SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

799 G Street, 4th Floor, Sacramento, CA 95814 • (916) 874-6661 • Fax: (916) 854-9666 • www.sacmetrocable.tv

A Joint Powers Agency Representing Sacramento County and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova and Sacramento

AGENDA

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION
REGULAR BOARD MEETING

Sacramento County Administration Center
700 H Street, S. 1450
Sacramento, California 95814

THURSDAY, MARCH 7, 2019
2:30 p.m.

Board Members: Larry Carr, Steve Detrick, Sue Frost, Eric Guerra, Steve Hansen, Patrick Kennedy, Porsche Middleton, Don Nottoli, Susan Peters, Phil Serna
Ex Officio: Garrett Gatewood
Elected Alternates: Robert McGarvey, Stephanie Nguyen, Steve Miller
Appointed Alternates: Matt Bryant (Carr), Matt Hedges (Frost), Sarah Pollo (Guerra), Matt Read (Hansen), Keaton Riley (Kennedy), Howard Schmidt (Peters), Lisa Nava (Serna)

The Board may take up any agenda item at any time, regardless of the order listed. Members of the public coming for a specific agenda item are encouraged to arrive earlier than the scheduled time. Public comment will be taken on the item at the time that it is taken up by the Board. We ask that members of the public complete a Request to Speak form, submit it to the Clerk of the Board, and keep their remarks brief. If several persons wish to address the Board on a single item, the Chair may impose a time limit on individual remarks at the beginning of the discussion. Action may be taken on any item on this agenda.

Presentations supplemented with media (video, DVD, PowerPoint, laptop hookup, etc.) must be coordinated in advance with the meeting Clerk. All media must be tested prior to the meeting date by Metro Cable at (916) 874-7685. Untested media will not be allowed on the date of the meeting. It is also highly advisable to bring a paper copy of presentations to the meeting as back up.

Meeting facilities are accessible to persons with disabilities. Requests for alternative agenda document formats, meeting assistive listening devices, or other considerations should be made through the Commission office at (916) 874-6662.

The meeting of the Commission is cablecast live on Metro Cable 14, the local government affairs channel and webcast at www.sacmetrocable.tv. The meeting is closed captioned and will be repeated the following Saturday at Noon on Channel 14.

CALL TO ORDER

A) Roll Call
B) Pledge of Allegiance
C) Introduction of New Board Members

ITEM NO. 1) CONFERENCE WITH LEGAL COUNSEL

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
Name of Case: Comcast of Sacramento I, LLC, ET AL. v. SMCTC
Case No. 2:16-CV-01264-WBS-EFB

B. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
Name of Case: SMCTC v. Comcast Cable Communications Management, LLC
Case No. 2:18-CV-00500

C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
Name of Case: SMCTC v. Comcast Cable Communications Management, LLC
Case No. 2:18-AT-00694

Action:

Adjourn to a closed session to discuss the closed session items, and report out, if necessary.

ITEM NO. 2) DISCUSS OPTIONS FOR FUNDING CalPERS UNFUNDED PENSION LIABILITY

Action:

Discuss the options for funding the Sacramento Metropolitan Cable Television Commission's CalPERS unfunded pension liability; approve Option 1; and direct staff to include an amount in the Fiscal Year 2019-20 General Fund Budget, based upon the approval of that Option.

ITEM NO. 3) CALENDAR YEAR 2019 INVESTMENT POLICY FOR THE POOL INVESTMENT FUND

Action:

Receive and file the County of Sacramento's Calendar Year 2019 Investment Policy for the Pooled Investment Fund.

ITEM NO. 4) REVIEW OF FRANCHISE AND PEG FEES REMITTED BY CONSOLIDATED COMMUNICATIONS, INC. FOR THE PERIOD JANUARY 1, 2015 THROUGH DECEMBER 31, 2017

Action:

Receive and file the review of franchise and Public, Educational, and Government (PEG) fees paid by Consolidated Communications, Inc. for the period January 1, 2015 through December 31, 2017.

