No	No	No
COLA	2%	2%	2%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Section 2 may be found on the CalPERS website
(www.calpers.ca.gov) in the Forms and
Publications section**



California Public Employees' Retirement System
Actuarial Office
 P.O. Box 942709
 Sacramento, CA 94229-2709
 TTY: (916) 795-3240
 (888) 225-7377 phone – (916) 795-2744 fax
www.calpers.ca.gov

August 2017

**PEPRA MISCELLANEOUS PLAN OF THE MONTECITO WATER DISTRICT
 (CalPERS ID: 6529901682)
 Annual Valuation Report as of June 30, 2016**

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of the pension plan.

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

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2016.

Section 2 can be found on the CalPERS website at (www.calpers.ca.gov). From the home page, go to "Forms & Publications" and select "View All". In the search box, enter "Risk Pool Report" and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your June 30, 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 31, 2017.

The exhibit below displays the minimum employer contributions, before any cost sharing, for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees.**

Required Contribution

Fiscal Year	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
2018-19	6.842%	\$618
<i>Projected Results</i>		
2019-20	6.8%	\$860
2020-21	7.1%	\$1,300

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal Year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal Year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The "Risk Analysis" section of the valuation report also contains estimated employer contributions in future years under a variety of investment return scenarios.

Changes since the Prior Year's Valuation

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19 determined in this valuation were calculated using a discount rate of 7.375 percent. The projected employer contributions on Page 5 are calculated assuming that the discount rate will be lowered to 7.25 percent next year and to 7.00 percent the following year as adopted by the Board.

The CalPERS Board of Administration adopted a Risk Mitigation Policy which is designed to reduce funding risk over time. This Policy has been temporarily suspended during the period over which the discount rate is being lowered. More details on the Risk Mitigation Policy can be found on our website.

Besides the above noted changes, there may also be changes specific to the plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A, "Statement of Actuarial Data, Methods and Assumptions" of the Section 2 report.

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 31 to contact us with actuarial related questions.

If you have other questions, please call our customer contact center at (888) CalPERS or **(888-225-7377)**.

Sincerely,

SCOTT TERANDO
Chief Actuary



**ACTUARIAL VALUATION
as of June 30, 2016**

**for the
PEPRA MISCELLANEOUS PLAN
of the
MONTECITO WATER DISTRICT
(CalPERS ID: 6529901682)**

**REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2018 - June 30, 2019**

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SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Plan Specific Information
for the
PEPRA MISCELLANEOUS PLAN
of the
MONTECITO WATER DISTRICT**

**(CalPERS ID: 6529901682)
(Rate Plan: 26040)**

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ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2016 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2016 provided by employers participating in the Miscellaneous Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuary has certified that, in their opinion, the valuation of the risk pool containing your PEPRA MISCELLANEOUS PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that Unfunded Accrued Liability amortization bases as of June 30, 2016 and employer contribution as of July 1, 2018, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

STUART BENNETT, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

HIGHLIGHTS AND EXECUTIVE SUMMARY

- **INTRODUCTION**
- **PURPOSE OF SECTION 1**
- **REQUIRED EMPLOYER CONTRIBUTION**
- **PLAN'S FUNDED STATUS**
- **PROJECTED EMPLOYER CONTRIBUTIONS**
- **CHANGES SINCE THE PRIOR YEAR'S VALUATION**
- **SUBSEQUENT EVENTS**

Introduction

This report presents the results of the June 30, 2016 actuarial valuation of the PEPRA MISCELLANEOUS PLAN of the MONTECITO WATER DISTRICT of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for Fiscal Year 2018-19.

Purpose of Section 1

This Section 1 report for the PEPRA MISCELLANEOUS PLAN of the MONTECITO WATER DISTRICT of the California Public Employees' Retirement System (CalPERS) was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2016;
- Determine the required employer contribution for this plan for the fiscal year July 1, 2018 through June 30, 2019; and
- Provide actuarial information as of June 30, 2016 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

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

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

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 9.

Additionally, this report includes the following "Enhanced Risk Disclosures" also recommended by the CAAP in the Model Disclosure Elements document:

- A "Deterministic Stress Test," projecting future results under different investment income scenarios
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 6.0 percent, 7.0 percent and 8.0 percent.

