May 8, 2026

TO:	Capitol Area Development Authority (CADA) Board of Directors
SUBJECT:	**May 15, 2026 Board Meeting** **AGENDA ITEM 5** **CADA FINANCIAL FORECAST (FY 2026-2027 THROUGH FY 2035-2036)**
CONTACT:	Noelle Mussen, Finance Director

RECOMMENDATION:

Informational only. This report provides CADA's annual Ten-Year Financial Forecast for discussion as CADA plans its business priorities for Fiscal Year 26-27 through Fiscal Year 35-36.

BACKGROUND

Each year, CADA updates its ongoing Ten-Year Financial Forecast (Forecast) that analyzes and reflects changes in financial and economic conditions that affect CADA's general operations and development projects. Development projects require advance funding, and the timing of the resulting tax increment is uncertain. The Forecast analyzes the impact of all development projects on CADA's overall operations, including General Operations and Major Construction, and conservatively estimates future funding needs for development projects and resulting tax increment. The Forecast is a tool that aids in the preparation of the annual CADA budget proposal made by staff for approval by the Board in June.

POLICY

CADA is charged with implementing the residential and commercial components of the State's Capitol Area Plan and the City of Sacramento's R Street Corridor Master Plan in a manner that is fiscally, socially, and environmentally sustainable, and that results in an attractive urban neighborhood that is affordable to a diverse population.

To accomplish its mandate, CADA must ensure that its property management activities are cost-effective and that its urban development activities are fiscally prudent. As a tool for ensuring that it is pursuing its mission in a fiscally-responsible manner, CADA prepares a Ten-Year Financial Forecast each year. The Forecast enables CADA to consider the needs of its aging housing stock and the implications of development and neighborhood investments on its long-term fiscal stability that is incorporated into the budget creation.

Since Capitol Area tax increment (TI) cannot be used in the R Street Area without prior approval from the Department of General Services (DGS), and the two areas have different restrictions with regard to the use of 20% affordable housing set-aside funds, separate Forecasts are provided for the Capitol Area (Attachment 1) and the R Street Area (Attachment 3). Attachment 2 provides detailed assumptions regarding planned development projects in the Capitol Area.

CAPITOL AREA FORECAST (ATTACHMENT 1)

This Forecast presents CADA operations and fiscal responsibilities in the Capitol Area in three

segments: General Operations, Major Construction, and Development. Regarding Tax Allocation Bond activities, CADA's ongoing bond debt service is reported as an expense within General Operations. Bond proceeds are used to reduce project expenditures. These funds are not resources for General Operations. Therefore, bond proceeds are only reflected in the Development project section of this Forecast.

CADA has established a threshold for the Capitol Area below which its cash reserves should not fall. This threshold represents six months of expenses, or approximately $6.5 million. This is an increase from the $6 million threshold in the prior Forecast. That Forecast, which was prepared in 2025, projected a slightly sharper decline in available funds from Year 1 through Year 4, with the decline flattening out through Year 4 to Year 5, but then declining from Year 6 through Year 10.

This year's Forecast shows a sharp decline in Year 1 through Year 2 with a sharp increase in Year 3, then a similar decline from the prior year forecast from Year 4 through Year 10, with starting reserves at $19.7 million. Similar to the prior year Forecast, the current Forecast projects a continued decrease over the 10-year period, but with slightly less of a decline in the last 6 years as compared to the prior Forecast, and a projected available cash balance of $9.8 million. This is an increase of $1.8 million over the prior year Forecast.

The differences from the prior year are due to net changes in assumptions in General Operations, Major Construction, Development, project completions, economic changes, and changes in development project requirements and funding needs. These changes in assumptions to expenditures are the main reason for the changes throughout the Forecast.

Compared to the prior year, Year 1 in the current Forecast starts with a beginning balance of approximately $1.5 million more in available resources. This is a similar increase to prior forecasts.

Within General Operations, the major assumptions are:

- Increases to operational expenses by 5% in Year 1 but then at only 3% thereafter.
- Increases to the annual CalPERS contributions, which increased total expenses through the Forecast period, are offset by a decrease in the OPEB contributions in Year 1 and 2, as CADA is currently fully funded. (Attachment 5-3)
- Rental revenue did not increase in the current period, and it is assumed that it will not increase in Year 1 but will increase 2% per year thereafter.

Assumptions made for interest rates are similar to what was assumed in the prior year, but the use of Bond proceeds is assumed to happen sooner, so those proceeds will accrue less interest income over the Forecast period. Along with development assumptions for the use of cash resources and bond proceeds, interest income in this Forecast has decreased.

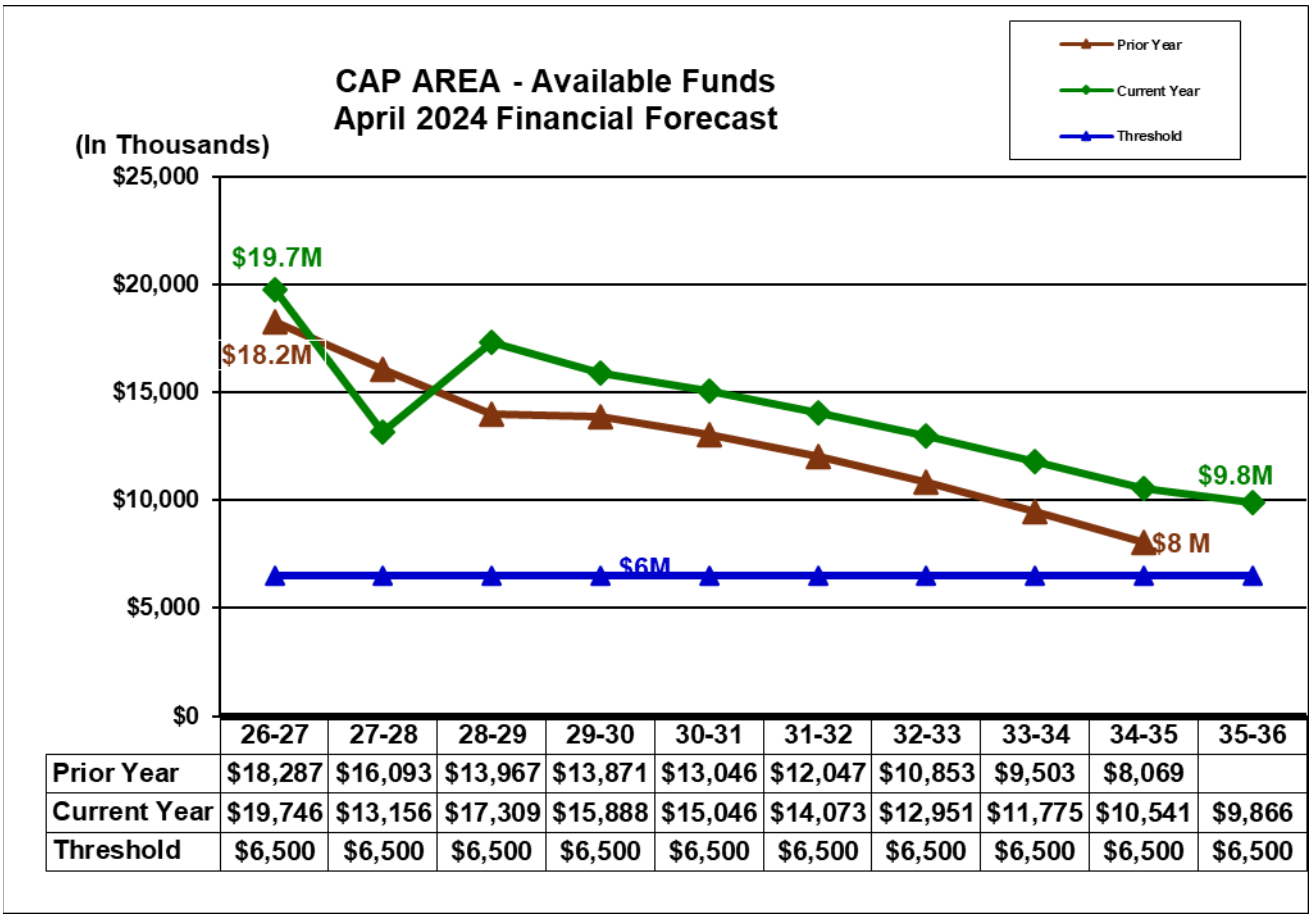
For Tax Increment (TI), collection generally has been steady but did decrease due to approved appeals within the past year. As such, the current Forecast still assumes the usual legally-permitted 2% increase per year, but the beginning amount will be reduced to FY 25-26 levels. In addition, this Forecast added The Cypress TI, which was not in the current year tax rolls because the property has recently completed construction. With these assumptions, TI revenue will grow over the whole ten-year period.

Overall debt will decrease over the 10-year period. It will increase in Year 1 due to a balloon payment due on the 525 S Street loan, but this is offset by the assumption of the sale of the current Maintenance office. CADA also has an Acquisition Reserve available to payoff this debt if the timing of property sale does not line up. Overall debt will decrease after Year 4 for the payoff of the three DGS loans, decrease again after Year 8 for the payoff of the I-Bank loan, and finally in Year 10 for the payoff of the 2017 Bond.

Major Construction has changes due to staff's continual work with our asset management consultant, Artemis Construction Management, to refine estimates and project priorities. These adjustments have been incorporated into the Forecast, which has increased the total amount of cash resources needed over the 10-year period, changing from $13 million to $14 million.

For Development, there have been a few major changes in assumptions which have led to an overall positive effect on cash flow throughout the Forecast. The East End Gateway Site 5-6-7 project has been removed from the Forecast along with its needed cash flow, but other projects have been added to the Forecast. One project is the Housing Accelerator Fund Loans with the funding of the loans occurring in Year 1 and then a corresponding increase in Year 3 for the loan repayment with interest. The increase is not back up to Year 1's funding level due to the net effect of three other possible projects occurring in Year 1 and Year 2, Somerset debt repayment, portfolio rehabilitation and the O Street Streetscape project. These projects are the main reason why we see a large decline from Year 1 and then the increase in Year 3.

While the Forecast projects a decline in available cash over the 10-year period, it still remains above the established threshold throughout the Forecast period, with available funds in Year 10. This is due to the previously-mentioned changes within General Operations, Major Construction and Development; most outstanding debt having maturated by Year 9; payment of Somerset debt, and fully funding the debt-sinking reserve for the remaining HCD property; no new development projects in later years; and projected additional TI from the Cypress project, offset by operational expenses increasing faster than revenue growth; and continued large expenditures for major construction in Year 1 through Year 5.



	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Prior Year	$18,287	$16,093	$13,967	$13,871	$13,046	$12,047	$10,853	$9,503	$8,069	
Current Year	$19,746	$13,156	$17,309	$15,888	$15,046	$14,073	$12,951	$11,775	$10,541	$9,866
Threshold	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500

The Capitol Area Forecast detail covering the period of FY 26-27 (Year 1) through FY 35-36 (Year 10) is presented in Attachment 1. In keeping with past Forecast practices, this Forecast does not

include the operation of CADA's Special Management properties. As reported in Attachment 1, the Forecast overall remains positive across the ten-year period.

Key assumptions, by segment, having a financial impact on Capitol Area cash reserves during the Forecast period of FY 26-27 through FY 35-36 are as follows:

GENERAL OPERATIONS

General Operations consists of property management revenue and expenses (residential and commercial activity), tax increment revenue, and administrative and development support activities for the organization. General Operations can be impacted by major construction and development projects, increases or decreases in tax increment and property management revenue, and changes in the number of affordable housing units maintained within CADA-managed properties.

Key Assumptions

- The Forecast assumes Rental Income will increase 2% per year, with no increase in the estimated rental income in Year 1. Rental income in FY 25-26 did not increase from the prior year and no rental rate increases were requested for FY 26-27. The Terraces net operating income was added to the total revenue for each year and increased 2% per year for the whole 10 years.

- The Forecast assumes CADA's Low Income Subsidy Program (Scattered-Site Program) will remain in place during the entire 10-year period, with the subsidy balance increasing 2% per year.

- Tax Increment (TI) revenue in the Capitol Area in Year 1 has decreased to reflect FY 25-26 estimated levels and review of the current tax assessor's reports, followed by a 2% increase each year thereafter. In the current year there were property tax reduction requests that were granted, so the current estimated TI was reduced by $200,000.

  TI revenue generated by development projects that are in progress is not included in this segment of the Forecast but is reported by project in the Development segment of the Forecast.

- Investment Earnings will continue to assume interest at the 2.5% rate through the Forecast. Consequently, the Forecast still assumes a decrease in the anticipated annual investment earnings over the 10-year period due to the decline in projected cash reserves. In addition to interest earned on operating reserves, the Forecast reflects investment earnings from the 2020 unspent bond proceeds to fund major construction and development needs. This also declines over the first four years with the anticipated use of these funds.

- For Notes Receivable, the $1.5 million advance to Sonrisa from CADA has been added and is assumed to be paid off by Year 1, based on the anticipated cashflow of the remaining equity into the project and the recently issued 8609 letter that should release the final equity payment. The Residual Receipt notes are not considered collectable for the purpose of the Forecast and were not included.

- The Forecast assumes Salaries will increase 5% in Year 1 and 3% per year thereafter. At the time the Forecast was finished the salary survey was not completed so staff wanted to capture the possibility that FY 26-27 or Year 1, salaries expense could be higher than the usual assume 3%, due to possible salary rate and cost of living adjustments.

- Benefits assumes an increase of 3% per year, except for Retirement Benefits and Other Post Employment Benefit (OPEB) liabilities. Those have been adjusted based on information

from CalPERS current actuarial reports. There is no assumed change in staffing over the Forecast period.

- For retirement benefits, according to the latest CalPERS actuarial report, CalPERS is billing CADA for the normal cost, or "retirement cost", for active employees estimated to vest in a given year as a percentage of payroll, but any unfunded liability is being billed at the calculated annual dollar value, which currently is amortized over 25 years.

  In this Forecast, staff has incorporated assumptions from CalPERS actuarial reports pertaining to the normal cost rates. As new staff members have come on board, the number of PEPRA (Public Employees' Pension Reform Act) employees has increased over Classic employees, and now CalPERS has combined the unfunded liabilities for both pools of employees together. It is still important to continue to consider both pools of employees because the employer normal cost rates are different for the two classifications, with the PEPRA employees being lower in both categories at this time.

  For Classic members, the normal cost rate assumed in the CalPERS actuarial report is 13.36% in Year 1 through Year 6, with an assumed increase of .5% each year thereafter. For PEPRA members, the normal cost rate assumed in the CalPERS actuarial report is 8.24% in Year 1 through Year 6, with an assumed increase of .5% each year thereafter.

- For the Unfunded Liability for this Forecast, staff has kept the assumption from the CalPERS reports to reflect the "Fresh Start" proposal, which was reflected in the prior year Forecast. For the unfunded liability for PEPRA members, these amounts are now included with the Classic members for a total unfunded liability.

  The purpose of modeling a Fresh Start proposal is to make an effort to reduce the unfunded liability balance and to reduce and take control of the annual required payments into the future to further the goal of bringing CADA's pension trust to a fully funded status. This would be accomplished by paying a large one-time additional discretionary payment into a trust and working with CalPERS to restructure the unfunded liability payment schedule.

  Within the current CalPERS actuarial report, they have provided an alternative amortization schedule that CADA staff could use to analyze our payments if we opted to initialize a Fresh Start. In this forecast, staff has switched to the CalPERS numbers as they are more up to date, which is an increase from what our consultants had calculated a few years ago.

  The Forecast moves the one-time payment of $500,000 to Year 1 instead of the current fiscal year but increases the annual payment to $715,911 each year based on a 15-year amortization Schedule. This is a slightly higher payment than what CalPERS will require in the next year, but will potentially be less than what will be required in the years thereafter.

- OPEB Liabilities are projected to continue to be fully funded in a trust fund established through CalPERS. CADA's current OPEB annual amount is calculated by using the most current actuarial report estimated Annual Required Donation (ARD) for Year Ended 2027 and 2028, then growing the liability 3% each year thereafter. The Forecast assumes CADA will continue to reimburse current retirement health benefits from the trust, starting at $225,000 per year and increasing by 3% per year thereafter. CADA just completed a new actuarial report, see Attachment 5, which set the next two years ARD. Also, the trust is currently fully funded and the ARD is comprised of only of the estimated current year's vesting costs.

- The Forecast assumes all the expense categories in Year 1 will be increased by 5%, then 3% each year after. This reflects the increases in inflation and uncertainty of where prices may be into the next Fiscal Year for products, materials and services.