ITEM NO. 5) REVIEW OF FRANCHISE & PEG FEES REMITTED BY AT&T, INC. FOR CY's 2016 AND 2017

Action:

Receive and file the review of franchise and Public, Educational, and Government (PEG) fees paid by AT&T, Inc. for Calendar Years 2016 and 2017.

ITEM NO. 6) RESOLUTION NO. 2019-001, REVISING THE FIXED ASSETS CAPITALIZATION POLICY

Action

Approve Resolution No. 2019-001, Revising the Fixed Assets Capitalization Policy for the Sacramento Metropolitan Cable Television Commission.

ITEM NO. 7) CALENDAR YEAR 2018 SURPLUS PROPERTY LIST

Action

Receive and file the Calendar Year 2018 Surplus Property List.

ITEM NO. 8) GENERAL ADMINISTRATION REPORT

Action:

Receive a verbal report from staff on the following administrative matters:

a) Federal Communications Commission (FCC) Order – Cable Franchise Fees In-Kind Proceeding;
b) Request for Proposals – Closed Captioning Services;
c) Vacant Seat on SMCTC Board (Joint seat for the cities of Folsom, Galt, and Rancho Cordova);
d) New Contact at AT&T for Managing Cable Complaint Process – Alice Perez;
e) Fiscal Year 2018-19 PEG Fee Funded Projects – Status Report;
f) Fiscal Year 2019-20 PEG Fee Funding – Call for Funding Process (mid-March 2019);
g) Introduction of Jennifer Nagatoishi, Sr. Office Assistant;
h) Introduction of Dalan Swenson, Metro Cable's new Technical Assistant.

ITEM NO. 9) CHANNEL LICENSEE REPORTS

Action:

Receive verbal reports from Channel Licensee representatives:

a. Access Sacramento
b. Capital Public Radio
c. KVIE, Inc.
d. Interfaith Council of Greater Sacramento (Sac Faith TV)
e. Sacramento Educational Cable Consortium

ITEM NO. 10) STATE FRANCHISEE REPORTS

Action:

Receive verbal reports from State Franchisee representatives.

a. AT&T
b. Comcast
c. Consolidated Communications, Inc.

ITEM NO. 11) PUBLIC COMMENTS

ADJOURNMENT

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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AGENDA ITEM NO. 1

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **CONFERENCE WITH LEGAL COUNSEL**

RECOMMENDATION:

It is recommended the Board adjourn to a closed Executive Session to discuss the following items and report out, if necessary:

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
Name of Case: Comcast of Sacramento I, LLC, ET AL. v. SMCTC
Case No. 2:16-CV-01264-WBS-EFB

B. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
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C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
Name of Case: SMCTC v. Comcast Cable Communications Management, LLC
Case No. 2:18-AT-00694

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

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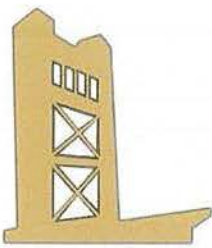

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AGENDA ITEM NO. 2

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **DISCUSS OPTIONS FOR FUNDING CalPERS UNFUNDED PENSION LIABILITY**

RECOMMENDATION:

It is recommended that the Commission discuss the options for funding the Sacramento Metropolitan Cable Television Commission's CalPERS unfunded pension liability; approve Option 1; and direct staff to include an amount in the Fiscal Year 2019-20 budget based upon the approval of that Option.

BACKGROUND

GASB 68 requires that government employers that sponsor defined benefits plans must recognize a Net Pension Liability, previously known as the Unfunded Actuarial Accrued Liability (UAAL), on the Sacramento Metropolitan Cable Television Commission's (Commission's) balance sheet. This liability represents the difference between the Commission total pension liability (actuarial accrued liability) and actual plan assets.

The new accounting standards fundamentally changed the methods and assumptions used to project benefit payments, to discount projected benefit payments to their actuarial present value, and to attribute that present value to periods of employee service.