Required Employer Contribution

	Fiscal Year	
Required Employer Contribution	2018-19	
Employer Normal Cost Rate	6.842%	
<i>Plus Either</i>		
1) Monthly Employer Dollar UAL Payment	\$	51.46
<i>Or</i>		
2) Annual Lump Sum Prepayment Option	\$	596
<p><i>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).</i></p> <p><i>Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.</i></p> <p><i>§ 20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.</i></p>		

	Fiscal Year	Fiscal Year
	2017-18	2018-19
Development of Normal Cost as a Percentage of Payroll¹		
Base Total Normal Cost for Formula	12.783%	13.092%
Surcharge for Class 1 Benefits ²		
None	0.000%	0.000%
Phase out of Normal Cost Difference ³	0.000%	0.000%
Plan's Total Normal Cost	12.783%	13.092%
Plan's Employee Contribution Rate	6.250%	6.250%
Employer Normal Cost Rate	6.533%	6.842%
Projected Payroll for the Contribution Fiscal Year	\$ 211,530	\$ 351,943
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost	\$ 13,819	\$ 24,080
Plan's Payment on Amortization Bases ⁴	463	618
% of Projected Payroll (illustrative only)	0.219%	0.175%
Estimated Total Employer Contribution	\$ 14,282	\$ 24,698
% of Projected Payroll (illustrative only)	6.752%	7.017%

¹ The results shown for Fiscal Year 2017-18 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after June 30, 2016.

² Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

³ The normal cost difference is phased out over a five year period. The phase out of normal cost difference is 100 percent for the first year of pooling, and is incrementally reduced by 20 percent of the original normal cost difference for each subsequent year. This is non-zero only for plans that joined a pool within the past 5 years. Most plans joined a pool June 30, 2003, when risk pooling was implemented.

⁴ See page 9 for a breakdown of the Amortization Bases.

Plan's Funded Status

	June 30, 2015	June 30, 2016
1. Present Value of Projected Benefits (PVB)	\$ 255,543	\$ 449,775
2. Entry Age Normal Accrued Liability (AL)	17,551	67,040
3. Plan's Market Value of Assets (MVA)	16,318	60,434
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	1,233	6,606
5. Funded Ratio [(3) / (2)]	93.0%	90.1%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Statement of Actuarial Data, Methods and Assumptions" of the Section 2 report. The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period.

Fiscal Year	Required Contribution	Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)					
		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Normal Cost %	6.842%	6.8%	7.1%	7.1%	7.1%	7.1%	7.1%
UAL Payment	\$618	\$860	\$1,300	\$1,200	\$1,700	\$2,100	\$2,300

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A of Section 2. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

Changes since the Prior Year's Valuation

Benefits

None. This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" and Appendix B of Section 2 for a summary of the plan provisions used in this valuation.

Actuarial Methods and Assumptions

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19 determined in this valuation were calculated using a discount rate of 7.375 percent. The projected employer contributions on Page 5 are calculated assuming that the discount rate will be lowered to 7.25 percent next year and 7.00 percent the following year as adopted by the Board. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff. The specific decision adopted by the Board reflected recommendations from CalPERS staff and additional input from employer and employee stakeholder groups. Based on the investment allocation adopted by the Board and capital market assumptions, the reduced discount rate assumption provides a more realistic assumption for the long term investment return of the fund.

Notwithstanding the Board's decision to phase into a 7.0 percent discount rate, subsequent analysis of the expected investment return of CalPERS assets or changes to the investment allocation may result in a change to this three year discount rate schedule. A comprehensive analysis of all actuarial assumptions and methods including the discount rate will be conducted in 2017.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2016. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the required contribution, while investment returns above the assumed rate of return will decrease the actuarial cost of the plan.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2017. Any subsequent changes or actions are not reflected.