- From Year 2 through Year 10, this Forecast assumes expenses will increase 3% per year. There is one exception within Overhead for CADA's Administrative Office lease. This lease was renegotiated in 2017 as part of the renovation of the office space. DGS approved tenant improvements done by CADA and they are being reimbursed through a rent reduction over 10 years totaling $200,000. This Forecast reflects the negotiated lease terms with rent at the negotiated term of $89,600 from Year 1 to Year 3, then the Forecast assumes a 3% annual increase from Year 6 to Year 10.

- CADA Debt will increase in Year 1 from the current fiscal year reflecting the assumption of a prepayment for the 525 S Street Maintenance Warehouse. There is a required prepayment of $1.25 million in Year 1, with funding anticipated to come from the sale of the current Maintenance Office property, which has been included in revenue. With that pre-payment, it is anticipated this debt will be paid in full by Year 7.

- Thereafter, CADA's continuing debt will consist of the 2017 private placement bond, the I-Bank loan until Year 8, and the land loan debt to DGS for the East End Gateway Sites 1- 3 projects, until Year 3 when those loans will be paid off.

- Tax Allocation Bond Debt Service includes the debt service payments from the 2020 taxable bond issued in December 2020. This will be a constant expense over the whole ten-year Forecast period based on the Bond debit service schedules.

- Also included in the Forecast is the debt service reserve for two Special Management properties, Somerset Parkside and Biele Place. In the current forecast staff is modeling prepayment of the Somerset Parkside debt while continuing to set aside funds in the reserve to pay Biele's deferred debt at the end of its revised regulatory period. The Forecast assumes the debt reserve will be fully funded to pay the total remaining debt due, including interest and estimated accrued HCD monitoring fees by FY 29-30 or Year 4.

As reported in Attachment 1, the net cash flow of this segment of the Forecast has negative ending balances across the ten-year period.

MAJOR CONSTRUCTION

For Major Construction, the CADA Maintenance Department continues to review and update its needs for CADA's whole portfolio. In the current year, CADA continues to work with an asset management consultant to help prepare and valuate construction needs for CADA buildings. Staff, with the help of the consultant, worked on identifying projects and set priorities and timing for these projects. These assumptions have been incorporated into this Forecast, which has increased total expenditures in the Forecast as compared to the prior year.

Typically, Special Management construction projects are funded through those properties' operations or Replacement Reserves. In this case, CADA's two Special Management buildings (Biele Place and 17th Street Commons) will need to use Replacement Reserves to fund anticipated capital improvement projects over the ten-year period.

Major Construction budgets remain open and active for three years and the cash flow for these expenditures is usually expensed over a three-year period. To better reflect the cash flow of CADA's major construction project, from Years 3 to 10, total estimated project expenditures in each Forecast year are expended over a three-year period, generally with 25% expended in the first year,

50% in the following year, and 25% in the 3rd year. For currently budgeted projects, it is assumed that they will be completed in Years 1 and 2.

These assumptions yield a total Major Construction outlay of $14.1 million over the ten-year period, with $9.5 million of these expenditures occurring between Years 1 through 5.

DEVELOPMENT

In this Forecast, Development projects are categorized as either "Current" or "Neighborhood and Infrastructure Improvement Projects." While the Forecast includes some of the same projects as in prior years, some projects have had modifications due to various issues including timing delays, project restructuring, and financing changes.

For the current Forecast, assumptions for each development project are estimates based on information received from CADA project managers as of the end of April 2026. Therefore, changes to development project assumptions that have occurred since April may not be reflected in the Forecast.

A portion of the Bond proceeds have been included in the Forecast this year. Of the $12 million in remaining proceeds, only $5.7 million was added to this forecast. Usually, these funds are only included to fund expenses by project in the Development segment of the Forecast. This is because these funds are assumed to be available for development projects and not funding for general operations. This Forecast also assumes all available bond proceeds will be spent by FY 29-30.

Key assumptions for development projects (timing, revenues, and expenditures) reflected in the current Forecast are shown below. Further details for each development project is provided in Attachment 2.

Current CADA Development Projects

Current CADA Projects consist of the Cypress - Site 21 (14th & N), Somerset debt repayment, portfolio rehabilitation, and the removal of the East End Gateway Site 5-7.

For these projects, the Forecast projects $2.9 million in additional cash outflow needed from CADA in Years 1 through 5, which is similar in cash inflow from the prior Forecast, but projects have changed with one project removed and two new projects were added. However, the cash needs for Development have not changed significantly from the prior year.

Site 21 (the Cypress)

- Construction was completed around November 2025, and it is assumed that there will be potential Tax Increment starting in Year 1 and will generate additional Tax Increment for a total of $5.4 million from Year 1 to Year 10.

- This year's Forecast removed the $400,000 CADA offsite subsidy that was to be paid in Year 1 to the developer from CADA as part of this project as it was not needed.

East End Gateway Site 5-6-7

- For this Forecast this project has been removed, so the assumption of predevelopment expenses and the use of $12 million in bonds proceeds has been removed.

Somerset Debt Repayment

- For this Forecast staff is modeling the repayment of the deferred debt to reduce interest expenses and give flexibility to this property.

Portfolio Rehabilitations

- For this forecast staff wanted to include an assumption of possible large rehabilitation projects within CADA's portfolio, that may be more complex or take longer than three years, making these types of projects more appropriate within the development budgets.

Neighborhood and Infrastructure Improvement Projects

Neighborhood and Infrastructure projects currently consist of Roosevelt Park, O Street Streetscape, 16th Street, 10th Street Streetscape projects and the Housing Accelerator Loan Program. For these projects, approximately $1.5 million in CADA net resources will be expended during the ten-year period, which is a similar estimate to the prior Forecast.

- The infrastructure improvement projects in the Capitol Area – Roosevelt Park, 16th Street Streetscape, and 10th Street improvement – are collectively projected to require a $127,500 investment for potential infrastructure and site improvement costs, expended in Year 1 and Year 2.

- This Forecast assumed the O Street and other Streetscape project's total estimated cost would be $2.1 million, with $1.4 million funded with the bond proceeds, and $610,000 remaining funds through TI.

- The 10thStreet Streetscape project reflects small site improvements including recently installed landscaping on 10th Street and on the corner of 11th and P Street, to complement improvements planned within and around Roosevelt Park. This project was moved by one year from the prior forecast and is expected to be started in Year 1 and finished in Year 2.

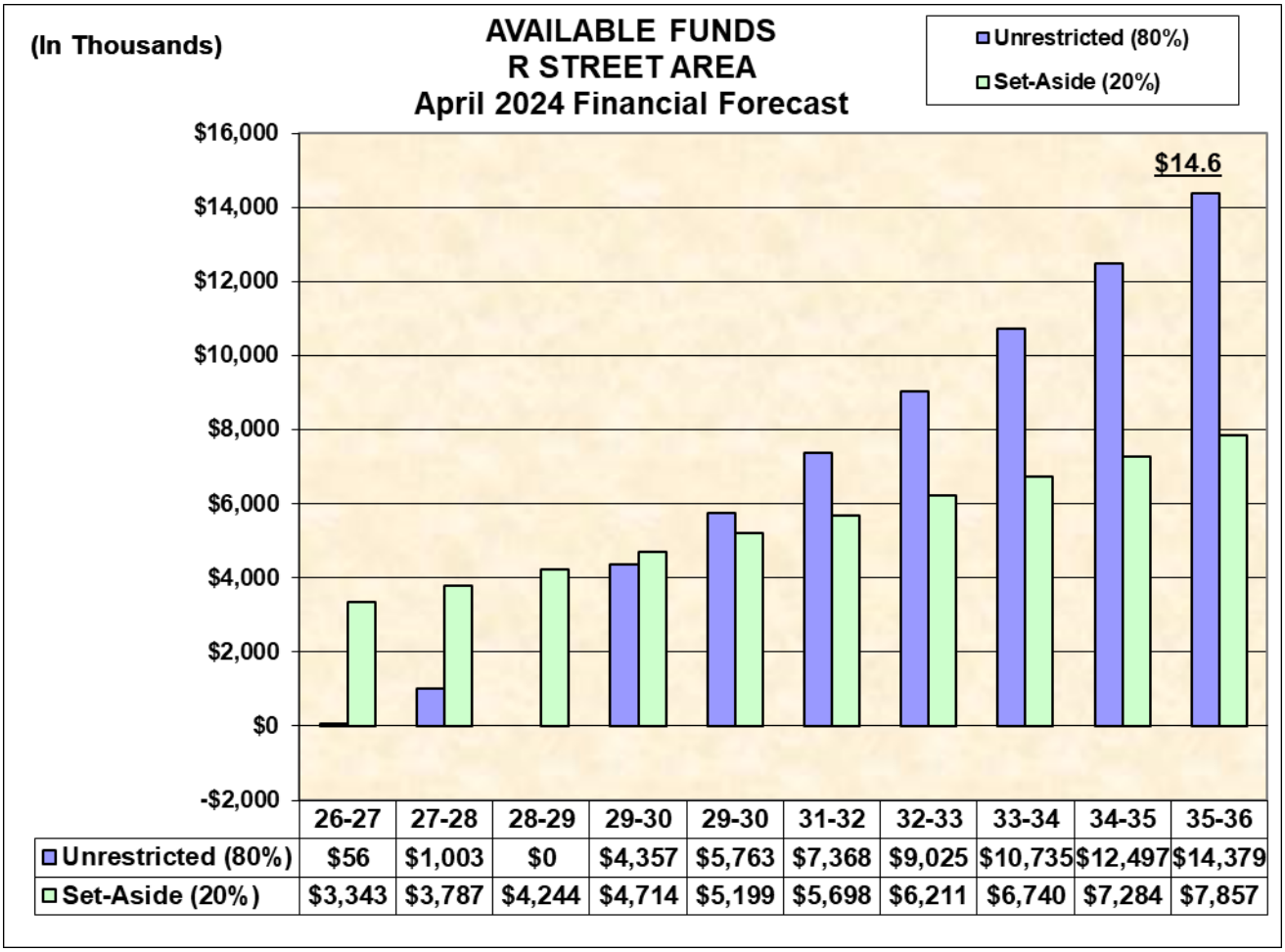
- The Housing Accelerator Loan Program was included in this Forecast with two loans for a total of $5.7 million being funded in Year 1 and repaid with interest in Year 3. These loans were assumed to be funded using Bond proceeds. With the repayment of the loans and interest income, these funds were left within the Forecast to be available for either new loans or future development projects.

R STREET FORECAST (ATTACHMENT 4)

Due to restrictions on CADA's utilization of Tax Increment generated within the R Street Area, the R Street Area Forecast is presented separately from the Capitol Area Forecast. The R Street Forecast includes two segments -- Unrestricted Funds (80% of TI) and Set-Aside Funds (20% of TI).

As illustrated in the table below, the net result of the activities planned on R Street in this year's Forecast is a positive cumulative fund balance in both the Unrestricted and the Affordable Housing Set-Aside segments throughout the ten-year period.

The R Street Forecast, presented in Attachment 3, provides the revenue and expenses projected for this ten-year period. Project-specific details for R Street Area Development Projects are provided in Attachment 4.



	26-27	27-28	28-29	29-30	29-30	31-32	32-33	33-34	34-35	35-36
Unrestricted (80%)	$56	$1,003	$0	$4,357	$5,763	$7,368	$9,025	$10,735	$12,497	$14,379
Set-Aside (20%)	$3,343	$3,787	$4,244	$4,714	$5,199	$5,698	$6,211	$6,740	$7,284	$7,857

UNRESTRICTED SEGMENT ASSUMPTIONS

- For Tax Increment (TI), revenue in Year 1 is increased to reflect the reduced FY 25-26 estimated levels, followed by 2% increase each year thereafter.

- Similar to the prior Forecast, R Street Unrestricted Funds have been incorporated for streetscape improvements at the 900 Block and surrounding blocks for $503,000 expended in between Year 2 through Year 4.

- Tax Allocation Bond Debt Service reflects the continuing debt service payments from the 2020 taxable bond issued in December 2020 allocated to R Street's unrestricted funds. This will be a constant expense over the whole ten-year Forecast period based on the 2020 Debt Service schedules.

- In the prior Forecast, there were pre-development projects included in this segment for the property at 16th and T street Sakura project and 805 R street Monarch project. These projects are now in construction with development and bonds funds expended in the prior year, so they have been removed from this forecast. No project revenue has been incorporated into the Forecast.

- The only item still incorporated in this Forecast in regard to the Sakura project is the ASHC funding requirement for streetscape improvements on S Street. This requires CADA to assist the City of Sacramento with improvements to S Street with CADA's portion being $450,000 assume to be expended in Year 1.

- We continue to incorporate a possible Catalyst Affordable Housing Project to model the purchase of property with an estimate for a possible affordable housing project. For this project, it is assumed property would be purchased for $4 million in Year 1, with a total of $3.1 million in project expenses to be expedited over the following two years. This project continues to assume the use of Unrestricted TI funds with additional funding of $528,000 from the affordable housing funds. Bond proceeds could be available for use if the timing of the project changes. This project would contribute to CADA meeting its R Street Area mandatory affordable housing requirements.

- Added to this year's Forecast is a new project in Year 1 for a potential loan for a possible condo conversion on R Street which would be paid back from sales proceeds assumed to occur in Year 4. No interest income was included with the repayment of loan at this time.

- Removed from this Forecast is the middle-income housing project loans as this fund has been funded and it is assumed any possible loans will not exceed the funds available and those funds are not available for general operations.

AFFORDABLE HOUSING SET-ASIDE SEGMENT ASSUMPTIONS

- Tax Increment (TI) revenue in Year 1 is increased to reflect reduced FY 25-26 estimated levels, followed by 2% increases each year thereafter.

- Tax Allocation Bond Debt Service reflects the continuing debt service payments from the 2020 taxable bond issued in December 2020 and allocated to R Street's set-aside funds. This will be a constant expense over the whole ten-year Forecast period based on the 2020 Debt Service schedules.

- In this forecast $528,000 is assumed to be transferred from Affordable Housing funds to the Unrestricted funds above for the Catalyst Affordable Housing Project.

- Aside from the Development expenses and assumptions previously mentioned above, the Forecast assumes no other major CADA projects will be funded through the set-aside for the next ten-year period. As a result, remaining funds in the reserve should be approximately $7.8 million by Year 10 and be available to use for the other proposed projects.

CONCLUSIONS

The Capitol Area Forecast indicates there will be sufficient funds to meet the projected needs of CADA's General Operations and Development Projects during the ten-year Forecast period. It is important to note that, with the decrease in available funding over the Forecast period, available resources for larger expenditures in the future are reduced for any new projects or additional project subsidies funded through operational sources.

However, with the current assumptions for Operations, Development, and infrastructure projects, continued major construction improvement needs for CADA's aging buildings, and no new development or infrastructure projects planned to occur during the last five years of the Forecast period, it appears that expenses are still growing faster than revenue. Even with the overall decline the available funds still remain above our required minimum reserve balance at Year 10. This is similar to what we have seen in prior years, although the amounts in Year 10 are higher than what we have seen in prior years.

With the continued and anticipated fund balance decline throughout the Forecast period, although it continues to be not as steep as we have seen in previous years and there are overall available funds well above the minimum threshold, CADA still needs to remain fiscally viable, so it is imperative that CADA continue to: carefully consider its current and future commitments in both the Capitol and R

Street Areas; secure infrastructure grants, rebates and other outside development funding whenever possible; and undertake actions to continue to keep revenue and expenses aligned to maintain a positive reserve balance into the future.

The R Street Area Forecast indicates the affordable housing set-aside funds will be available for additional funding to current or new projects beyond those that are assumed in this Forecast. Unrestricted funds are available but will be reduced to almost zero in Year 1 and then again in Year 2 due to assumptions for a new affordable housing project.

With much of the current R Street Area project expenses funded through the Tax Increment, there will be a period where no funds are available to assist new and current projects from the Unrestricted funds, but there still will be restricted funds available, also some remaining bond proceeds can be made available. So, it is crucial for the R Street Area that careful consideration and discussions occur regarding how, when and which funding sources should be utilized in the future.

STRATEGIC PLAN

The Strategic Plan objective that is most directly pertinent to this action is Objective I: Ensure Fiscal Strength and Operational Excellence. Completing and reviewing a 10-Year Financial Forecast gives CADA the ability to make informed decisions on operational costs and development projects; while continuing to maintain a strong financial position so that CADA continues to have the ability to meet its goals and mission objectives in the future.

FINANCIAL IMPACT

The purpose of the Financial Forecast is to provide the Board and staff with a broad understanding of the projected overall impact of currently envisioned projects and programs on CADA's financial well-being. As with any Forecast, the impacts will be subject to refinement as projects are finalized and conditions change. Accordingly, while this document serves as a valuable reference, the specific financial impacts of proceeding with any project or program will be analyzed at the time individual project decisions are considered.