The unfunded liability is not a new obligation, under GASB 68, it is simply expressed differently. In prior years, the obligation was shown as a percentage of the retirement plan; however the new rule requires the liability be expressed in dollars as well.

The Commission's full-time employees (FTE) participate in California Public Employees' Retirement System (CalPERS) retirement plans. Depending on when a FTE becomes a member of the CalPERS retirement system, a Commission employee is included in one of two possible plans as follows:

Members	Misc. Retirement Plan	Date of Hire	Full-time Employees
Classic	2% @ age 55	Before January 1, 2013	4
PEPRA	2% @ age 62	On or after January 1, 2013	3

Funding for the CalPERS retirement plans is supported by both employees and employers. Classic member employee contribution rates are statutorily set at 7.0% (3.5% is paid by employer and 3.5% by Commission). New PEPRA member employee contribution rates are statutorily set at 50.0% of the normal costs, which is 6.555% for the PEPRA Miscellaneous Plan.

Annual employer contributions are determined by annual actuarial valuation reports prepared by CalPERS. Because of the time it takes CalPERS to create the actuarial reports for all CalPERS agencies, data available on June 30th of each year is used to set the employer rates for two years in the future.

For example, the attached CalPERS Annual Valuation Report as of June 30, 2017, prepared for Commission (released in August 2018), apply to Fiscal Year 2019-20 Unfunded Liability and the Projected Unfunded Liability for Fiscal Year 2020-21.

DISCUSSION

Commission Sunset Provision

The Commission was formed by executing a Joint Powers Agreement with its seven member agencies – which currently includes the County of Sacramento and the cities of Sacramento, Citrus Heights, Elk Grove, Folsom, Galt, and Rancho Cordova.

Under Chapter 5.50.122, sub-part No. 9 of the Sacramento County Code entitled "Agreement of Formation," the Agreement shall terminate and the Commission shall be deemed dissolved on December 31, 2024. However, staff plans to bring an item to the Commission Board well before that date that reviews options and makes recommendations regarding options for the sunset or the continuation of the JPA.

Assembly Bill No. 1912, Rodriguez. Public Employers' Retirement: Joint Powers Agreement: Liability

Assembly Bill No. 1912 was approved by the Governor on September 29, 2018. This Bill requires member agencies of an agency established pursuant to a joint powers agreement that participates in, or contracts with, a public retirement system, prior to filing a notice of termination or upon notice of potential termination by the Board of Administration of the Public Employees' Retirement System, to mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided the agreement equals 100% of the retirement liability of the agency.

If the member agencies are unable to mutually agree to the apportionment, the Bill requires the Board to apportion the retirement liability of the agency to each member agency, as specified, and establishes procedures allowing a member agency to challenge the Board's determination through an arbitration process.

The Bill specifies that those provisions apply both retroactively to a member agency, or current and former member agency, that is part of a JPA on or before January 1, 2019, and to new JPAs - on or after that.

CalPERS Unfunded Liability and Payment Options

Page 9 of each of the attached CalPERS Actuarial Valuation reports (for Classic and PEPRA employees) identifies the current unfunded Pension liability for the Commission as of June 30, 2018 is $826,806 (Classic Plan) and $3,751 (PEPRA Plan). Page 17 of the reports identify the following *Hypothetical Terminal Liability* had the contract with CalPERS been terminated as of June 30, 2017:

Miscellaneous Plan	Unfunded Termination Liability @ 3.00 discount rate (%)
Classic Employees	$3,145,387
PEPRA Employees	$51,436

With the possible sunset of the Commission on December 31, 2024, staff recommends the Board review the following options to reduce or eliminate the unfunded Pension liability by the sunset date of December 31, 2024.

Option 1

Make annual payments to CalPERS in excess of the normal CalPERS obligations in the amount $500,000 in the next four fiscal years (2019-20, 2020-21, 2021-22, 2022-23); with a final payment for the remaining balance of the unfunded liability be made in Fiscal Year 2023-24, if the Commission were to sunset on December 31, 2024. Payments will cease to be made if future CalPERS reports show that there is no unfunded termination liability.