ASSETS AND LIABILITIES

- **BREAKDOWN OF ENTRY AGE NORMAL ACCRUED LIABILITY**
- **ALLOCATION OF PLAN'S SHARE OF POOL'S EXPERIENCE/ASSUMPTION CHANGE**
- **DEVELOPMENT OF PLAN'S SHARE OF POOL'S MVA**
- **SCHEDULE OF PLAN'S AMORTIZATION BASES**
- **30-YEAR AMORTIZATION SCHEDULE AND ALTERNATIVES**
- **EMPLOYER CONTRIBUTION HISTORY**
- **FUNDING HISTORY**

Breakdown of Entry Age Normal Accrued Liability

1. Active Members	\$	67,040
2. Transferred Members		0
3. Terminated Members		0
4. Members and Beneficiaries Receiving Payments		0
5. Total	\$	67,040

Allocation of Plan's Share of Pool's Experience/Assumption Change

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

1. Plan's Accrued Liability	\$	67,040
2. Projected UAL balance at 6/30/16		1,747
3. Pool's Accrued Liability	\$	14,775,287,594
4. Sum of Pool's Individual Plan UAL Balances at 6/30/16		2,987,498,021
5. Pool's 2015/16 Investment & Asset (Gain)/Loss		771,070,186
6. Pool's 2015/16 Other (Gain)/Loss		(95,296,686)
7. Plan's Share of Pool's Asset (Gain)/Loss $[(1)-(2)]/[(3)-(4)] * (5)$		4,271
8. Plan's Share of Pool's Other (Gain)/Loss $[(1)]/[(3)] * (6)$		(432)
9. Plan's New (Gain)/Loss as of 6/30/2016 $[(7)+(8)]$	\$	3,839
10. Increase in Pool's Accrued Liability due to Change in Assumptions		224,853,121
11. Plan's Share of Pool's Change in Assumptions $[(1)]/[(3)] * (10)$	\$	1,020

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

1. Plan's Accrued Liability	\$	67,040
2. Plan's UAL	\$	6,606
3. Plan's Share of Pool's MVA $[(1)-(2)]$	\$	60,434

Schedule of Plan's Side Fund and Other Amortization Bases

There is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2016.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date: Fiscal Year 2018-19.

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

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the payment on the UAL for the fiscal year and adjusting for interest.

Reason for Base	Date Established	Amortization Period	Balance 6/30/16	Payment 2016-17	Balance 6/30/17	Payment 2017-18	Amounts for Fiscal 2018-19	
							Balance 6/30/18	Scheduled Payment for 2018-19
FRESH START	06/30/15	3	\$1,747	\$193	\$1,676	\$463	\$1,320	\$475
NON-ASSET (GAIN)/LOSS	06/30/16	30	\$(432)	\$0	\$(464)	\$0	\$(499)	\$(7)
ASSUMPTION CHANGE	06/30/16	20	\$1,020	\$(1,436)	\$2,584	\$(1,480)	\$4,308	\$81
ASSET (GAIN)/LOSS	06/30/16	30	\$4,271	\$0	\$4,586	\$0	\$4,924	\$68
TOTAL			\$6,606	\$(1,243)	\$8,382	\$(1,017)	\$10,053	\$617

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed on the previous page. These (gain)/loss bases will be amortized according to Board policy over 30 years with a 5-year ramp-up.

If the total Unfunded Liability is negative (i.e., plan has a surplus), the scheduled payment is \$0, because the minimum required contribution under PEPRA must be at least equal to the normal cost.

30-Year Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the possible savings in doing so. As a result, we have provided alternate amortization schedules to help analyze the current amortization schedule and illustrate the advantages of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on: 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternate "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. Note that the payments under each alternate scenario increase by 3 percent for each year into the future. **The schedules do not attempt to reflect any experience after June 30, 2016 that may deviate from the actuarial assumptions. Therefore, future amortization payments displayed in the Current Amortization Schedule may not match projected amortization payments shown in connection with Projected Employer Contributions provided elsewhere in this report.**

The Current Amortization Schedule typically contains individual bases that are both positive and negative. Positive bases result from plan changes, assumption changes or plan experience that result in increases to unfunded liability. Negative bases result from plan changes, assumption changes or plan experience that result in decreases to unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years such as:

- A positive total unfunded liability with a negative total payment,
- A negative total unfunded liability with a positive total payment, or
- Total payments that completely amortize the unfunded liability over a very short period of time

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

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy. For purposes of this display, total payments include any negative payments. Therefore, the amount of estimated savings may be understated to the extent that negative payments appear in the current schedule.