ENVIRONMENTAL REVIEW

Not applicable. The action before the Board is an administrative matter and is not a project subject to the guidelines of the California Environmental Quality Act.

CONTRACT AWARD CONSIDERATIONS

Not applicable. The action before the board does not involve contract awards.

Attachments:

1. Capitol Area Forecast
2. General Fund Development Detail
3. R Street Area Forecast
4. R Street Development Projects
5. OPEB Valuation Report

Attachment 1

Capitol Area Forecast
2024 Financial Forecast

CAPITOL AREA (exclusive of Special Management Operations)	1 to 5 Year Forecast					6 to 10 Year Forecast				
	26-27 Year 1	**27-28 Year 2**	**28-29 Year 3**	**29-30 Year 4**	**30-31 Year 5**	**31-32 Year 6**	**32-33 Year 7**	**33-34 Year 8**	**34-35 Year 9**	**35-36 Year 10**
GENERAL OPERATIONS										
Operation Revenue	$ 8,674,875	$ 8,847,790	$ 9,024,154	$ 9,204,037	$ 9,387,508	$ 9,574,640	$ 9,765,505	$ 9,960,177	$ 10,158,733	$ 10,361,252
Low Income Subsidy (General Fund Only)	(529,123)	(539,705)	(550,499)	(561,509)	(572,739)	(584,194)	(595,878)	(607,796)	(619,952)	(632,351)
Tax Increment Revenue	5,100,000	5,202,000	5,306,040	5,412,161	5,520,404	5,630,812	5,743,428	5,858,297	5,975,463	6,094,972
Interest Income (from operations & unspent bond proceeds)	691,993	369,928	263,848	367,601	237,771	211,433	183,545	152,962	119,514	99,509
Notes Receivable Repayment	1,526,994	-	-	-	-	-	-	-	-	-
Sale of 701 S street	1,250,000	-	-	-	-	-	-	-	-	-
Total Revenue	16,714,739	13,880,013	14,043,543	14,422,290	14,572,945	14,832,691	15,096,600	15,363,640	15,633,758	15,923,382
Operation Expense	(12,710,730)	(12,623,430)	(12,981,942)	(13,353,899)	(13,737,014)	(14,131,623)	(14,540,153)	(14,958,856)	(15,390,121)	(15,834,323)
Continuing Debt Service	(1,601,418)	(351,310)	(351,200)	(218,487)	(218,370)	(218,250)	(129,006)	(39,060)	-	-
2016 & 2017 TAB Debt Service	(759,113)	(764,854)	(825,374)	(766,245)	(780,935)	(773,111)	(774,904)	(732,122)	(687,853)	-
2020 Bond Debt Service	(458,040)	(457,105)	(456,887)	(456,069)	(456,084)	(455,744)	(456,346)	(455,178)	(454,769)	(455,183)
Special management debt reserve	(260,000)	(260,000)	(260,000)	(252,747)	-	-	-	-	-	-
Total Expenses	(15,789,301)	(14,456,699)	(14,875,404)	(15,047,447)	(15,192,403)	(15,578,728)	(15,900,409)	(16,185,216)	(16,532,742)	(16,289,506)
Annual Net Cash Flow - General Operations	**$ 925,438**	**$ (576,686)**	**$ (831,860)**	**$ (625,157)**	**$ (619,459)**	**$ (746,037)**	**$ (803,809)**	**$ (821,577)**	**$ (898,984)**	**$ (366,124)**
MAJOR CONSTRUCTION										
Annual Net Cash Flow - Major Construction	**$ (2,546,413)**	**$ (2,907,512)**	**$ (1,997,353)**	**$ (1,260,428)**	**$ (783,577)**	**$ (798,356)**	**$ (900,233)**	**$ (949,658)**	**$ (940,933)**	**$ (927,451)**
Annual Net Cash Flow after Major Construction	**$ (1,620,975)**	**$ (3,484,198)**	**$ (2,829,213)**	**$ (1,885,585)**	**$ (1,403,036)**	**$ (1,544,393)**	**$ (1,704,042)**	**$ (1,771,235)**	**$ (1,839,917)**	**$ (1,293,575)**
DEVELOPMENT (FN 1 - includes revenue loss and/or new debt service)										
CADA Projects										
Site 21 (14th & N)	500,000	510,000	520,200	530,604	541,216	552,040	563,081	574,343	585,830	597,546
Somerset Debt Repayment	(2,203,000)	-	-	-	-	-	-	-	-	-
Portfolio Rehabilitations	-	(3,300,000)	-	-	-	-	-	-	-	-
	(1,703,000)	**(2,790,000)**	**520,200**	**530,604**	**541,216**	**552,040**	**563,081**	**574,343**	**585,830**	**597,546**
Neighborhood and Infrastrctrue Improvement Projects										
Roosevelt Park	(45,000)	(45,000)	-	-	-	-	-	-	-	-
O Street Streetscape & Other Streets	(1,657,006)	(165,433)	(178,346)	(81,694)	-	-	-	-	-	-
16th Street Streetscape	(10,000)	-	-	-	-	-	-	-	-	-
10th Street Commerical	(27,575)	-	-	-	-	-	-	-	-	-
Accelerated Loan Program										
CTI Stockton Blvd Loan	(2,850,000)	-	3,202,260	-	-	-	-	-	-	-
Urban Capital 14R Loan	(2,850,000)	-	3,202,260	-	-	-	-	-	-	-
	(7,439,581)	**(210,433)**	**6,226,174**	**(81,694)**	**-**	**-**	**-**	**-**	**-**	**-**
Interest Expense - Opportunity Cost	(319,990)	(105,015)	236,123	15,712	18,943	19,321	19,708	20,102	20,504	20,914
	(319,990)	**(105,015)**	**236,123**	**15,712**	**18,943**	**19,321**	**19,708**	**20,102**	**20,504**	**20,914**
Annual Net Cash Flow - Development	**$ (9,462,571)**	**$ (3,105,448)**	**$ 6,982,497**	**$ 464,622**	**$ 560,159**	**$ 571,361**	**$ 582,789**	**$ 594,445**	**$ 606,334**	**$ 618,460**
ANNUAL NET CASH FLOW	**(11,083,546)**	**(6,589,646)**	**4,153,284**	**(1,420,963)**	**(842,877)**	**(973,032)**	**(1,121,253)**	**(1,176,790)**	**(1,233,584)**	**(675,115)**

Capitol Area Forecast
2024 Financial Forecast

CAPITOL AREA (exclusive of Special Management Operations)	1 to 5 Year Forecast					6 to 10 Year Forecast				
	26-27 Year 1	27-28 Year 2	28-29 Year 3	29-30 Year 4	30-31 Year 5	31-32 Year 6	32-33 Year 7	33-34 Year 8	34-35 Year 9	35-36 Year 10
(IN THOUSANDS)										
ANNUAL NET CASH FLOW	-$11,084	-$6,590	$4,153	-$1,421	-$843	-$973	-$1,121	-$1,177	-$1,234	-$675
CUMULATIVE IMPACT ON AVAILABLE OPERATING RESERVES										
Available Operating Reserves -Beginning of Forecast	$30,829									
Available Bond Funds	$0	$0								
Available Operating Reserves - End of Year	$19,746	$13,156	$17,309	$15,888	$15,046	$14,073	$12,951	$11,775	$10,541	$9,866
Less: Operating Reserve Threshold	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500	$6,500
Target Operating Reserve Excess <Shortfall>	$13,246	$6,656	$10,809	$9,388	$8,546	$7,573	$6,451	$5,275	$4,041	$3,366

Capitol Area Development Authority
2026 Financial Forecast
GENERAL FUND DEVELOPMENT DETAIL

		Current Yr. 25-26	26-27	27-28	28-29	29-30	29-30	31-32	32-33	33-24	34-35	35-36
	CADA Projects											
	D223-01 - Site 21 (14th & N) (D08 Project) Cypress											
	FUNDING SOURCES											
	Tax Increment		500,000	510,000	520,200	530,604	541,216	552,040	563,081	574,343	585,830	597,546
	TOTAL FUNDING SOURCES	-	**500,000**	**510,000**	**520,200**	**530,604**	**541,216**	**552,040**	**563,081**	**574,343**	**585,830**	**597,546**
	USES OF FUNDS											
	TOTAL USES OF FUNDS	-	-	-	-	-	-	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	**500,000**	**510,000**	**520,200**	**530,604**	**541,216**	**552,040**	**563,081**	**574,343**	**585,830**	**597,546**
	10th Street Commerical (D19 Proposed Project)											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	-	-	-	-	-	-	-	-	-	-	-
	USES OF FUNDS											
4703	Site Improvements.	-	(27,575)			-	-					
	TOTAL USES OF FUNDS	-	**(27,575)**	-	-	-	-	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	**(27,575)**	-	-	-	-	-	-	-	-	-

Capitol Area Development Authority
2026 Financial Forecast
GENERAL FUND DEVELOPMENT DETAIL

		Current Yr. 25-26	26-27	27-28	28-29	29-30	29-30	31-32	32-33	33-24	34-35	35-36
	Neighborhood and Infrastructure Improvement Projects											
	D807-00 - Roosevelt Park (D15 Project)											
	TOTAL FUNDING SOURCES	-	-	-	-	-	-	-	-	-	-	-
	USES OF FUNDS											
4758	Site Improvements - Other		(45,000)	(45,000)								
	TOTAL USES OF FUNDS	-	**(45,000)**	**(45,000)**	-	-	-	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	**(45,000)**	**(45,000)**	-	-	-	-	-	-	-	-
	D801-00 - O Street Streetscape (D09 Project)											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	-	-				-	-	-	-	-	-
	USES OF FUNDS											
4731	Offsite Infrastructure Improvements - CADA funded		(1,657,006)	(165,433)	(178,346)	(81,694)	-					
	TOTAL USES OF FUNDS	-	**(1,657,006)**	**(165,433)**	**(178,346)**	**(81,694)**	-	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	**(1,657,006)**	**(165,433)**	**(178,346)**	**(81,694)**	-	-	-	-	-	-
	D804-00 - 16th Street Streetscape (D10 Project)											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	-	-	-	-	-	-	-	-	-	-	-
	USES OF FUNDS											
4752	Project Financial Analysis		(10,000)	-								
	TOTAL USES OF FUNDS	-	**(10,000)**	-	-	-	-	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	**(10,000)**	-	-	-	-	-	-	-	-	-

Capitol Area Development Authority (CADA)
2026 Long-Range Forecast
R STREET AREA FORECAST

	25-26	1 to 5 Year Forecast					6 to 10 Year Forecast				
	25-26	26-27	27-28	28-29	29-30	29-30	31-32	32-33	33-34	34-35	35-36
	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection
R STREET AREA (80% Unrestricted Portion)											
Unrestricted (80%)											
Revenue		-									
Tax Increment Revenue (2% annual increase)	**2,577,000**	**2,628,540**	**2,681,111**	**2,734,733**	**2,789,428**	**2,845,216**	**2,902,121**	**2,960,163**	**3,019,366**	**3,079,754**	**3,141,349**
Taxable Bond Proceeds	-	-									
Funding from the Set-a-side to partically fund affordable project	-	-		527,795	-						
	-	-									
Expenses											
2016 Bond Debt Service	(34,012)	(33,611)	(33,928)	(33,954)	(33,698)	(34,429)	(34,338)	(34,430)	(34,449)	(34,393)	
2020 Bond Debt Service	(1,017,867)	(1,015,789)	(1,015,305)	(1,013,487)	(1,013,521)	(1,012,765)	(1,014,103)	(1,011,507)	(1,010,597)	(1,011,518)	(978,690)
Assistance to General Fund (Staffing Salaries & Benefits)	(246,000)	(215,000)	(221,450)	(228,094)	(234,936)	(241,984)	(249,244)	(256,721)	(264,423)	(272,356)	(280,526)
General R Street Projects	-	(150,000)	(150,000)	-	-	-	-	-	-	-	-
R Street Improvement - 900 Block	-	-	(52,977)	(150,000)	(150,000)	(150,000)	-	-	-	-	-
16T - S Street Improvement Project	-	(450,000)	-	-	-	-	-	-	-	-	-
Middle Income Housing Progam Support	-	-	-	-	-	-	-	-	-	-	-
Catalyst Affordable Housing Project	-	(4,000,000)	(260,000)	(2,840,000)	-	-	-	-	-	-	-
Possible Condo Conversion Loan	-	(3,000,000)	-	-	3,000,000	-	-	-	-	-	-
	(1,297,879)	**(8,864,400)**	**(1,733,660)**	**(4,265,535)**	**1,567,845**	**(1,439,178)**	**(1,297,684)**	**(1,302,658)**	**(1,309,469)**	**(1,318,267)**	**(1,259,216)**
Cash Flow	**1,279,121**	**(6,235,860)**	**947,451**	**(1,003,007)**	**4,357,272**	**1,406,038**	**1,604,436**	**1,657,505**	**1,709,898**	**1,761,487**	**1,882,132**
Cash Reserves Available - July 1,	**5,012,294**										
CUMULATIVE YEAR END FUNDS AVAILABLE	**6,291,415**	**$ 55,555**	**$ 1,003,006**	**$ (0)**	**$ 4,357,272**	**$ 5,763,310**	**$ 7,367,746**	**$ 9,025,250**	**$ 10,735,148**	**$ 12,496,635**	**$ 14,378,767**
R STREET SET-ASIDE (20% Portion)											
Affordable Housing Related											
Revenue											
Tax Increment Revenue (2% annual increase)	**644,000**	**656,880**	**670,018**	**683,418**	**697,086**	**711,028**	**725,249**	**739,754**	**754,549**	**769,640**	**785,032**
Funding an Unrestricted project with affordable componets	**-**	**-**		**(527,795)**							
Expenses											
2016 Bond Debt Service	(6,803)	(6,723)	(6,786)	(6,791)	(6,740)	(6,886)	(6,868)	(6,887)	(6,890)	(6,878)	-
2020 Bond Debt Service	(220,538)	(220,088)	(219,983)	(219,589)	(219,596)	(219,432)	(219,722)	(219,160)	(218,963)	(219,162)	(212,050)
	-	-	-	-	-	-	-	-	-	-	-
	(227,341)	**(226,811)**	**(226,769)**	**(226,380)**	**(226,336)**	**(226,318)**	**(226,590)**	**(226,047)**	**(225,853)**	**(226,040)**	**(212,050)**
Cash Flow	**416,659**	**430,069**	**443,249**	**457,038**	**470,750**	**484,710**	**498,658**	**513,707**	**528,696**	**543,600**	**572,982**
Cash Reserves Available - July 1,	**2,496,534**	-									
CUMULATIVE YEAR END FUNDS AVAILABLE	**2,913,193**	**$ 3,343,262**	**$ 3,786,511**	**$ 4,243,549**	**$ 4,714,299**	**$ 5,199,009**	**$ 5,697,667**	**$ 6,211,374**	**$ 6,740,070**	**$ 7,283,670**	**$ 7,856,652**
CUMULATIVE YEAR END FUNDS AVAILABLE											

Capitol Area Development Authority (CADA)
2026 Long-Range Forecast
R STREET AREA FORECAST

	25-26	26-27	27-28	28-29	29-30	29-30	31-32	32-33	33-34	34-35	35-36
	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection	Cash Flow Projection
(In Thousands)	25-26	26-27	27-28	28-29	29-30	29-30	31-32	32-33	33-34	34-35	35-36
Unrestricted	6,291,415	$56	$1,003	$0	$4,357	$5,763	$7,368	$9,025	$10,735	$12,497	$14,379
Set-Aside	2,913,193	$3,343	$3,787	$4,244	$4,714	$5,199	$5,698	$6,211	$6,740	$7,284	$7,857
	9,204,608	**$3,399**	**$4,790**	**$4,244**	**$9,072**	**$10,962**	**$13,065**	**$15,237**	**$17,475**	**$19,780**	**$22,235**

Capitol Area Development Authority (CADA)
2026 Long-Range Forecast
R STREET DEVELOPMENT PROJECTS