Option 2

Participate in a Third Party Trust to address the Commission's unfunded pension liabilities. Similar to the OPEB Trust with CalPERS which the Commission currently participates in, it would be possible to participate in a similar trust for unfunded pension liabilities. Currently, CalPERS does not have such a trust but is working towards implementing one. There are other third party providers that provide such a trust that the Commission could participate in. Staff could research those providers and bring recommendations back to the Board. One downside of this option is that these trusts generally have long term investments with higher volatility and may have to great of a downside for the short investment time horizon discussed here.

Option 3

The third option would be to not make pre-payments for the unfunded liabilities. The downside to this is that it would result in member agencies being responsible for this rather large liability, if the Commission sunsets on December 31, 2024.

Staff recommends the Commission approve Option 1 and direct staff to include an amount in the Fiscal Year 2019-20 budget based upon the approval of that Option.

Staff will monitor the CalPERS valuation reports and will return to the Board to review at least every other year when the valuation numbers are updated.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

Attachments:
CalPERS Annual Valuation Report as of June 30 2017 (CLASSIC Miscellaneous Plan)
CalPERS Annual Valuation Report as of June 30, 2017 (PEPRA Miscellaneous Plan)
Assembly Bill 1912 – Public Employees' Retirement: JPAs Liability

CalPERS Annual Valuation Report as of June 30, 2017 (CLASSIC Miscellaneous Plan)

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

August 2018

Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission
(CalPERS ID: 3692049158)
Annual Valuation Report as of June 30, 2017

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2017 actuarial valuation report of the pension plan.

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

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2017.

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

Your June 30, 2017 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 1, 2018.

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

Required Contribution

Fiscal Year	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
2019-20	11.163%	$53,882
Projected Results		
2020-21	*11.9%*	*$61,000*

The actual investment return for Fiscal Year 2017-18 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.25 percent. ***If the actual investment return for Fiscal Year 2017-18 differs from 7.25 percent, the actual contribution requirements for the projected years will differ from those shown above.***

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

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

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

Changes since the Prior Year's Valuation

At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent. The projected employer contributions on Page 5 are calculated under the assumption that the discount rate will be lowered to 7.00 percent next year as adopted by the Board.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. These new assumptions are incorporated in your actuarial valuations and will impact the required contribution for FY 2019-20. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent was used and a rate of 2.50 percent will be used in the following valuation.

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan. The impact of this has been reflected in the current valuation results.

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

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

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

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 1 to contact us with actuarial related questions.

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

Sincerely,

SCOTT TERANDO
Chief Actuary

Actuarial Valuation as of June 30, 2017

for the Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission

(CalPERS ID: 3692049158)

Required Contributions for Fiscal Year July 1, 2019 - June 30, 2020

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Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Specific Information
for the
Miscellaneous Plan
of the
Sacramento Metropolitan Cable Television Commission

(CalPERS ID: 3692049158)
(Rate Plan: 1440)

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Actuarial Certification

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2017 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2017 provided by employers participating in the Miscellaneous Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

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

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that Unfunded Accrued Liability amortization bases as of June 30, 2017 and employer contribution as of July 1, 2019, have been properly and accurately determined in accordance with the principles and standards stated above.

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

MAY SHUANG YU, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Employer Contributions**
- **Plan's Funded Status**
- **Projected Employer Contributions**
- **Changes Since the Prior Year's Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2017 actuarial valuation of the Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for Fiscal Year 2019-20.

Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission of the California Public Employees' Retirement System (CalPERS) was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2017;
- Determine the minimum required employer contribution for this plan for the fiscal year July 1, 2019 through June 30, 2020; and
- Provide actuarial information as of June 30, 2017 to the CalPERS Board of Administration and other interested parties.

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

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

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

California Actuarial Advisory Panel Recommendations

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

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

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

Required Employer Contributions

		Fiscal Year
Required Employer Contributions		**2019-20**
Employer Normal Cost Rate		**11.163%**
Plus, Either		
1) Monthly Employer Dollar UAL Payment	**$**	**4,490.16**
Or		
2) Annual Lump Sum Prepayment Option	**$**	**52,029**

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31)****. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.