30-Year Amortization Schedule and Alternatives

Date	<u>Current Amortization Schedule</u>		<u>Alternate Schedules</u>			
	Balance	Payment	20 Year Amortization		15 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2018	10,054	618	10,054	752	10,054	914
6/30/2019	10,156	783	10,017	774	9,848	942
6/30/2020	10,093	958	9,953	797	9,598	970
6/30/2021	9,845	623	9,861	821	9,301	999
6/30/2022	9,926	802	9,737	846	8,951	1,029
6/30/2023	9,827	826	9,579	871	8,545	1,060
6/30/2024	9,695	851	9,383	897	8,076	1,092
6/30/2025	9,528	877	9,145	924	7,541	1,125
6/30/2026	9,323	903	8,861	952	6,931	1,158
6/30/2027	9,075	930	8,528	981	6,242	1,193
6/30/2028	8,780	958	8,141	1,010	5,466	1,229
6/30/2029	8,435	987	7,695	1,040	4,596	1,266
6/30/2030	8,035	1,016	7,184	1,072	3,623	1,304
6/30/2031	7,575	1,047	6,604	1,104	2,539	1,343
6/30/2032	7,049	1,078	5,947	1,137	1,335	1,383
6/30/2033	6,451	1,110	5,208	1,171		
6/30/2034	5,776	1,013	4,379	1,206		
6/30/2035	5,152	910	3,452	1,242		
6/30/2036	4,590	799	2,419	1,279		
6/30/2037	4,101	680	1,272	1,318		
6/30/2038	3,698	554				
6/30/2039	3,397	571				
6/30/2040	3,056	588				
6/30/2041	2,672	605				
6/30/2042	2,242	624				
6/30/2043	1,761	642				
6/30/2044	1,226	529				
6/30/2045	768	409				
6/30/2046	401	281				
6/30/2047	140	145				
Totals		22,715		20,195		17,008
Interest Paid		12,661		10,140		6,953
Estimated Savings				2,520		5,706

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2016. For Projected Employer Contributions, please see Page 5.

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan, as determined by the annual actuarial valuation. It does not account for prepayments or benefit changes made during a fiscal year.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment (\$)
2016 - 17	6.555%	\$193
2017 - 18	6.533%	\$463
2018 - 19	6.842%	\$618

Funding History

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

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2014	\$ 148	\$ 155	\$ (7)	104.5%	\$ 80,434
06/30/2015	17,551	16,318	1,233	93.0%	193,580
06/30/2016	67,040	60,434	6,606	90.1%	322,078

RISK ANALYSIS

- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**
- **VOLATILITY RATIOS**
- **HYPOTHETICAL TERMINATION LIABILITY**

Analysis of Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2016-17, 2017-18, 2018-19 and 2019-20). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Each of the five investment return scenarios assumes a return of 7.375 percent for fiscal year 2016-17. For fiscal years 2017-18, 2018-19, and 2019-20 each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are -3.0 percent, 3.0 percent, 7.0 percent (7.25 percent for 2017-18), 11.0 percent and 17.0 percent.

Alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four year period ending June 30, 2020. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced ten thousand stochastic outcomes for this period. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all of the 4-year outcomes generated in the stochastic analysis, approximately 25 percent of them had an average annual return of 3.0 percent or less.

Required contributions outside of this range are also possible. In particular, while it is unlikely that investment returns will average less than -3.0 percent or greater than 17.0 percent over this four year period, the possibility of a single investment return less than -3.0 percent or greater than 17.0 percent in any given year is much greater.

Assumed Annual Return From 2017-18 through 2019-20	Projected Employer Contributions			
	2019-20	2020-21	2021-22	2022-23
(3.0%)				
Normal Cost	6.8%	7.1%	7.1%	7.1%
UAL Contribution	\$860	\$1,400	\$1,500	\$2,300
3.0%				
Normal Cost	6.8%	7.1%	7.1%	7.1%
UAL Contribution	\$860	\$1,300	\$1,400	\$2,000
Assumed Discount Rate				
Normal Cost	6.8%	7.1%	7.1%	7.1%
UAL Contribution	\$860	\$1,300	\$1,200	\$1,700
11.0%				
Normal Cost	6.8%	7.1%	7.2%	7.2%
UAL Contribution	\$860	\$1,300	\$1,100	\$1,500
17.0%				
Normal Cost	6.8%	7.1%	7.3%	7.6%
UAL Contribution	\$860	\$1,200	\$950	\$1,100

Given the temporary suspension of the Risk Mitigation Policy during the period over which the discount rate assumption is being phased down to 7.0 percent, the projections above were performed without reflection of any possible impact of this Policy for Fiscal Years 2019-20 and 2020-21.