		25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
	D901-00 - R Street (D05 Project)											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	-	-	-	-	-	-	-	-	-	-	-
	Budgeted USES OF FUNDS											
4703	Site Improvements - Art	-	(150,000)									
4711	Public space improvements/ Site Maintenance	-		(150,000)								
		-										
	TOTAL USES OF FUNDS	-	**(150,000)**	**(150,000)**	-	-	-	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	**(150,000)**	**(150,000)**	-	-	-	-	-	-	-	-
	R Street Public Space Improvement - 900 Block											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	-	-	-	-	-	-	-	-	-	-	-
	USES OF FUNDS		-									
4703	Site Improvments	-	-	-	(150,000)	(150,000)	(150,000)					
4758	Other professional services	-	-	(52,977)								
	TOTAL USES OF FUNDS	-	-	**(52,977)**	**(150,000)**	**(150,000)**	(150,000)	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	-	**(52,977)**	**(150,000)**	**(150,000)**	**(150,000)**	-	-	-	-	-
	16T- S Street Project - required as part of 16T funding											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	-	-	-	-	-	-	-	-	-	-	-
	USES OF FUNDS											
4710	D&A Engin/Architectural		(325,000)									
4758	D&A Other Professional Services		(125,000)									
	TOTAL USES OF FUNDS	-	**(450,000)**	-	-	-	-	-	-	-	-	-
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	-	**(450,000)**	-	-	-	-	-	-	-	-	-
	New/Catalyst Affordable Housing Project											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	-	-	-	-	-	-	-	-	-	-	-
	USES OF FUNDS											

Capitol Area Development Authority (CADA)
2026 Long-Range Forecast
R STREET DEVELOPMENT PROJECTS

		25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
4601	Build/Land Acquisition	-	(4,000,000)	-	-	-						
4710	D&A Engin/Architectural	-	-	(150,000)	(200,000)		-	-				
4720	D&A Environmental Assessments	-	-	(50,000)	(25,000)							
4751	Legal - Dev Project Related	-	-	(10,000)	(25,000)							
4752	D&A Project Financial Analysis	-	-	(30,000)	(50,000)							
4758	D&A Other Professional Services	-	-	(10,000)	(30,000)							
4775	D&A Miscellaneous Expense	-	-	(10,000)	(10,000)							
	Gap Financing	-	-		(2,500,000)							
	TOTAL USES OF FUNDS	**-**	**(4,000,000)**	**(260,000)**	**(2,840,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	**-**	**(4,000,000)**	**(260,000)**	**(2,840,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	R Street Possible Condo Conversion											
	FUNDING SOURCES											
	TOTAL FUNDING SOURCES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	USES OF FUNDS											
	Dev Loan	-	(3,000,000)	-	-	3,000,000						
			-	-		-						
	TOTAL USES OF FUNDS	**-**	**(3,000,000)**	**-**	**-**	**3,000,000**	**-**	**-**	**-**	**-**	**-**	**-**
	DEVELOPMENT CIP PROGRAM - Funding Sources, net of Uses	**-**	**(3,000,000)**	**-**	**-**	**3,000,000**	**-**	**-**	**-**	**-**	**-**	**-**

MacLeod Watts

April 27, 2026

Noelle Mussen
Finance Director
Capitol Area Development Authority
1522 14th Street
Sacramento, CA 95814

Re: Capitol Area Development Authority Other Post-Employment Benefits
June 30, 2025, Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2026

Dear Ms. Mussen:

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of Capitol Area Development Authority (the Authority). The report's text describes our analysis and assumptions in detail.

The primary purposes of this report are to:

1. Recalculate plan liabilities as of June 30, 2025, in accordance with GASB 75's biennial valuation requirement.
2. Provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the Authority's financial statements for the fiscal year ending June 30, 2026.
3. Develop Actuarially Determined Contributions for prefunding plan benefits.
4. Provide information to be submitted to the California Employers' Retiree Benefit Trust (CERBT) to satisfy filing requirements for the trust.

The exhibits presented in this report reflect that the Authority is contributing, on average, 100% or more of the Actuarially Determined Contribution each year. We assumed that OPEB trust assets will remain in CERBT Asset Allocation Strategy 1. We based the valuation on the employee data, details on plan benefits and retiree benefit payments reported to us by the Authority. Please review our summary of this information to be comfortable that it matches your records. *We estimated OPEB contributions and covered employee payroll for the fiscal year. When actual amounts are known, we'd be happy to update the report.*

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

Sincerely,

Raegann Conner

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

Enclosure

Capitol Area Development Authority

Actuarial Valuation of Other Post-Employment Benefit Programs As of June 30, 2025

Development of OPEB Prefunding Levels & GASB 75 Report for the FYE June 30, 2026

Submitted April 2026

MacLeod Watts

Table of Contents

A. Executive Summary

This report presents the results of the June 30, 2025, actuarial valuation and the accounting information for financial reporting of the other post-employment benefit (OPEB) program of the Capitol Area Development Authority (the Authority). The purposes of this report are to: 1) summarize the results of the valuation; 2) provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2026; 3) develop Actuarially Determined Contribution (ADC) levels for prefunding plan benefits; and 4) provide information required by the California Employers' Retiree Benefit Trust (CERBT).

A description of the valuation process can be found in the appendices. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations. The glossary also contains descriptive definitions of terms you may see in this or other actuarial reports.

Results of this June 30, 2025, valuation may also be used to prepare the Authority's GASB 75 report for the fiscal year ending June 30, 2027. If there are any significant changes in plan members, plan benefits or eligibility and/or OPEB funding policy, an earlier valuation might be required or appropriate.

OPEB Obligations

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

- **Explicit subsidy liabilities**: An "explicit subsidy" exists when the employer contributes directly toward the cost of a retiree's coverage, such as contributing toward the cost of healthcare premiums.
- **Implicit subsidy liabilities**: An "implicit subsidy" may exist when premiums paid for retiree coverage are not expected to cover retiree claims, and the cost difference is expected to be borne by the employer. This commonly occurs when the employer is charged the same premium for active and retired employees, even though retirees generally incur higher claims.

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

Important Dates

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

Fiscal Year End	June 30, 2026
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025
Valuation Date	June 30, 2025

Executive Summary
(Continued)

Summary of Results

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

Summary of Results for Fiscal Year Ending June 30, 2026	CADA
Total OPEB Liability	$ 5,701,878
Fiduciary Net Position	(6,218,155)
Net OPEB Liability (Asset)	**$ (516,277)**
Adjustment for Deferred Resources:	
Deferred (Outflows)	(1,087,718)
Deferred Inflows	1,604,206
Impact on Statement of Net Position	**$ 211**
OPEB Expense, FYE 6/30/2026	**$ (5,929)**

A summary of the changes to the Net OPEB Liability that have occurred since the prior measurement date is shown below. A more detailed reconciliation of changes can be found in the Valuation Results section.

Summary of Changes to Net OPEB Liability	Net OPEB Liability
Balance at Fiscal Year Ending 6/30/2025	$ 852,880
Plan Experience	(1,068,335)
Ongoing Plan Operations	337,635
Investment Experience	(318,320)
CADA Contributions	(262,014)
Assumption Changes	(58,123)
Total changes	(1,369,157)
Balance at Fiscal Year Ending 6/30/2026	$ (516,277)

Ongoing plan operations includes benefits earned during the year by active employees, interest on plan liabilities, expected return on assets, and administrative expenses.

Executive Summary
(Concluded)

OPEB Funding Policy

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

With the Authority's approval, we used 6.55% as the discount rate to develop accounting disclosures and Actuarially Determined Contributions for plan funding. Information on how this rate was determined is provided in the Expected Return on Trust Assets section of Accounting Information.

Updates Since the Prior Report

The Authority reported no plan changes since the prior report. The Authority provided an updated census of plan participants which was used in the valuation to determine "plan experience". A description of the components of plan experience and their impact on the liability can be found in the Reconciliation shown in Valuation Results. See the Glossary for a definition of Plan Experience. Certain assumptions were changed for this valuation. A description of the changes can be found in the Changes section of Actuarial Methods and Assumptions. The liability impact of the assumption changes can be found in the Reconciliation provided in Valuation Results. Investment experience (the difference between actual and expected trust earnings) was determined as well. The financial impact is shown in the Reconciliation provided in Valuation Results.

Use and Reliance

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

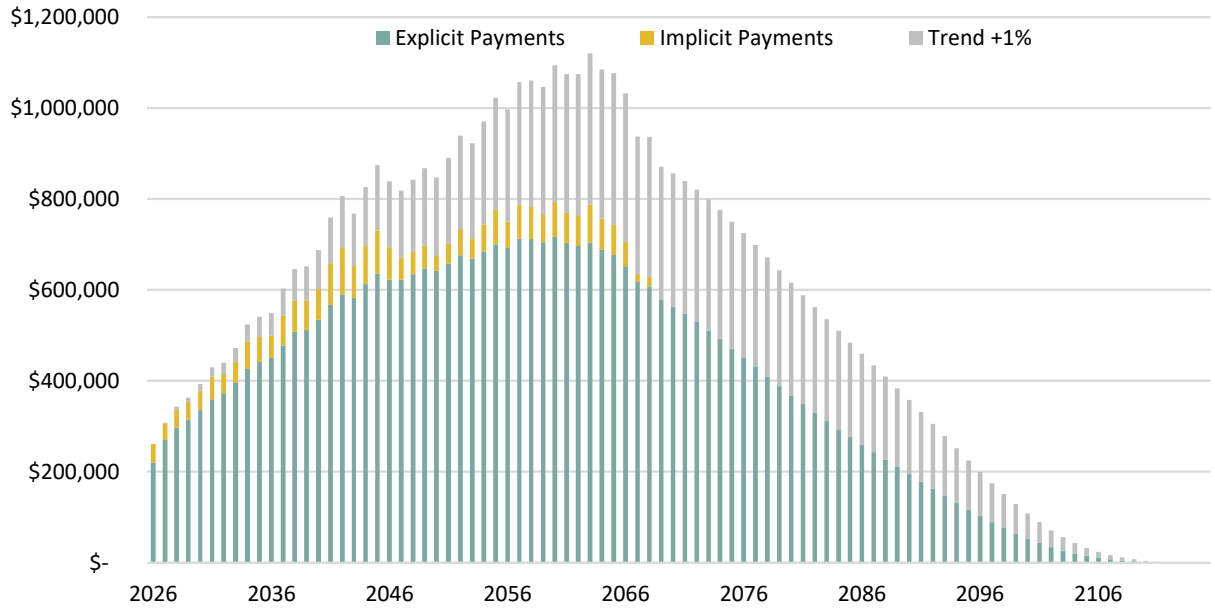
The actuarial valuation reflects plan provisions and related information as provided by the Authority. The Authority is assumed to have access to, and to rely upon, its own legal counsel for advice on legal matters, including the compliance of plan provisions with applicable laws, regulations, Board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

B. Valuation Results

The Authority's OPEB liability as of June 30, 2025, was determined using the updated employee data, plan provisions and asset information provided to us for the valuation. The actuarial information was derived following the Valuation Process described in the appendices. This process uses many assumptions which can be reviewed in the Actuarial Assumptions section of this report. We recommend the Authority review our understanding of retiree benefits found in the Retiree Benefits Provisions section of this report. Finally, the Summary of Employee Data section provides a summary of the data provided by the Authority for this valuation.

Using all the information provided for this report, we projected all future benefit payments expected to be paid on behalf of current retirees and current employees of the Authority (see the chart below).

OPEB Payments
Projected to be Paid During Retirement to Current Employees and Retirees



Explicit payments represent direct payments by the Authority to or on behalf of retirees. Implicit payments reflect the difference between expected retiree claims and premiums paid for coverage, to the extent the cost difference is expected to be borne by the Authority. The grey area on the chart indicates the increase in projected payments if the assumption for healthcare cost inflation were 1% higher in all future years.

The first 15 years of projected benefit payments are shown in tabular form in the Projected Benefit Payments section of Accounting Information. Liabilities relating to these projected benefits are shown beginning on the following page.

Valuation Results
(Continued)

This chart compares the results measured as of June 30, 2024, with the new results measured as of June 30, 2025, based on the current valuation.

Valuation Date	**6/30/2023**			**6/30/2025**		
Fiscal Year Ending	**6/30/2025**			**6/30/2026**		
Measurement Date	**6/30/2024**			**6/30/2025**		
Discount rate	6.55%			6.55%		
Number of Covered Employees						
Actives	43			41		
Retirees	27			25		
Total Participants	70			66		
OPEB Subsidy Type	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarial Present Value of Projected Benefits						
Actives	$ 4,706,716	$ 721,068	$ 5,427,784	$ 4,411,742	$ 694,676	$ 5,106,418
Retirees	2,868,863	130,301	2,999,164	2,796,995	138,650	2,935,645
Total APVPB	7,575,580	851,368	8,426,948	7,208,737	833,326	8,042,063
Total OPEB Liability (TOL)						
Actives	2,933,146	459,402	3,392,548	2,417,696	348,537	2,766,233
Retirees	2,868,863	130,301	2,999,164	2,796,995	138,650	2,935,645
TOL	5,802,009	589,703	6,391,712	5,214,691	487,187	5,701,878
Fiduciary Net Position			5,538,832			6,218,155
Net OPEB Liability			852,880			(516,277)
Service Cost For the period following the measurement date	235,656	35,167	270,823	227,951	38,857	266,808

A reconciliation between the liabilities shown above begins on the following page.

Valuation Results
(Concluded)

Reconciliation

Between the June 30, 2024, and June 30, 2025, measurement dates, the Net OPEB Liability (NOL) decreased by $1,369,157. This change can be broadly grouped into expected changes and unexpected changes.

- **Expected changes -** The NOL was expected to increase by $75,621 through normal plan operation. These changes are shown in the first section of the reconciliation chart on the following page.

- **Unexpected changes –** The NOL experiences unexpected changes when results projected in the prior valuation are not exactly realized. These unexpected changes can be broadly grouped into one of these categories:

    1. *Changes in Benefit Provisions* – Changes in plan benefits since the prior valuation are reflected as an unexpected change. The Authority reported no changes to the plan since the prior valuation.
    2. *Plan Experience* – Plan experience reflects unexpected changes in a plan's actual demographic outcomes (see Glossary – Plan Experience). Unexpected plan experience caused the NOL to decrease by $1,068,335.
    3. *Assumption Changes* – Each full valuation includes a review of assumptions to ensure current expectations are used in the future projection and discounting of plan benefits. Assumption changes caused the NOL to decrease by $58,123. For more details on the assumptions used in the current valuation, see Actuarial Methods and Assumptions later in the report.
    4. *Investment Experience* – Trust earnings deviating from the expected trust earnings rate decreased the NOL by $318,320.

The reconciliation chart appears on the following page.

Valuation Results – Reconciliation
(Concluded)

This chart reconciles the Net OPEB Liability measured on June 30, 2024, to the Net OPEB Liability from the current valuation measured on June 30, 2025.