		Fiscal Year 2018-19		Fiscal Year 2019-20
Development of Normal Cost as a Percentage of Payroll[1]				
Base Total Normal Cost for Formula		15.794%		16.586%
Surcharge for Class 1 Benefits[2]				
a) FAC 1		0.517%		0.541%
b) PRSA		0.743%		0.647%
c) 50% IDR for Miscellaneous		0.349%		0.295%
Phase out of Normal Cost Difference[3]		0.000%		0.000%
Plan's Total Normal Cost		17.403%		18.069%
Formula's Expected Employee Contribution Rate		6.902%		6.906%
Employer Normal Cost Rate		10.501%		11.163%
Projected Payroll for the Contribution Fiscal Year	$	240,508	$	250,859
Estimated Employer Contributions Based on Projected Payroll				
Plan's Estimated Employer Normal Cost	$	25,256	$	28,003
Plan's Payment on Amortization Bases[4]		43,178		53,882
% of Projected Payroll (illustrative only)		17.953%		21.479%
Estimated Total Employer Contribution	$	68,434	$	81,885
% of Projected Payroll (illustrative only)		28.454%		32.642%

[1] The results shown for Fiscal Year 2018-19 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after June 30, 2017.

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

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

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

Plan's Funded Status

		June 30, 2016		June 30, 2017
1. Present Value of Projected Benefits (PVB)	$	3,371,555	$	3,487,938
2. Entry Age Normal Accrued Liability (AL)		3,123,829		3,243,330
3. Plan's Market Value of Assets (MVA)		2,321,318		2,443,034
4. Unfunded Accrued Liability (UAL) [(2) - (3)]		802,511		800,296
5. Funded Ratio [(3) / (2)]		74.3%		75.3%

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

Projected Employer Contributions

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

	Required Contribution	Projected Future Employer Contributions (Assumes 7.25% Return for Fiscal Year 2017-18)				
Fiscal Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	11.163%	11.9%	11.9%	11.9%	11.9%	11.9%
UAL Payment	$53,882	$61,000	$71,000	$78,000	$82,000	$87,000

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

Due to the adopted changes in the discount rate for next year's valuation in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for six years from Fiscal Year 2019-20 through Fiscal Year 2024-25.

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

Changes since the Prior Year's Valuation

Benefits

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

Actuarial Methods and Assumptions

At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent. The projected employer contributions on page 5 are calculated assuming that the discount rate will be lowered to 7.00 percent next year as adopted by the Board. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff. The specific decision adopted by the Board reflected recommendations from CalPERS staff and additional input from employer and employee stakeholder groups. Based on the investment allocation adopted by the Board and capital market assumptions, the reduced discount rate assumption provides a more realistic assumption for the long-term investment return of the fund.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. These new assumptions are incorporated in this actuarial valuation and will impact the required contribution for FY 2019-20. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

Notwithstanding the Board's decision to phase into a 7.0 percent discount rate, subsequent analysis of the expected investment return of CalPERS assets or changes to the investment allocation may result in a change to this three-year discount rate schedule.

Subsequent Events

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan. The impact of this has been reflected in the current valuation results.

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2017. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase the retired contribution, while investment returns above the assumed rate of return will decrease the retired contribution.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2018. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- Breakdown of Entry Age Normal Accrued Liability
- Allocation of Plan's Share of Pool's Experience/Assumption Change
- Development of Plan's Share of Pool's MVA
- Schedule of Plan's Amortization Bases
- Amortization Schedule and Alternatives
- Employer Contribution History
- Funding History

Breakdown of Entry Age Normal Accrued Liability

Active Members	$	866,211
Transferred Members		41,088
Terminated Members		45,067
Members and Beneficiaries Receiving Payments		2,290,964
Total	$	3,243,330