Analysis of Discount Rate Sensitivity

Shown below are various valuation results as of June 30, 2016 assuming alternate discount rates. Results are shown using the current discount rate of 7.375 percent as well as alternate discount rates of 6.0 percent, 7.0 percent, and 8.0 percent. The alternate rate of 7.0 percent was selected since the Board has adopted this rate as the final discount rate at the end of the three year phase-in of the reduction in this assumption. The rates of 6.0 percent and 8.0 percent were selected since they illustrate the impact of a 1 percent increase or decrease to the 7.0 percent assumption. This analysis shows the potential plan impacts if the PERF were to realize investment returns of 6.0 percent, 7.0 percent, or 8.0 percent over the long-term.

This type of analysis gives the reader a sense of the long-term risk to required contributions. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Sensitivity Analysis				
As of June 30, 2016	Plan's Total Normal Cost	Accrued Liability	Unfunded Accrued Liability	Funded Status
7.375% (current discount rate)	13.092%	\$67,040	\$6,606	90.1%
6.0%	17.506%	\$83,453	\$23,019	72.4%
7.0%	14.139%	\$71,104	\$10,670	85.0%
8.0%	11.561%	\$60,893	\$459	99.2%

Volatility Ratios

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

Asset Volatility Ratio (AVR)

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

Liability Volatility Ratio (LVR)

Plans that have higher liability-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with a liability-to-payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability-to-payroll ratio of 4. The liability volatility ratio is also shown in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The asset volatility ratio, described above, will tend to move closer to the liability volatility ratio as the plan matures. Since the liability volatility ratio is a long-term measure, it is shown below at the current discount rate (7.375 percent) as well as the discount rate the Board has adopted to determine the contribution requirement in the June 30, 2018 actuarial valuation (7.00 percent).

Rate Volatility	As of June 30, 2016	
1. Market Value of Assets	\$	60,434
2. Payroll		322,078
3. Asset Volatility Ratio (AVR) [(1) / (2)]		0.2
4. Accrued Liability	\$	67,040
5. Liability Volatility Ratio (LVR) [(4) / (2)]		0.2
6. Accrued Liability (7.00% discount rate)		71,104
7. Projected Liability Volatility Ratio [(6) / (2)]		0.2

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2016. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

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

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 2-year period centered around the valuation date.

Market Value of Assets (MVA)	Hypothetical Termination Liability^{1,2} @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability^{1,2} @ 3.00%	Funded Status	Unfunded Termination Liability @ 3.00%
\$60,434	\$149,584	40.4%	\$89,150	\$124,963	48.4%	\$64,529

¹ The hypothetical liabilities calculated above include a 7 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

² The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 1.75 percent on June 30, 2016, and was 2.75 percent on January 31, 2017.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Participant Data

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

	June 30, 2015	June 30, 2016
Reported Payroll	\$ 193,580	\$ 322,078
Projected Payroll for Contribution Purposes	\$ 211,530	\$ 351,943
Number of Members		
Active	2	3
Transferred	0	0
Separated	0	0
Retired	0	0

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- None

PLAN'S MAJOR BENEFIT OPTIONS

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE PEPRA MISCELLANEOUS PLAN OF THE MONTECITO WATER DISTRICT

Plan’s Major Benefit Options

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

	Contract package	
Benefit Provision	Active Misc	
Benefit Formula	2.0% @ 62	
Social Security Coverage	Yes	
Full/Modified	Full	
Employee Contribution Rate	6.25%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2W	Yes	
1959 Survivor Benefit Level	No	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	\$500	
Survivor Allowance (PRSA)	No	
COLA	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Section 2 may be found on the CalPERS website
(www.calpers.ca.gov) in the Forms and
Publications section**