Reconciliation of Changes During Measurement Period	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2024*	$ 6,391,712	$ 5,538,832	$ 852,880
Expected Changes During the Period:			
Service Cost	270,823		270,823
Interest Cost	427,815		427,815
Expected Investment Income		362,737	(362,737)
CADA Contributions		262,014	(262,014)
Administrative and other expenses		(1,734)	1,734
Benefit Payments	(262,014)	(262,014)	-
Total Expected Changes During the Period	436,624	361,003	75,621
Expected at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2025*	$ 6,828,336	$ 5,899,835	$ 928,501
Unexpected Changes During the Period:			
Change Due to Investment Experience		318,320	(318,320)
Plan Experience:			
Premiums and Estimated Claims Other Than Expected	67,554		
Turnover Other Than Expected	(989,878)		
Retiree Retention and Mortality Other Than Expected	(39,125)		
Other Plan Experience	(106,886)		
Change Due to Plan Experience			(1,068,335)
Assumption Changes:			
Updated Healthcare Trend	(53,411)		
Updated Demographic Assumptions	(4,712)		
Change Due to Assumption Changes			(58,123)
Total Unexpected Changes During the Period	(1,126,458)	318,320	(1,444,778)
Balance at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2025*	$ 5,701,878	$ 6,218,155	$ (516,277)

C. Accounting Information (GASB 75)

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

Components of Net Position and Expense

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

Plan Summary Information for FYE June 30, 2026 *Measurement Date is June 30, 2025*	**CADA**
Items Included in Net Position:	
Total OPEB Liability	$ 5,701,878
Fiduciary Net Position	(6,218,155)
Net OPEB Liability (Asset)	(516,277)
Deferred items affecting Net Position:	
Deferred Outflows	(704,611)
Deferred Inflows	1,604,206
Deferred Contributions	(383,107)
Impact on Statement of Net Position, FYE 6/30/2026	**$ 211**
Items Included in OPEB Expense:	
Service Cost	$ 270,823
Interest Cost	427,815
Expected Earnings on Assets	(362,737)
Administrative and other expenses	1,734
Ongoing financial cost of the plan Represents the recurring components of OPEB expense for the measurement period, before plan changes and deferred recognition.	$ 337,635
Adjustments to arrive at OPEB Expense:	
Recognition of Cost of Plan Changes	-
Recognition of Deferred Outflows	379,138
Recognition of Deferred Inflows	(722,702)
OPEB Expense, FYE 6/30/2026	**$ (5,929)**

Accounting Information
(Continued)

Change in Net Position During the Fiscal Year

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

For Reporting at Fiscal Year End *Measurement Date*	**6/30/2025** *6/30/2024*	**6/30/2026** *6/30/2025*	**Change During Period**
Total OPEB Liability	$ 6,391,712	$ 5,701,878	$ (689,834)
Fiduciary Net Position	(5,538,832)	(6,218,155)	(679,323)
Net OPEB Liability (Asset)	852,880	(516,277)	(1,369,157)
Deferred (Outflows) Due to:			
Assumption Changes	(63,743)	(16,592)	47,151
Plan Experience	(614,650)	(485,342)	129,308
Investment Experience	(405,356)	(202,677)	202,679
Deferred Contributions	(262,014)	(383,107)	(121,093)
Deferred Inflows Due to:			
Assumption Changes	245,804	246,558	754
Plan Experience	273,183	950,512	677,329
Investment Experience	363,143	407,136	43,993
Impact on Statement of Net Position	$ 389,247	$ 211	$ (389,036)

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2025	$ 389,247
OPEB Expense (Income)	(5,929)
CADA Contributions During Fiscal Year	(383,107)
Impact on Statement of Net Position, FYE 6/30/2026	$ 211

OPEB Expense	
CADA Contributions During Fiscal Year	$ 383,107
Deterioration (Improvement) in Net Position	(389,036)
OPEB Expense (Income), FYE 6/30/2026	$ (5,929)

Accounting Information
(Continued)

Change in Fiduciary Net Position During the Measurement Period

Fiduciary Net Position at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2024*	**$**	**5,538,832**
Changes During the Period:		
Investment Income		681,057
CADA Contributions		262,014
Administrative and other expenses		(1,734)
Benefit Payments		(262,014)
Net Changes During the Period		679,323
Fiduciary Net Position at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2025*	**$**	**6,218,155**

Expected Long-term Return on Trust Assets

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

CERBT Strategy 1		Years 1-5			Years 6-20		
Major Asset Classification	**Target Allocation**	**General Inflation Rate Assumption**	**1-5 Year Expected Real Rate of Return**	**Compound Return Yrs 1-5**	**General Inflation Rate Assumption**	**6-20 Year Expected Real Rate of Return**	**Compound Return Years 6-20**
Global Equity	49%	2.40%	3.90%	6.30%	2.40%	4.70%	7.10%
Fixed Income	23%	2.40%	2.70%	5.10%	2.40%	2.60%	5.00%
Global Real Estate (REITs)	20%	2.40%	3.70%	6.10%	2.40%	4.00%	6.40%
Treasury Inflation Protected Securities	5%	2.40%	1.70%	4.10%	2.40%	1.40%	3.80%
Commodities	3%	2.40%	2.90%	5.30%	2.40%	2.00%	4.40%
Volatility	11.5%		Portfolio	6.1%		Portfolio	6.6%

To derive the expected future trust return specifically for the Authority, we first adjusted CalPERS' future return expectations to align with the 2.50% general inflation assumption used in this report. Then applying the plan specific benefit payments (as determined from the June 30, 2025, valuation) to CalPERS' bifurcated return expectations, we determined the single equivalent long-term rate of return to be 6.55%.

Accounting Information
(Continued)

Deferred Resources and Expected Future Recognition

The exhibit below shows deferred resources used in the current fiscal year. The plan's Expected Average Remaining Service Life ("EARSL") is 6.54 years. This period is used to recognize any non-investment related deferred resources established as of the measurement date. Investment related deferred resources are always recognized over five years. Details of deferred resources used in the current fiscal year are presented in the Schedule of Deferred Resources.

Capitol Area Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 16,592	$ 246,558
Differences Between Expected and Actual Experience	485,342	950,512
Net Difference Between Projected and Actual Earnings on Investments	-	204,459
Deferred Contributions	383,107	-
Total	$ 885,041	$ 1,401,529

The Authority will recognize Deferred Contributions in the next fiscal year. The exhibit below shows future recognition of all other deferred resources.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2027	$ (38,300)
2028	(204,378)
2029	(201,475)
2030	(192,982)
2031	(169,448)
Thereafter	(93,012)

Accounting Information
(Continued)

Sensitivity of Liabilities

The discount rate used for accounting purposes for the fiscal year ending June 30, 2026, is 6.55%. Future healthcare cost increases (i.e., healthcare trend rate) were assumed to start at 6.5% (increase effective January 1, 2027) and grade down to 3.9% for years 2075 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	**Current - 1% 5.55%**	**Current 6.55%**	**Current + 1% 7.55%**
Total OPEB Liability	6,380,916	5,701,878	5,130,674
Increase (Decrease)	679,038		(571,204)
% Increase (Decrease)	11.9%		-10.0%
Net OPEB Liability (Asset)	162,761	(516,277)	(1,087,481)
Increase (Decrease)	679,038		(571,204)
% Increase (Decrease)	131.5%		-110.6%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Total OPEB Liability	5,063,110	5,701,878	6,475,207
Increase (Decrease)	(638,768)		773,329
% Increase (Decrease)	-11.2%		13.6%
Net OPEB Liability (Asset)	(1,155,045)	(516,277)	257,052
Increase (Decrease)	(638,768)		773,329
% Increase (Decrease)	-123.7%		149.8%

Accounting Information
(Continued)

Schedule of Changes in the Net OPEB Liability

Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability									
Service Cost	$ 270,823	$ 279,548	$ 232,285	$ 225,519	$ 230,884	$ 224,159	$ 197,834	$ 191,607	$ 188,788
Interest Cost	427,815	363,032	320,454	300,243	377,533	351,625	377,988	353,450	382,973
Cost of Plan Changes	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,068,335)	536,383	248,517	-	(1,183,791)	-	(568,761)	-	(942,103)
Changes of assumptions	(58,123)	(294,286)	15,150	-	232,205	-	(121,843)	-	265,905
Benefit payments	(262,014)	(232,768)	(195,335)	(207,049)	(194,828)	(219,240)	(211,494)	(189,969)	(190,888)
Change in total OPEB liability	(689,834)	651,909	621,071	318,713	(537,997)	356,544	(326,276)	355,088	(295,325)
Total OPEB liability - beginning	6,391,712	5,739,803	5,118,732	4,800,019	5,338,016	4,981,472	5,307,748	4,952,660	5,247,985
Total OPEB liability - ending	$ 5,701,878	$ 6,391,712	$ 5,739,803	$ 5,118,732	$ 4,800,019	$ 5,338,016	$ 4,981,472	$ 5,307,748	$ 4,952,660
Fiduciary Net Position									
Contributions - employer	$ 262,014	$ 232,768	$ 218,629	$ 417,416	$ 395,530	$ 425,066	$ 406,132	$ 396,403	$ 649,631
Net investment income	681,057	551,239	299,897	(692,798)	1,069,137	125,084	196,181	218,384	235,715
Benefit payments	(262,014)	(232,768)	(195,335)	(207,049)	(194,828)	(219,240)	(211,494)	(189,969)	(190,888)
Administrative and other expenses	(1,734)	(1,626)	(1,356)	(1,306)	(1,471)	(1,739)	(678)	(5,092)	(1,217)
Change in fiduciary net position	679,323	549,613	321,835	(483,737)	1,268,368	329,171	390,141	419,726	693,241
Fiduciary net position - beginning	5,538,832	4,989,219	4,667,384	5,151,121	3,882,753	3,553,582	3,163,441	2,743,715	2,050,474
Fiduciary net position - ending	$ 6,218,155	$ 5,538,832	$ 4,989,219	$ 4,667,384	$ 5,151,121	$ 3,882,753	$ 3,553,582	$ 3,163,441	$ 2,743,715
Net OPEB liability - ending	$ (516,277)	$ 852,880	$ 750,584	$ 451,348	$ (351,102)	$ 1,455,263	$ 1,427,890	$ 2,144,307	$ 2,208,945
Covered-employee payroll	$ 3,026,863	$ 2,785,738	$ 2,704,600	$ 2,600,204	$ 2,469,638	$ 2,281,221	$ 2,146,924	$ 2,090,603	$ 1,975,245
Net OPEB liability as a percentage of covered-employee payroll	-17.06%	30.62%	27.75%	17.36%	-14.22%	63.79%	66.51%	102.57%	111.83%

Accounting Information – Schedule of Changes in the Net OPEB Liability
(Concluded)

Used in Development of the NOL for the Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Measurement date	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Valuation date	6/30/2025	6/30/2023	6/30/2023	6/30/2021	6/30/2021	6/30/2019	6/30/2019	6/30/2017	6/30/2017
Discount rate	6.55%	6.55%	6.15%	6.10%	6.10%	6.90%	6.90%	7.00%	7.00%
Investment rate of return	6.55%	6.15%	6.10%	6.10%	6.10%	6.90%	6.90%	7.00%	7.00%
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%
Healthcare cost trend rates	6.5% in 2027 3.9% by 2075	6.0% in 2026 3.9% by 2075	6.0% in 2026 3.9% by 2075	5.8% in 2023 3.9% by 2076	5.8% in 2023 3.9% by 2076	6.5% in 2021 4% by 2076	6.5% in 2021 4% by 2076	7.50% in 2019 5% by 2024	7.50% in 2019 5% by 2024
Retirement age	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75
Mortality	CalPERS 2025	CalPERS 2021	CalPERS 2021	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2014	CalPERS 2014
Mortality Improvement	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2020	MacLeod Watts 2020	MacLeod Watts 2017	MacLeod Watts 2017

Accounting Information
(Continued)

Schedule of Contributions

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

Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	$ 383,107	$ 373,937	$ 213,917	$ 206,020	$ 366,359	$ 356,557	$ 372,138	$ 361,651	$ 352,468
Contributions in relation to the ADC	383,107	262,014	232,768	218,629	417,416	395,530	425,066	406,132	396,403
Contribution deficiency (excess)	$ -	$ 111,923	$ (18,851)	$ (12,609)	$ (51,057)	$ (38,973)	$ (52,928)	$ (44,481)	$ (43,935)
Covered-employee payroll	$ 3,220,881	$ 3,026,863	$ 2,785,738	$ 2,704,600	$ 2,600,204	$ 2,469,638	$ 2,281,221	$ 2,146,924	$ 2,090,603
Contributions as a percentage of covered-employee payroll	11.89%	8.66%	8.36%	8.08%	16.05%	16.02%	18.63%	18.92%	18.96%

Used in Development of the ADC for the Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Valuation Date	6/30/2023	6/30/2023	6/30/2021	6/30/2021	6/30/2019	6/30/2019	6/30/2019	6/30/2017	6/30/2017
Discount rate/Trust return	6.15%	6.15%	6.10%	6.10%	6.90%	6.90%	6.90%	7.00%	7.00%
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%
Healthcare cost trend rates	6.0% in 2026 3.9% by 2075	6.0% in 2026 3.9% by 2075	5.8% in 2023 3.9% by 2076	5.8% in 2023 3.9% by 2076	6.5% in 2021 4% by 2076	6.5% in 2021 4% by 2076	6.5% in 2021 4% by 2076	7.50% in 2019 5% by 2024	7.50% in 2019 5% by 2024
Retirement age	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75
Mortality	CalPERS 2021	CalPERS 2021	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2014	CalPERS 2014
Mortality Improvement	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2020	MacLeod Watts 2020	MacLeod Watts 2020	MacLeod Watts 2017	MacLeod Watts 2017
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Amortization period	24 years	25 years	30 years	30 years	20 years	21 years	22 years	23 years	24 years
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value

Accounting Information
(Continued)

Progress in Plan Funding

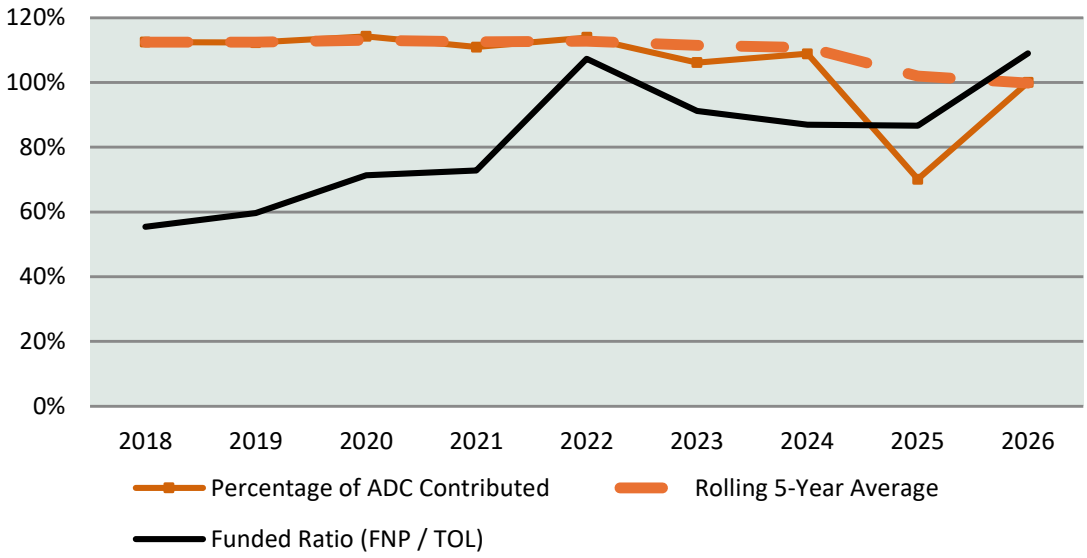
The Authority's contribution history and progress in funding is shown below. This chart itself is not a required disclosure but may assist the Authority in monitoring plan funding. The measures shown include:

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

	Contribution History				GASB 75 Funded Status History			
Fiscal Year Ending	Actuarially Determined Contribution (ADC)	Contribution	Percentage of ADC Contributed	Rolling 5-Year Average	Total OPEB Liability (TOL)	Fiduciary Net Position (FNP)	Net OPEB Liability	Funded Ratio (FNP / TOL)
2018	352,468	396,403	112%	112%	4,952,660	2,743,715	2,208,945	55%
2019	361,651	406,132	112%	112%	5,307,748	3,163,441	2,144,307	60%
2020	372,138	425,066	114%	113%	4,981,472	3,553,582	1,427,890	71%
2021	356,557	395,530	111%	112%	5,338,016	3,882,753	1,455,263	73%
2022	366,359	417,416	114%	113%	4,800,019	5,151,121	(351,102)	107%
2023	206,020	218,629	106%	112%	5,118,732	4,667,384	451,348	91%
2024	213,917	232,768	109%	111%	5,739,803	4,989,219	750,584	87%
2025	373,937	262,014	70%	102%	6,391,712	5,538,832	852,880	87%
2026	383,107	383,107	100%	100%	5,701,878	6,218,155	(516,277)	109%

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

The relevant ratios shown above are provided in the chart below.