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

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

1.	Plan's Accrued Liability	$	3,243,330
2.	Projected UAL balance at 6/30/17		835,366
3.	Pool's Accrued Liability[1]	$	15,780,998,593
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/17[1]		3,912,002,885
5.	Pool's 2016/17 Investment & Asset (Gain)/Loss		(413,206,167)
6.	Pool's 2016/17 Other (Gain)/Loss		(21,126,605)
7.	Plan's Share of Pool's Asset (Gain)/Loss [(1) - (2)] / [(3) - (4)] * (5)		(83,831)
8.	Plan's Share of Pool's Other (Gain)/Loss [(1)] / [(3)] * (6)		(4,342)
9.	Plan's New (Gain)/Loss as of 6/30/2017 [(7) + (8)]	$	(88,173)
10.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]		258,379,047
11.	Plan's Share of Pool's Change in Assumptions [(1)] / [(3)] * (10)	$	53,102

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

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

12.	Plan's UAL [(2) + (9) + (11)]	$	800,296
13.	Plan's Share of Pool's MVA [(1) - (12)]	$	**2,443,034**

Schedule of Plan's Amortization Bases

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

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2017.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date: Fiscal Year 2019-20.

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

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the payment on the UAL for the fiscal year and adjusting for interest. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

								Amounts for Fiscal 2019-20	
Reason for Base	Date Established	Ramp Up/Down 2019-20	Amortization Period	Balance 6/30/17	Payment 2017-18	Balance 6/30/18	Payment 2018-19	Balance 6/30/19	Scheduled Payment for 2019-20
SHARE OF PRE-2013 POOL UAL	06/30/13	No Ramp	18	$245,358	$18,548	$243,938	$18,875	$242,076	$19,388
ASSET (GAIN)/LOSS	06/30/13	100% →	26	$343,884	$13,886	$354,435	$18,793	$360,669	$24,135
NON-ASSET (GAIN)/LOSS	06/30/13	100% →	26	$(3,306)	$(133)	$(3,408)	$(181)	$(3,468)	$(232)
ASSET (GAIN)/LOSS	06/30/14	80% ↗	27	$(247,073)	$(6,759)	$(257,986)	$(10,284)	$(266,040)	$(14,088)
NON-ASSET (GAIN)/LOSS	06/30/14	80% ↗	27	$268	$7	$280	$11	$289	$15
ASSUMPTION CHANGE	06/30/14	80% ↗	17	$152,700	$5,685	$157,883	$8,686	$160,334	$11,896
ASSET (GAIN)/LOSS	06/30/15	60% ↗	28	$148,594	$2,092	$157,201	$4,242	$164,205	$6,538
NON-ASSET (GAIN)/LOSS	06/30/15	60% ↗	28	$(11,999)	$(169)	$(12,694)	$(343)	$(13,259)	$(528)
ASSET (GAIN)/LOSS	06/30/16	40% ↗	29	$176,512	$0	$189,309	$2,627	$200,313	$5,399
NON-ASSET (GAIN)/LOSS	06/30/16	40% ↗	29	$(21,634)	$0	$(23,202)	$(322)	$(24,551)	$(662)
ASSUMPTION CHANGE	06/30/16	40% ↗	19	$52,062	$(1,011)	$56,884	$1,073	$59,897	$2,206
ASSET (GAIN)/LOSS	06/30/17	20% ↗	30	$(83,831)	$0	$(89,908)	$0	$(96,427)	$(1,337)
NON-ASSET (GAIN)/LOSS	06/30/17	20% ↗	30	$(4,342)	$0	$(4,657)	$0	$(4,994)	$(69)
ASSUMPTION CHANGE	06/30/17	20% ↗	20	$53,102	$(1,717)	$58,731	$(1,767)	$64,818	$1,222
TOTAL				**$800,295**	**$30,429**	**$826,806**	**$41,410**	**$843,862**	**$53,883**