Accounting Information
(Continued)

Detail of Changes to Net Position

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

Capitol Area Development Authority	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)	(d) Deferred Outflows:				(e) Deferred Inflows:			Impact on Statement of Net Position (f) = (c) - (d) + (e)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Assumption Changes	Plan Experience	Investment Experience	
Balance at Fiscal Year Ending 6/30/2025 *Measurement Date 6/30/2024*	$ 6,391,712	$ 5,538,832	$ 852,880	$ 63,743	$ 614,650	$ 405,356	$ 262,014	$ 245,804	$ 273,183	$ 363,143	$ 389,247
Changes During the Period:											
Service Cost	270,823		270,823								270,823
Interest Cost	427,815		427,815								427,815
Expected Investment Income		362,737	(362,737)								(362,737)
CADA Contributions		262,014	(262,014)								(262,014)
Cost of Plan Changes	-		-								-
Administrative and other expenses		(1,734)	1,734								1,734
Benefit Payments	(262,014)	(262,014)	-								-
Assumption Changes	(58,123)		(58,123)					58,123			-
Plan Experience	(1,068,335)		(1,068,335)						1,068,335		-
Investment Experience		318,320	(318,320)							318,320	-
Recognized Deferred Resources				(47,151)	(129,308)	(202,679)	(262,014)	(57,369)	(391,006)	(274,327)	(81,550)
Contributions After Measurement Date							383,107				(383,107)
Net Changes in Fiscal Year 2025-2026	(689,834)	679,323	(1,369,157)	(47,151)	(129,308)	(202,679)	121,093	754	677,329	43,993	(389,036)
Balance at Fiscal Year Ending 6/30/2026 *Measurement Date 6/30/2025*	$ 5,701,878	$ 6,218,155	$ (516,277)	$ 16,592	$ 485,342	$ 202,677	$ 383,107	$ 246,558	$ 950,512	$ 407,136	$ 211

Accounting Information
(Continued)

Schedule of Deferred Resources

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

Deferred Outflow or (Inflow)						Scheduled Recognition in Expense						
Source	Date Created	Initial Amount	Period (Yrs)	Annual Recognition	Balance as of Jun 30, 2025	2024-25 (FYE 2026)	2025-26 (FYE 2027)	2026-27 (FYE 2028)	2027-28 (FYE 2029)	2028-29 (FYE 2030)	2029-30 (FYE 2031)	Thereafter
Assumption Changes	6/30/2021	232,205	5.20	44,655	8,930	44,655	8,930	-	-	-	-	-
	6/30/2023	15,150	6.07	2,496	7,662	2,496	2,496	2,496	2,496	174	-	-
	6/30/2024	(294,286)	6.07	(48,482)	(197,322)	(48,482)	(48,482)	(48,482)	(48,482)	(48,482)	(3,394)	-
	6/30/2025	(58,123)	6.54	(8,887)	(49,236)	(8,887)	(8,887)	(8,887)	(8,887)	(8,887)	(8,887)	(4,801)
Investment Earnings	6/30/2021	(794,354)	5.00	(158,871)	-	(158,870)	-	-	-	-	-	-
	6/30/2022	1,013,393	5.00	202,679	202,677	202,679	202,677	-	-	-	-	-
	6/30/2023	(14,517)	5.00	(2,903)	(5,808)	(2,903)	(2,903)	(2,905)	-	-	-	-
	6/30/2024	(244,452)	5.00	(48,890)	(146,672)	(48,890)	(48,890)	(48,890)	(48,892)	-	-	-
	6/30/2025	(318,320)	5.00	(63,664)	(254,656)	(63,664)	(63,664)	(63,664)	(63,664)	(63,664)	-	-
Plan Experience	6/30/2021	(1,183,791)	5.20	(227,652)	(45,531)	(227,652)	(45,531)	-	-	-	-	-
	6/30/2023	248,517	6.07	40,942	125,691	40,942	40,942	40,942	40,942	2,865	-	-
	6/30/2024	536,383	6.07	88,366	359,651	88,366	88,366	88,366	88,366	88,366	6,187	-
	6/30/2025	(1,068,335)	6.54	(163,354)	(904,981)	(163,354)	(163,354)	(163,354)	(163,354)	(163,354)	(163,354)	(88,211)

Accounting Information
(Continued)

Contributions to the Plan

Authority contributions to the Plan occur as benefits are paid to or on behalf of retirees and/or as contributions are made to the OPEB trust. Benefit payments may occur in the form of direct payments for retiree benefits ("explicit subsidies") and/or indirect payments to retirees in the form of indirect payments to retirees for claims costs not expected to be fully supported by retiree premiums ("Implicit subsidies"). Note that the implicit subsidy contribution does not represent cash payments to retirees, but rather the reclassification of a portion of active healthcare expense to be recognized as a retiree healthcare cost. For more details, see the Implicit Subsidy definition in the Glossary.

Authority contributions during the measurement period are shown below.

For the Measurement Period, Jul 1, 2024 through Jun 30, 2025	**CADA**
CADA	
(a) Contribution To CERBT	$ -
(b) Benefits Paid Directly To or On Behalf of Retirees	223,833
(c) Implicit Subsidy Payment	38,181
CERBT	
(d) Benefits Paid Directly To or On Behalf of Retirees	-
(e) Reimbursements to CADA	-
Total Benefits Paid During the MP, (b)+(c)+(d)	262,014
CADA Contribution During the MP, (a)+(b)+(c)-(e)	262,014

Estimated Authority contributions during the fiscal year are shown below. *When actual contributions are known, we'd be happy to update the report.*

For the Fiscal Year, Jul 1, 2025 through Jun 30, 2026	**CADA**
CADA	
(f) Contribution To CERBT	$ 342,178
(g) Benefits Paid Directly To or On Behalf of Retirees	220,068
(h) Implicit Subsidy Payment	40,929
CERBT	
(i) Benefits Paid Directly To or On Behalf of Retirees	-
(j) Reimbursements to CADA	220,068
Total Benefits Paid During the Current FY, (g)+(h)+(i)	260,997
CADA Contribution During the Current FY, (f)+(g)+(h)-(j)	383,107

Accounting Information
(Continued)

Projected Benefit Payments

The following is a 15-year projection of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the Authority. Expected annual benefits have been projected based on the actuarial assumptions outlined in Actuarial Methods and Assumptions.

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

Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2026	$220,068	$ -	$220,068	$ 40,929	$ -	$ 40,929	$ 260,997
2027	232,585	38,715	271,300	13,690	20,007	33,697	304,997
2028	237,724	59,032	296,756	16,063	24,163	40,226	336,982
2029	232,229	81,983	314,212	5,285	33,252	38,537	352,749
2030	235,447	99,943	335,390	6,129	36,694	42,823	378,213
2031	237,855	121,154	359,009	7,090	43,550	50,640	409,649
2032	239,157	133,274	372,431	8,198	34,384	42,582	415,013
2033	238,996	157,607	396,603	9,467	35,337	44,804	441,407
2034	237,929	188,131	426,060	10,912	49,158	60,070	486,130
2035	235,446	206,534	441,980	12,537	41,883	54,420	496,400
2036	231,866	219,436	451,302	14,345	34,119	48,464	499,766
2037	227,519	250,271	477,790	16,349	48,920	65,269	543,059
2038	222,424	285,593	508,017	-	68,083	68,083	576,100
2039	216,541	295,992	512,533	-	63,567	63,567	576,100
2040	209,717	325,112	534,829	-	66,872	66,872	601,701

The amounts shown in the explicit subsidy columns reflect the expected payment by the Authority toward retiree benefits in each of the years shown. The amounts shown in the implicit subsidy columns reflect the estimated excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.

Accounting Information
(Concluded)

Sample Journal Entries

OPEB Accounts at Beginning of Fiscal Year	*By Source*		*Sources Combined*	
	Debit	**Credit**	**Debit**	**Credit**
Net OPEB Liability		852,880		852,880
Deferred Outflow:				
Assumption Changes	63,743			
Plan Experience	614,650			
Investment Experience	405,356			
Contribution Subsequent to MD	262,014			
Deferred Outflows			1,345,763	
Deferred Inflow:				
Assumption Changes		245,804		
Plan Experience		273,183		
Investment Experience		363,143		
Deferred Inflows				882,130

Record Benefits Paid to Retirees	**Debit**	**Credit**
Net OPEB Liability	220,068	
Cash		220,068

Record Contributions to the Trust	**Debit**	**Credit**
Net OPEB Liability	342,178	
Cash		342,178

Record Reimbursements from the Trust	**Debit**	**Credit**
Cash	220,068	
Net OPEB Liability		220,068

Record Implicit Subsidy Payment	**Debit**	**Credit**
Net OPEB Liability	40,929	
Premium Expense		40,929

Record End of Year Updates to OPEB Accounts	*By Source*		*Sources Combined*	
	Debit	**Credit**	**Debit**	**Credit**
Net OPEB Liability	986,050		986,050	
Deferred Outflow:				
Assumption Changes		47,151		
Plan Experience		129,308		
Investment Experience		202,679		
Contribution Subsequent to MD	121,093			
Deferred Outflows				258,045
Deferred Inflow:				
Assumption Changes		754		
Plan Experience		677,329		
Investment Experience		43,993		
Deferred Inflows				722,076
OPEB Expense		5,929		5,929

D. Funding Information

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

Paying Down the UAAL

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

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

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

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

Funding and Prefunding of the Implicit Subsidy

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

Funding Information
(Continued)

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

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

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

Development of the Actuarially Determined Contributions

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

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the *negative* unfunded actuarial accrued liability (i.e., a surplus) over a 30-year period on a level dollar basis. This approach is consistent with the funding policy guidance in the California Actuarial Advisory Panel's *Actuarial Funding Policies and Practices for Public Pension and OPEB Plans* (November 2015)

Actuarially Determined Contributions, developed as described above for the Authority's fiscal years ending June 30, 2026, 2027, and 2028 are shown the exhibit on the next page. Contributions credited toward meeting the ADC will be comprised of:

1) direct payments to insurers toward retiree premiums, to the extent not reimbursed to the Authority by the trust; plus
2) each year's implicit subsidy payment, to the extent not reimbursed to the Authority by the trust; and
3) contributions to the OPEB trust.

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

Funding Information
(Continued)

We developed the Actuarially Determined Contributions (ADCs) for fiscal years ending June 30, 2027, and June 30, 2028, from the results of this valuation. The ADC for fiscal year end June 30, 2026, was developed from the prior valuation and is included for reference as well.

Valuation date	**6/30/2023**	**6/30/2025**	
Discount rate	6.15%	6.55%	
Number of Covered Employees			
Actives	43	41	
Retirees	27	25	
Total Participants	70	66	
For fiscal year ending	6/30/2026	6/30/2027	6/30/2028
Actuarial Present Value of Projected Benefits	$ 8,636,228	$ 8,284,609	$ 8,512,265
Actuarial Accrued Liability (AAL)			
Actives	3,914,689	3,231,705	3,736,194
Retirees	2,630,393	2,843,721	2,714,999
Total AAL	6,545,082	6,075,426	6,451,193
Market Value of Assets	5,699,723	6,751,553	7,127,447
Unfunded AAL (UAAL)	845,359	(676,127)	(676,254)
UAAL Amortization method	Level Dollar	Level Dollar	Level Dollar
Remaining amortization period (years)	24	30	30
Amortization Factor	13.1395	13.8422	13.8422
Actuarially Determined Contribution (ADC)			
Normal Cost	$ 296,574	$ 274,812	$ 283,056
Amortization of UAAL	64,337	(48,845)	(48,855)
Interest to fiscal year end	22,196	14,801	15,340
Total ADC	**383,107**	**240,768**	**249,541**

1 Implicit subsidy contribution	$ 40,929	$ 33,697	$ 40,226
Additional payments needed to meet ADC	342,178	207,071	209,315
2 *Estimated Authority paid premiums for retirees*	$ 220,068	$ 271,300	$ 296,756
3 *Estimated Authority contribution to OPEB trust*	122,110	(64,229)	(87,441)
Total Expected Authority Contributions (1+2+3)	**$ 383,107**	**$ 240,768**	**$ 249,541**
Expected shortfall (excess) relative to the ADC	**$ -**	**$ -**	**$ -**

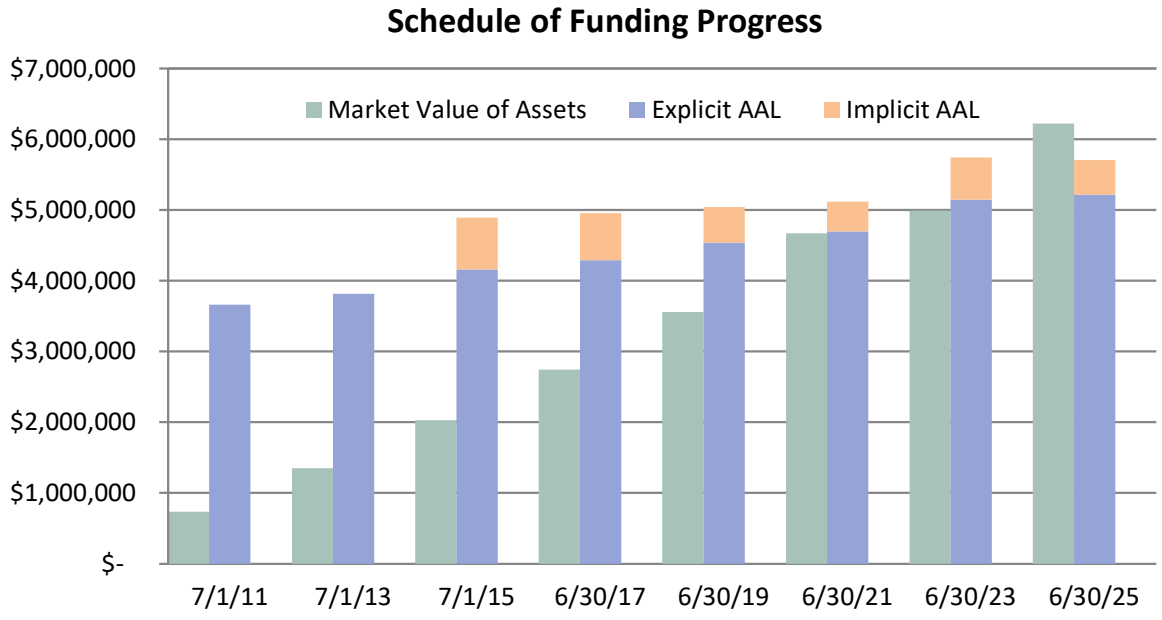
As described on the prior page, OPEB funding consists of 3 different sources. Items 1-3 in the chart above estimates how these 3 contribution sources would apply toward satisfying the ADC for each of these years.

Funding Information
(Concluded)

The charts below provide key measures of the progress in plan funding.

Schedule of Funding Progress

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)	Discount Rate
7/1/2011	$ 734,072	$ 3,658,759	$ 2,924,687	20.1%	$ 1,950,403	150.0%	7.50%
7/1/2013	$ 1,350,506	$ 3,811,433	$ 2,460,927	35.4%	$ 1,967,652	125.1%	7.50%
7/1/2015	$ 2,029,024	$ 4,886,663	$ 2,857,639	41.5%	$ 1,987,768	143.8%	7.17%
6/30/2017	$ 2,743,715	$ 4,952,660	$ 2,208,945	55.4%	$ 1,975,245	111.8%	7.00%
6/30/2019	$ 3,553,582	$ 5,039,767	$ 1,486,185	70.5%	$ 2,146,924	69.2%	6.80%
6/30/2021	$ 4,667,384	$ 5,118,732	$ 451,348	91.2%	$ 2,469,638	18.3%	6.10%
6/30/2023	$ 4,989,219	$ 5,739,803	$ 750,584	86.9%	$ 2,704,600	27.8%	6.15%
6/30/2025	$ 6,218,155	$ 5,701,878	$ (516,277)	109.1%	$ 3,026,863	-17.1%	6.55%



E. Summary of Participant Data

The data provided by the Authority for use in this valuation is summarized below. We reviewed and updated the data as needed and found it reasonably accurate and consistent for the purpose of the current valuation. The review does not constitute an audit and, therefore, we relied on the Authority for its completeness and accuracy.

Active employees: The Authority reported 41 active members for the June 30, 2025, valuation. Of these, 31 were enrolled in the medical program and 10 employees were waiving coverage. The exhibit below summarizes the distribution of reported employees by age and service.

Distribution of Benefits-Eligible Active Employees								
Current Age	**Years of Service**						**Total**	**Percent**
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25		2					2	5%
25 to 29	2	1					3	7%
30 to 34	1	2					3	7%
35 to 39		2					2	5%
40 to 44	1	3	2				6	15%
45 to 49		5			1	1	7	17%
50 to 54			1		2		3	7%
55 to 59		1	3			2	6	15%
60 to 64		1	1	1		2	5	12%
65 to 69		1	1			1	3	7%
70 & Up						1	1	2%
Total	4	18	8	1	3	7	**41**	**100%**
Percent	10%	44%	20%	2%	7%	17%	**100%**	

Valuation	June 2023	June 2025
Average Attained Age for Actives	50.0	48.7
Average Years of Service	8.1	8.3

Retirees: The Authority reported 24 retirees and 1 surviving spouse receiving benefits on the valuation date. Their ages are summarized in the chart below.

Retirees by Age		
Current Age	**Number**	**Percent**
Below 50		0%
50 to 54		0%
55 to 59		0%
60 to 64	2	8%
65 to 69	3	12%
70 to 74	6	24%
75 to 79	9	36%
80 & up	5	20%
Total	**25**	**100%**
Average Age:		
On 6/30/2025	74.9	
At retirement	62.1	

Summary of Participant Data
(Continued)

The chart below reconciles the number of actives and retirees included in the June 30, 2023, valuation with those included in the current June 30, 2025, valuation.

Reconciliation of the Authority Plan Members Between Valuation Dates					
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2023	32	11	25	2	70
New employees	9	2			11
Separated employees	(11)	(1)			(12)
New retiree, elected coverage					0
New retiree, waiving coverage		(1)			(1)
Previously covered, now waiving			(1)		(1)
Previously waiving, now covered	1	(1)			0
Deceased				(1)	(1)
Number reported as of June 30, 2025	**31**	**10**	**24**	**1**	**66**

The various categories of change between the counts reported for the prior valuation and the counts reported for the current valuation should be reviewed for consistency with Authority records.

Finally, GASB 75 requires the employer to report specific plan member counts. The chart below shows the required counts as of the June 30, 2025, valuation date.