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

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

Amortization Schedule and Alternatives

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

Shown on the following page are future year amortization payments based on: 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternate "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. Note that the payments under each alternate scenario increase by 2.875 percent for each year into the future. **The schedules do not attempt to reflect any experience after June 30, 2017 that may deviate from the actuarial assumptions. Therefore, future amortization payments displayed in the Current Amortization Schedule may not match projected amortization payments shown in connection with Projected Employer Contributions provided elsewhere in this report.**

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

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

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

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

Amortization Schedule and Alternatives

			Alternate Schedules			
	Current Amortization Schedule		20 Year Amortization		15 Year Amortization	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2019	843,865	53,882	843,865	63,070	843,865	76,733
6/30/2020	849,244	60,314	839,729	64,883	825,578	78,939
6/30/2021	848,352	67,647	833,415	66,748	803,682	81,209
6/30/2022	839,802	73,170	824,713	68,667	777,848	83,544
6/30/2023	824,911	75,068	813,391	70,641	747,722	85,946
6/30/2024	806,976	77,226	799,205	72,672	712,926	88,417
6/30/2025	785,506	79,446	781,886	74,762	673,047	90,959
6/30/2026	760,179	81,730	761,149	76,911	627,645	93,574
6/30/2027	730,651	84,080	736,682	79,122	576,243	96,264
6/30/2028	696,549	86,497	708,151	81,397	518,328	99,031
6/30/2029	657,471	88,984	675,195	83,737	453,349	101,879
6/30/2030	612,985	91,542	637,427	86,145	380,709	104,808
6/30/2031	562,623	94,174	594,428	88,621	299,770	107,821
6/30/2032	505,885	92,583	545,746	91,169	209,843	110,921
6/30/2033	446,682	90,822	490,897	93,790	110,185	114,110
6/30/2034	385,010	87,196	429,356	96,487		
6/30/2035	322,622	81,364	360,561	99,261		
6/30/2036	261,751	75,124	283,906	102,115		
6/30/2037	202,928	41,120	198,737	105,050		
6/30/2038	175,055	38,319	104,354	108,071		
6/30/2039	148,063	37,267				
6/30/2040	120,203	38,339				
6/30/2041	89,213	30,523				
6/30/2042	64,071	28,978				
6/30/2043	38,707	23,363				
6/30/2044	17,318	12,591				
6/30/2045	5,534	4,118				
6/30/2046	1,670	1,730				
6/30/2047						
6/30/2048						
Totals		**1,697,195**		**1,673,320**		**1,414,152**
Interest Paid		**853,331**		**829,455**		**570,287**
Estimated Savings				**23,875**		**283,043**

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see page 5.

Employer Contribution History

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

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)
2016 - 17	9.902%	$26,391
2017 - 18	9.943%	$33,157
2018 - 19	10.501%	$43,178
2019 - 20	11.163%	$53,882

Funding History

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

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	$ 2,369,816	$ 1,939,210	$ 430,606	81.8%	$ 294,517
06/30/2012	2,476,246	1,911,090	565,156	77.2%	334,422
06/30/2013	2,622,185	2,131,039	491,146	81.3%	235,228
06/30/2014	2,803,200	2,359,331	443,869	84.2%	234,808
06/30/2015	2,944,845	2,356,839	588,006	80.0%	245,281
06/30/2016	3,123,829	2,321,318	802,511	74.3%	220,099
06/30/2017	3,243,330	2,443,034	800,296	75.3%	230,409

Risk Analysis

- **Analysis of Future Investment Return Scenarios**
- **Analysis of Discount Rate Sensitivity**
- **Volatility Ratios**
- **Hypothetical Termination Liability**

Analysis of Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2017-18, 2018-19, 2019-20 and 2020-21). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Each of the five investment return scenarios assumes a return of 7.25 percent for fiscal year 2017-18. For fiscal years 2018-19, 2019-20, and 2020-21 each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0 percent, 4.0 percent, 7.0 percent, 9.0 percent and 12.0 percent.

The alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2021. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the 4-year outcomes generated in the stochastic analysis, approximately 25 percent of them had an average annual return of 4.0 percent or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0 percent or greater than 12.0 percent over this four-year period, the possibility of a single investment return less than 1.0 percent or greater than 12.0 percent in any given year is much greater.