Summary of Plan Member Counts	
Number of active plan members	41
Number of inactive plan members currently receiving benefits	25
Number of inactive plan members entitled to but not receiving benefits	9

F. Retiree Benefit Provisions

Summary of Retiree Benefit Provisions

OPEB provided: the Authority has reported that the only OPEB provided is medical plan coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA).

- Employees hired by the Authority on or after May 1, 2005, and who retire from the Authority under CalPERS with ten (10) years of CalPERS covered employment and at least five (5) years at the Authority, or upon disability retirement, are eligible for post-retirement health insurance coverage under Government Code 22893 (Vesting Resolution).
- Employees hired by the Authority prior to May 1, 2005, and who retire from the Authority under CalPERS (including disability retirement) with at least five (5) years of CalPERS covered employment service are eligible to be provided post-retirement health insurance coverage under Government Code 22892 (Equal Contribution Resolution).
- Employees hired by the Authority prior to May 1, 2005 who retire under CalPERS from the Authority with ten (10) years of CalPERS covered employment service and at least five (5) years at the Authority, or upon disability retirement, may elect to be provided post-retirement health insurance coverage under either Government Code 22893 or Government Code 22892.
- Employees who do not retire from the Authority as described above do not receive retiree health benefit contributions from the Authority.
- The employee must begin his or her *pension benefit* within 120 days of ending employment with the Authority to be eligible to continue medical coverage through the Authority and be entitled to the employer subsidy described below.

Once eligible for retiree medical coverage through the Authority, if an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided: As a public agency participating in the CalPERS medical program, the Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. the Authority maintains two PEMHCA resolutions:

- *For retirees covered by GC 22892*: the Authority will pay 100% of the medical premium for the retiree and any dependents up to maximum amounts (caps) which vary by coverage level, set by the Authority. Since August 26, 2011, the monthly caps have been and are still $485 (for employee only) and $889 (for employee and 1 or more dependents).

Retiree Benefit Provisions
(Continued)

- *For retirees covered by GC 22893:* the Authority will pay 100% of the premium for retirees and dependents up to, but not exceeding, the maximum benefits described in GC 22893. Those maximum benefits are: (a) dollar caps which vary by coverage level set annually per the 100/90 formula, *multiplied by* (b) a vesting percentage based on the retiree's years of CalPERS membership.

GC 22893 benefits – continued: The 100/90 formula caps for 2025 and 2026 are as follows:

Subsidy for the 100/90 Formula			
Year	Retiree	Retiree + 1	Retiree + 2
2025	$ 1,060	$ 2,039	$ 2,551
2026	$ 1,084	$ 2,057	$ 2,638

The vesting percentages applied to the 100/90 formula caps are as follows:

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

Additional provisions of GC 22893: If an employee terminates with 20 or more years of the Authority service, he or she need not commence his/her PERS retirement benefit within 120 days to remain eligible for the GC 22893 retiree medical benefit described above; In addition, the vesting percentage above does not apply in determining the amount of benefit payable for employees who qualify for a disability retirement through the Authority.

Current premium rates: The 2026 CalPERS monthly medical plan premiums in Region 1 are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The additional CalPERS administration fee is assumed to be separately expensed each year and has not been projected as an OPEB liability in this valuation.

Region 1 2026 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Anthem Select HMO	$1,336.29	$2,672.58	$3,474.35	$ 571.70	$1,143.40	$1,945.17
Blue Shield Access+ HMO & EPO	1,301.95	2,603.90	3,385.07	539.43	1,078.86	1,860.03
Blue Shield Trio HMO	1,166.58	2,333.16	3,033.11	539.43	1,078.86	1,778.81
Kaiser*	1,168.86	2,337.72	3,039.04	-	-	1,553.94
PERS Gold	1,120.58	2,241.16	2,913.51	597.57	1,195.14	1,867.49
PERS Platinum	1,670.14	3,340.28	4,342.36	665.50	1,331.00	2,333.08
UHC Alliance	1,290.06	2,580.12	3,354.16	481.29	962.58	1,736.62
Western Health Advantage HMO	969.58	1,939.16	2,520.91	*Not Available*		

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

G. Actuarial Assumptions and Methods

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

Important Dates

Valuation Date	June 30, 2025
Fiscal Year End	June 30, 2026
GASB 75 Measurement Date	June 30, 2025 (last day of the prior fiscal year)

Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Development of Age-related Medical Premiums	Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology (see Appendices). Pre-Medicare retiree premiums are blended with premiums for active members. Medicare-eligible retirees are covered by plans which are rated solely on the experience of Medicare retirees with no subsidy by active employee premiums. Representative claims costs derived from the dataset provided by CalPERS are shown in the chart on the following page. Estimated age-based claims were applied (a) for all retirees not yet eligible for Medicare and (b) for Medicare retirees receiving benefits in excess of the PEMHCA minimum *and* covered by Medicare Supplement plans.

Actuarial Assumptions and Methods
(Continued)

Development of Age-related
Medical Premiums (continued)

Expected Monthly Claims by Medical Plan for Selected Pre- Medicare Ages						
		Non-Medicare Male Retirees				
Region	**Medical Plan**	50	53	56	59	62
Region 1	Anthem Select HMO	$ 1,211	$ 1,428	$ 1,659	$ 1,901	$ 2,161
	Blue Shield Access+ HMO & EPO	1,271	1,499	1,741	1,995	2,268
	Kaiser	1,058	1,248	1,449	1,661	1,888
	PERS Gold	1,134	1,338	1,554	1,781	2,024
	PERS Platinum	1,787	2,108	2,448	2,806	3,190
	UHC Alliance	1,244	1,466	1,703	1,952	2,219
	Western Health Advantage HMO	896	1,056	1,227	1,406	1,598
Out of State	Kaiser	$ 1,394	$ 1,644	$ 1,909	$ 2,188	$ 2,488
	PERS Platinum	1,088	1,282	1,490	1,707	1,941
		Non-Medicare Female Retirees				
Region	**Medical Plan**	50	53	56	59	62
Region 1	Anthem Select HMO	$ 1,501	$ 1,648	$ 1,774	$ 1,916	$ 2,113
	Blue Shield Access+ HMO & EPO	1,575	1,730	1,861	2,011	2,217
	Kaiser	1,311	1,440	1,550	1,675	1,846
	PERS Gold	1,406	1,544	1,661	1,795	1,979
	PERS Platinum	2,215	2,433	2,618	2,829	3,118
	UHC Alliance	1,541	1,693	1,821	1,968	2,170
	Western Health Advantage HMO	1,110	1,219	1,312	1,417	1,562
Out of State	Kaiser	$ 1,727	$ 1,897	$ 2,042	$ 2,206	$ 2,432
	PERS Platinum	1,348	1,480	1,593	1,721	1,897

Expected Monthly Claims by Medical Plan for Selected Post Medicare Ages						
		Medicare Male Retirees				
Region	**Medical Plan**	65	70	75	80	85
All Regions	PERS Gold	$ 513	$ 575	$ 625	$ 655	$ 646
	PERS Platinum	566	634	689	722	712
	Western Health Advantage HMO	*Plan not available to Medicare retirees*				
		Medicare Female Retirees				
Region	**Medical Plan**	65	70	75	80	85
All Regions	PERS Gold	$ 492	$ 556	$ 602	$ 629	$ 635
	PERS Platinum	542	613	664	693	700
	Western Health Advantage HMO	*Plan not available to Medicare retirees*				

Claims not developed for Medicare Advantage Plans

Actuarial Assumptions and Methods
(Continued)

Economic Assumptions

Long Term Return on Assets	As of June 30, 2025: 6.55% As of June 30, 2024: 6.55%
Discount Rate	As of June 30, 2025: 6.55% As of June 30, 2024: 6.55%
General Inflation Rate	2.5% per year
Salary Increase	3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Healthcare Trend	Medical plan premiums and estimated claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be effective on the dates shown in the chart below.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2026	Actual	2035	4.7%
2027	6.5%	2036-2044	4.6%
2028	6.3%	2045-2058	4.5%
2029	6.0%	2059-2066	4.4%
2030	5.8%	2067-2068	4.3%
2031	5.6%	2069-2070	4.2%
2032	5.3%	2071-2072	4.1%
2033	5.1%	2073-2074	4.0%
2034	4.9%	2075 & Later	3.9%

The healthcare trend shown above was developed using the Getzen Model 2025 published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 0.9%; Expected Health Share of GDP in 2034 19%; Resistance Point 18%; Year after which medical growth is limited to growth in GDP 2075.

Employer Cost Sharing	The Authority's contributions under the Equal Contribution resolution are defined not to exceed certain maximum monthly amounts. Last increased in 2011, we assume these maximum amounts will increase by 1.5% per year.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Actuarial Assumptions and Methods
(Continued)

Participant Election Assumptions

Unless otherwise noted, demographic assumptions in this section were selected based on the Authority's historical patterns, the plan's eligibility rules, and our experience with similar California public-sector OPEB plans.

Participation Rate

The percentage of eligible employees assumed to elect coverage in retirement varies based on their years of PERS service, as shown below.

Future Retiree Participation Rates		
Years of Service	Retiree Under Age 65	Retiree at 65 or Older
Less than 5	0%	0%
5 but under 10	10%	0%
10	75%	100%
11	80%	100%
12	85%	100%
13	90%	100%
14	95%	100%
15 or more	100%	100%

Employees currently enrolled in coverage are assumed to remain in the current plan selected; those not yet enrolled are assumed to elect coverage in the Kaiser Region 1 plan.

Retired participants: Existing medical plan elections are assumed to be maintained until the retiree's death.

Spouse Coverage

Active employees: We assume that 75% of future retiree will be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to keep coverage until their death. Husbands are assumed to be 3 years older than their wives.

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

Dependent Coverage

Active employees: 20% are assumed to cover dependents other than a spouse under age 26 at retirement until age 65.

Retired participants covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.

Actuarial Assumptions and Methods
(Continued)

Demographic Assumptions

Demographic actuarial assumptions used in this valuation are based on the 2025 experience study of the California Public Employees Retirement System using data from 2000 to 2023, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, projected as described below. Demographic assumptions based on the CalPERS experience study were selected because they reflect the actual experience of the population covered by this plan and therefore provide the most relevant and current representation of expected future experience for the Authority's members.

Mortality Before Retirement

CalPERS 2025 Experience Study
Public Agency Miscellaneous
Pre-Retirement Mortality

Age	Male	Female
15	0.00018	0.00010
20	0.00039	0.00014
30	0.00044	0.00019
40	0.00075	0.00039
50	0.00134	0.00081
60	0.00287	0.00179
70	0.00594	0.00404
80	0.01515	0.01149

Mortality After Retirement
(before improvement applied)

Healthy Lives

CalPERS 2025 Experience Study
Public Agency
Healthy Retiree Mortality

Age	Male	Female
40	0.00075	0.00039
50	0.00266	0.00197
60	0.00578	0.00458
70	0.01333	0.00989
80	0.04371	0.03401
90	0.14539	0.11086
100	0.36198	0.31582
110	1.00000	1.00000

Disabled Miscellaneous

CalPERS 2025 Experience Study
Public Agency Miscellaneous
Disabled Retiree Mortality

Age	Male	Female
20	0.00411	0.00240
30	0.00482	0.00319
40	0.00807	0.00729
50	0.01701	0.01424
60	0.02708	0.01983
70	0.04001	0.02854
80	0.07936	0.06051
90	0.16608	0.14301

Mortality Improvement

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

Actuarial Assumptions and Methods
(Continued)

Termination Rates

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

For employees covered by GC 22892 (Equal Contribution Resolution):

Male Miscellaneous Employees: Sum of Vested & Refund Termination Rates CalPERS 2025 Experience Study						
Attained Age	Years of Service					
	0	5	10	20	25	30
25	0.1698	0.0825	0.0366	0.0000	0.0000	0.0000
30	0.1600	0.0793	0.0366	0.0000	0.0000	0.0000
35	0.1502	0.0723	0.0358	0.0147	0.0000	0.0000
40	0.1404	0.0653	0.0330	0.0147	0.0086	0.0000
45	0.1433	0.0557	0.0302	0.0147	0.0086	0.0054
50	0.1463	0.0523	0.0246	0.0115	0.0086	0.0054
55	0.1492	0.0507	0.0200	0.0083	0.0069	0.0054

Female Miscellaneous Employees: Sum of Vested & Refund Termination Rates CalPERS 2025 Experience Study						
Attained Age	Years of Service					
	0	5	10	20	25	30
25	0.1779	0.1000	0.0468	0.0000	0.0000	0.0000
30	0.1729	0.0972	0.0468	0.0000	0.0000	0.0000
35	0.1678	0.0868	0.0460	0.0183	0.0000	0.0000
40	0.1628	0.0763	0.0425	0.0183	0.0112	0.0000
45	0.1665	0.0704	0.0389	0.0183	0.0112	0.0060
50	0.1702	0.0683	0.0312	0.0138	0.0112	0.0060
55	0.1740	0.0629	0.0242	0.0092	0.0081	0.0060

For employees covered by GC 22892 (Vesting Resolution):

Male Miscellaneous Employees: Sum of Vested & Refund Termination Rates (Refund Rates Only for 20+ Years of Service) CalPERS 2025 Experience Study						
Attained Age	Years of Service					
	0	5	10	20	25	30
25	0.1698	0.0825	0.0366	0.0000	0.0000	0.0000
30	0.1600	0.0793	0.0366	0.0000	0.0000	0.0000
35	0.1502	0.0723	0.0358	0.0000	0.0000	0.0000
40	0.1404	0.0653	0.0330	0.0000	0.0000	0.0000
45	0.1433	0.0557	0.0302	0.0000	0.0000	0.0000
50	0.1463	0.0523	0.0246	0.0000	0.0000	0.0000
55	0.1492	0.0507	0.0200	0.0000	0.0000	0.0000

Female Miscellaneous Employees: Sum of Vested & Refund Termination Rates (Refund Rates Only for 20+ Years of Service) CalPERS 2025 Experience Study						
Attained Age	Years of Service					
	0	5	10	20	25	30
25	0.1779	0.1000	0.0468	0.0000	0.0000	0.0000
30	0.1729	0.0972	0.0468	0.0000	0.0000	0.0000
35	0.1678	0.0868	0.0460	0.0000	0.0000	0.0000
40	0.1628	0.0763	0.0425	0.0000	0.0000	0.0000
45	0.1665	0.0704	0.0389	0.0000	0.0000	0.0000
50	0.1702	0.0683	0.0312	0.0000	0.0000	0.0000
55	0.1740	0.0629	0.0242	0.0000	0.0000	0.0000

Actuarial Assumptions and Methods
(Continued)

Service Retirement Rates

The following miscellaneous retirement formulas apply:

Classic 2% @ 55
PEPRA: 2% @ 62

Miscellaneous Employees: 2% at 55 formula CalPERS 2025 Experience Study						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0070	0.0140	0.0170	0.0230	0.0280	0.0280
55	0.0160	0.0310	0.0460	0.0830	0.1160	0.1160
60	0.0560	0.0650	0.0830	0.1180	0.1450	0.1730
65	0.1490	0.1950	0.2230	0.2650	0.2930	0.3070
70	0.2750	0.2750	0.2750	0.2750	0.2750	0.2750
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula CalPERS 2025 Experience Study						
Current Age	Years of Service					
	5	10	15	20	25	30
52	0.0080	0.0130	0.0150	0.0190	0.0230	0.0230
55	0.0130	0.0250	0.0370	0.0660	0.0920	0.0920
60	0.0350	0.0410	0.0500	0.0740	0.0900	0.1070
65	0.1020	0.1330	0.1530	0.1810	0.2010	0.2100
70	0.2120	0.2120	0.2120	0.2120	0.2120	0.2120
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

Public Agency Miscellaneous Disability CalPERS 2025 Experience Study	
Age	Male & Female
20	0.00005
30	0.00029
40	0.00097
50	0.00250
60	0.00171
70	0.00170
80	0.00170

Actuarial Assumptions and Methods
(Concluded)

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

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

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

Changes in assumptions or methods since the prior Measurement Date

Demographic Assumptions	Updated demographic assumptions from those in the 2021 CalPERS experience study to those recommended in the CalPERS 2025 Experience Study report issued November 2025
Healthcare Trend	Updated the base healthcare trend scale from Getzen Model 2023 to Getzen Model 2025, as published by the Society of Actuaries

H. Certification

The purpose of this report is to provide actuarial information for other postemployment benefits (OPEB) provided by the Capitol Area Development Authority (the Authority) in compliance with Statement No. 75 of the Governmental Accounting Standards Board (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It also develops the Actuarially Determined Contribution (ADC) for prefunding plan benefits and, where applicable, may be used to satisfy reporting or filing requirements of the plan's funding trust. The results are based on an actuarial valuation of the plan as of June 30, 2025.

We relied, without audit, on information supplied by the Authority, including but not limited to participant census data, plan provisions, and financial information. We performed limited reviews for reasonableness and internal consistency and found the information suitable for valuation purposes. The results depend on the completeness and accuracy of that information; if any of the data provided was incomplete or inaccurate, the results herein may differ materially.

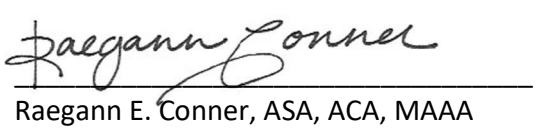
We consider the actuarial methods and assumptions used in this valuation to be reasonable and appropriate for the purposes of this report and consistent with generally accepted actuarial principles and practices. This report has been prepared in accordance with applicable Actuarial Standards of Practice. The results represent estimates of the plan's financial condition as of the valuation date. Actual future results may differ materially due to differences between actual and expected demographic or economic experience, changes in plan provisions, changes in applicable law, or other factors.

Alternative assumptions or methods may also be reasonable; evaluating such alternatives was beyond the scope of this engagement. These results are intended for financial reporting and funding purposes as described above and may be materially different from results that would be obtained under alternative measurement objectives, such as plan termination, liability settlement, or an assessment of the economic value of the promises made by the plan.

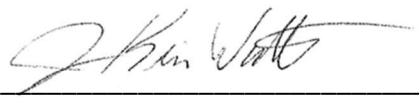
This report has been prepared solely for the use and benefit of the Capitol Area Development Authority. It may not be distributed to third parties without the prior written consent of MacLeod Watts, except as required by law or to the Authority's professional accounting or legal advisors who are subject to confidentiality obligations. No part of this report may be used as the basis for any representation or warranty in any contract or agreement without the written consent of MacLeod Watts.

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

Signed: April 27, 2026



Raegann E. Conner, ASA, ACA, MAAA



J. Kevin Watts, FSA, FCA, MAAA

Appendix 1: Valuation Process

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

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

Projecting Future Benefits

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

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

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

Calculating Present Values

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

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

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

Attributing Benefits to Service

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

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

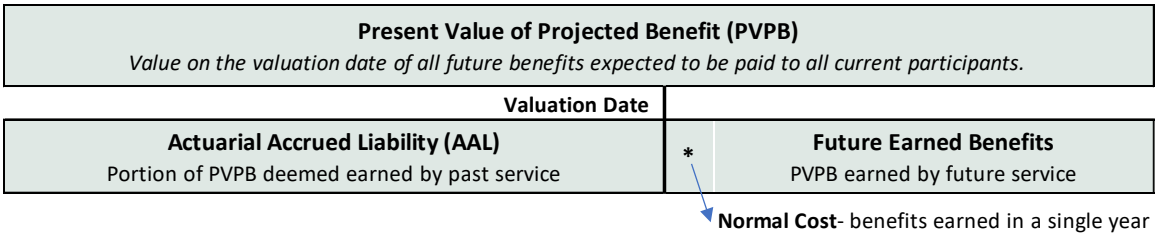
An *attribution method* – also referred to as the actuarial cost method -- is used to divide the PVPB into past service and future service components.

Valuation Process
(Continued)

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

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

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

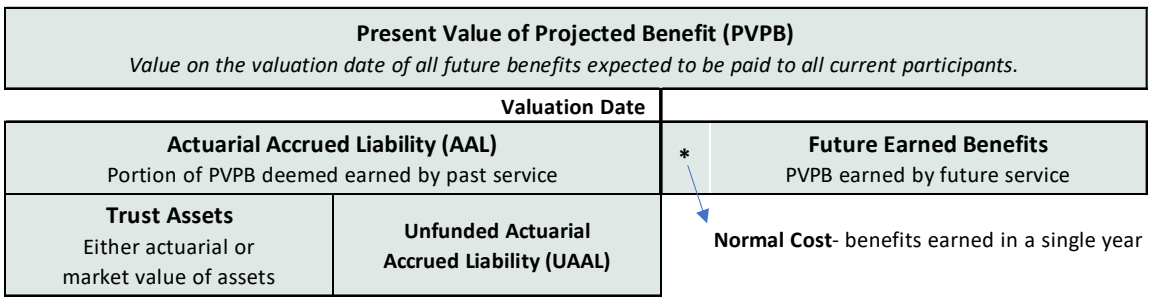


Funding Liabilities

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

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

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



Valuation Process
(Concluded)

Contributing to a Trust

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

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

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

Managing Uncertainty

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

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

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

Understanding Terminology

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

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

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

Appendix 2: MacLeod Watts Age Rating Methodology

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

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

The process involves three steps:

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

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

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

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

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

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

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

Appendix 3: MacLeod Watts Mortality Projection Methodology

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

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

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

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

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

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

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

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

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

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

Appendix 4: Funding Considerations

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

Pay-As-You-Go (PAYGO) Financing

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

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

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

Potentially Beneficial For:

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

Informal Funding Through Designated Reserves

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

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

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

Potentially Beneficial For:

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

Formal Prefunding Through an Irrevocable Trust

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

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

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

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

Potentially Beneficial For:

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

Funding Considerations
(Continued)

Hybrid Approaches

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

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

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

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

Potentially Beneficial For:

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

Funding Approaches and Long-Term Financial Risk

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

Pay-As-You-Go Financing

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

Funding Considerations
(Continued)

Designated Reserves

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

Prefunding Through an Irrevocable Trust

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

Hybrid Funding Approaches

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

Long-Term Perspective

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

Funding Considerations
(Concluded)

Comparison Summary

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

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

Glossary

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

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

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

See also: Attribution Method; Actuarial Funding Method

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

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

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

See also: Actuarial Cost Method; Attribution Method

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

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

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

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

Glossary
(Continued)

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

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

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

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

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

See also: Actuarial Cost Method; Actuarial Funding Method

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

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

Glossary
(Continued)

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

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

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

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

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

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

Glossary
(Continued)

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

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

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

Entry Age Normal Actuarial Cost Method – An actuarial cost allocation method in which, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last potential retirement age at which benefits are paid. Under GASB 68 & 75, the Entry Age Normal (Level Percent of Pay) method is required for financial reporting.

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

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

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

Glossary
(Continued)

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

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

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

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

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

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

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

Glossary
(Continued)

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

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

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

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

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

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

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

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

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

Glossary
(Continued)

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

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

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

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

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

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

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

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

Glossary
(Continued)

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

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

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

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

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

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

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

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

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

Glossary
(Continued)

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

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

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

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

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

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

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

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

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

Glossary
(Continued)

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

Common sources of plan experience gains or losses include:

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

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

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

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

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

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

Glossary
(Continued)

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

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

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

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

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

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

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

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

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

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

Glossary
(Concluded)

Trust – A separate legal entity established to hold assets for the purpose of paying benefits to participants. To qualify as a trust for GASB reporting, assets must be held for the exclusive benefit of plan members and their beneficiaries, be legally protected from the creditors of the employer, and be used solely to provide benefits and related administrative expenses.

Trust Sufficiency Test – See Crossover Test

Underfunded – Underfunded describes a plan whose assets are less than the actuarial present value of accrued or projected benefit obligations at the valuation date, based on the applicable actuarial or accounting measurement basis. Underfunding indicates that the Actuarial Value of Assets (for funding valuations) or the Plan Fiduciary Net Position (for financial reporting) is less than the corresponding liability measure—the Actuarial Accrued Liability (AAL) or the Total Pension or OPEB Liability (TPL/TOL). An underfunded position does not imply insolvency; rather, it represents the portion of benefits earned to date that are not yet covered by current assets and will need to be funded over time through future contributions, investment returns, or both.

Unfunded Actuarial Accrued Liability (UAAL) – On a funding (actuarial) basis, the excess of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL reflects past service costs not yet funded under the adopted funding policy and is commonly amortized over a closed period using level-dollar or level-percent-of-pay methods. UAAL is distinct from the GASB accounting measures Net Pension Liability (NPL) or Net OPEB Liability (NOL), which are defined as Total Liability – Plan Fiduciary Net Position at fair value.

Valuation Date – The date as of which the actuarial valuation is performed. The valuation date may precede the measurement date. See also: Measurement Date

Vesting – Requirements, as defined by the plan, which when met make a benefit nonforfeitable upon separation from service.

CERBT Valuation Packet

The California Employers' Retiree Benefit Trust (CERBT) Fund is an Internal Revenue Code Section 115, multiple-employer OPEB trust fund and has a fiduciary responsibility for financial reporting in accordance to the Governmental Accounting Standards Statement No. 74. As such, we request all participating employers to submit a renewal OPEB Valuation or AMM Report at least every two years, along with this valuation packet consisting of the Certification of Funding Policy, the Summary of Actuarial Information, and the Certification of Actuarial Information. The information provided in the OPEB valuation or AMM report is essential to the accuracy of the administration and reporting of the CERBT Fund.

Capitol Area Development Authority

Employer Name

06/30/2025

Valuation Date

Renewal Valuation Checklist

Please email a copy of your agency's final OPEB valuation or AMM report, along with this completed packet to CERBT4U@calpers.ca.gov. If you have any questions, contact us at CERBT4U@calpers.ca.gov.

- ☒ OPEB Valuation or AMM Report (Final version)
- ☒ Certification of Funding Policy (pages 2-3, completed and signed)
- ☒ Summary of Actuarial Information (pages 4-5, completed)
- ☒ Certification of Actuarial Information (page 6, completed and signed)

CalPERS

CERBT Valuation Packet
Certification of Funding Policy (1 of 2)

Capitol Area Development Authority

Employer Name

06/30/2025

Valuation Date

CERBT Asset Allocation Strategy Selection

As the employer, I certify that my agency chooses the following CERBT asset allocation strategy:

CERBT Asset Allocation Strategy	Long-Term Expected Rate of Return	Expected Volatility (Standard Deviation)
☒ **Strategy 1**	6.4%	11.5%
☐ **Strategy 2**	6.1%	9.5%
☐ **Strategy 3**	5.8%	8.1%

Funding Method

As the employer, I certify that our OPEB funding method and intent for the period covered by our current OPEB valuation or AMM report is to contribute consistently an amount that is equal to:

☒ ADC funding method: 100 % of the Actuarially Determined Contribution (ADC) as determined in our OPEB valuation or AMM report.

☐ Other funding method: We will contribute to the trust using an approach not directly related to the ADC. Please describe in the comment section below.

If applicable, please provide ADC amounts and periods covered as determined in the report:

First Fiscal Year-End :	06/30/2027 (MM/DD/YYYY)	$ 240,768 (ADC Amount)
Second Fiscal Year-End:	06/30/2028 (MM/DD/YYYY)	$ 249,541 (ADC Amount)

Comments

The FYE 6/30/2026 ADC of $383,107 was developed from the results of the 2023 OPEB valuation using 6.15% discount rate.

CERBT Valuation Packet
Certification of Funding Policy (2 of 2)

Contribution and Reimbursement Method

As the employer, I certify that we intend to make CERBT contributions and request eligible reimbursements in the following manner:

- [x] Contribute full ADC payments to the trust and seek reimbursements for pay-go costs.
- [ ] Contribute ADC payments to the CERBT net of pay-go costs and not seek reimbursement (ADC minus pay-go = Trust Contribution).
- [ ] Other contribution and/or reimbursement method, e.g. initial/ ad hoc lump sum contribution. Please describe in the comment section below.

Comments

The District is now in a surplus position and is eligible to seek reimbursement for some pay-go costs.

Employer Certification

As the employer, we understand that we must obtain an OPEB valuation or AMM report on at least a biennial basis.

We understand that we will be asked to provide accounting information to CalPERS as required to facilitate CalPERS compliance with Governmental Accounting Standards Board (GASB) Statements for Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans (OPEB Standards) reporting requirements and we agree to make any information requested available to CalPERS on a timely basis.

We understand that CalPERS will provide us the Schedule of Changes in Fiduciary Net Position by Employer, which can be used to prepare our GASB OPEB Standards reporting. CalPERS will report information pertaining to GASB OPEB Standards for Agent OPEB Plans.

Capitol Area Development Authority

Employer Name

06/30/2025

Valuation Date

Noelle Mussen	Finance Director
Name	Title
Signature	4/29/2026 Date

CERBT Valuation Packet
Summary of Actuarial Information (1 of 2)

Capitol Area Development Authority

Employer Name

06/30/2025

Valuation Date

Actuarial Firm Contact Information

Raegann E. Conner, ASA, ACA, MAAA	MacLeod Watts, Inc.
Actuary/Contact Name	Actuarial Firm
rconner@macleodwatts.com	503-419-0464
Email	Phone Number

Person Completing this Form

Yelena Goleta, Actuarial Analyst	MacLeod Watts, Inc.
Contact Name	Organization
ygoleta@macleodwatts.com	503-419-0468
Email	Phone Number

If using a GASB 75 accounting valuation or AMM report, complete sections I, II, IV, and V. If using a funding valuation, complete sections I, III, IV, and V. If using a blended valuation, complete all sections, as applicable.

Section I: Actuarial Data

1. Valuation type (Accounting, Funding, or both) — Both
2. Valuation frequency (Annual or Biennial) — Biennial
3. Total Present Value of Future Benefits (PVFB) — $ 8,042,063.00
   i. Date PVFB was calculated as of — 06/30/2025

Section II: GASB 75 Accounting Valuation or AMM (complete if using a GASB 75 accounting valuation or AMM)

4. Measurement Date — 06/30/2025
5. Total OPEB Liability (TOL) — $ 5,701,878.00
6. Fiduciary Net Position (FNP) at Measurement Date — $ 6,218,155.00
7. Net OPEB Liability (TOL-FNP) — -$ 516,277.00
8. This report provides financial reporting data for the following period:
   Fiscal Year-End for your GASB 75 reporting — 06/30/2026 (MM/DD/YYYY)

CERBT Valuation Packet
Summary of Actuarial Information (2 of 2)

Section III: Funding Valuation (complete if using a funding valuation)

9. Actuarial Accrued Liability (AAL)	$ 5,701,878.00
10. Actuarial Value of Assets (AVA)	$ 6,218,155.00
11. Unfunded Actuarial Accrued Liability (AAL-AVA)	-$ 516,277.00

Section IV: Demographic Data (as of valuation date)

12. Number of active plan members	41
13. Number of inactive plan members currently receiving benefit payments	25
14. Number of inactive plan members entitled to but not yet receiving benefit payments	9

Section V: Benefit Payment Data

	Year ending date of projected benefit payments (MM/DD/YYYY)	Projected employer paid retiree premium payments (Do not include implicit rate subsidy)	Projected implicit rate subsidy payments
Year 1	06/30/2026	$ 220,068.00	$ 40,929.00
Year 2	06/30/2027	$ 271,300.00	$ 33,697.00
Year 3	06/30/2028	$ 296,756.00	$ 40,226.00
Year 4	06/30/2029	$ 314,212.00	$ 38,537.00

Comments

Both funding and accounting results were developed using a 6.55% discount rate.

CERBT Valuation Packet
Certification of Actuarial Information (1 of 1)

As Actuary of the plan, I certify that the Other Post-Employment Benefits (OPEB) actuarial valuation upon which the enclosed summary of actuarial information is based meets the following criteria:

- The valuation has been prepared and signed by a Fellow or Associate of the Society of Actuaries, or an Enrolled Actuary of the Joint Board for the Enrollment of Actuaries, and a Member of the American Academy of Actuaries.[1]
- The valuation has been prepared in accordance with the Actuarial Standards of Practice.
- If the valuation is an accounting valuation, then it has been prepared in accordance with the requirements set forth in Governmental Accounting Standards Board (GASB) Statements related to OPEB reporting.
- If employer assets to pre-fund other post-employment benefits are invested in an irrevocable OPEB trust other than the CERBT, the liabilities associated with those assets are not included in the summary of actuarial information.

I further certify that the discount rate is consistent with the anticipated level of funding pursuant to the relevant sections in GASB and ASOP, and the employer's certification.

Capitol Area Development Authority

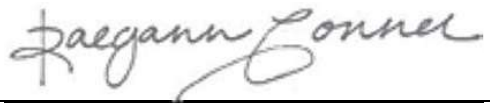
Employer Name

06/30/2025

Valuation Date

Raegann E. Conner, ASA, ACA, MAAA

Printed Name of Actuary and Designation



Signature

04/29/2026

Date

[1] In cases where the actuary performing the work does not meet these criteria, the valuation may be acceptable if the person has equivalent qualifications that are acceptable to the CalPERS Board. Please provide the qualifications of the actuary performing the valuation.