Assumed Annual Return From 2018-19 through 2020-21	**Projected Employer Contributions**			
	2020-21	**2021-22**	**2022-23**	**2023-24**
1.0%				
Normal Cost	11.9%	11.9%	11.9%	11.9%
UAL Contribution	$61,000	$73,000	$86,000	$97,000
4.0%				
Normal Cost	11.9%	11.9%	11.9%	11.9%
UAL Contribution	$61,000	$72,000	$82,000	$90,000
7.0%				
Normal Cost	11.9%	11.9%	11.9%	11.9%
UAL Contribution	$61,000	$71,000	$78,000	$82,000
9.0%				
Normal Cost	11.9%	12.1%	12.3%	12.6%
UAL Contribution	$61,000	$70,000	$76,000	$78,000
12.0%				
Normal Cost	11.9%	12.1%	12.3%	12.6%
UAL Contribution	$61,000	$69,000	$72,000	$70,000

Given the temporary suspension of the Risk Mitigation Policy during the period over which the discount rate assumption is being phased down to 7.0 percent, the projections above were performed without reflection of any possible impact of this Policy for Fiscal Year 2020-21. In addition, the projections above do not reflect the recent changes to the new amortization policy effective with the June 30, 2019 valuation but the impact on the results above is expected to be minimal.

Analysis of Discount Rate Sensitivity

Shown below are various valuation results as of June 30, 2017 assuming alternate discount rates. Results are shown using the current discount rate of 7.25 percent as well as alternate discount rates of 6.0 percent, 7.0 percent, and 8.0 percent. The alternate rate of 7.0 percent was selected since the Board has adopted this rate as the final discount rate at the end of the three-year phase-in of the reduction in this assumption. The rates of 6.0 percent and 8.0 percent were selected since they illustrate the impact of a 1 percent increase or decrease to the 7.0 percent assumption. This analysis shows the potential plan impacts if the PERF were to realize investment returns of 6.0 percent, 7.0 percent, or 8.0 percent over the long-term.

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

Sensitivity Analysis

As of June 30, 2017	Plan's Total Normal Cost	Accrued Liability	Unfunded Accrued Liability	Funded Status
7.25% (current discount rate)	18.069%	$3,243,330	$800,296	75.3%
6.0%	23.403%	$3,715,786	$1,272,752	65.7%
7.0%	18.792%	$3,325,238	$882,204	73.5%
8.0%	15.259%	$2,996,638	$553,604	81.5%

Volatility Ratios

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

Asset Volatility Ratio (AVR)

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

Liability Volatility Ratio (LVR)

Plans that have higher liability-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with a liability-to-payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability-to-payroll ratio of 4. The liability volatility ratio is also shown in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The asset volatility ratio, described above, will tend to move closer to the liability volatility ratio as the plan matures. Since the liability volatility ratio is a long-term measure, it is shown below at the current discount rate (7.25 percent) as well as the discount rate the Board has adopted to determine the contribution requirement in the June 30, 2018 actuarial valuation (7.00 percent).

Rate Volatility		**As of June 30, 2017**
1. Market Value of Assets	$	2,443,034
2. Payroll		230,409
3. Asset Volatility Ratio (AVR) [(1) / (2)]		10.6
4. Accrued Liability	$	3,243,330
5. Liability Volatility Ratio (LVR) [(4) / (2)]		14.1
6. Accrued Liability (7.00% discount rate)		3,325,238
7. Projected Liability Volatility Ratio [(6) / (2)]		14.4

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2017. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

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

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

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.00%	Funded Status	Unfunded Termination Liability @ 3.00%
$2,443,034	$6,155,082	39.7%	$3,712,048	$5,588,421	43.7%	$3,145,387

[1] The hypothetical liabilities calculated above include a 5 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.61 percent on June 30, 2017, and was 2.83 percent on January 31, 2018.

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

Participant Data

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

	June 30, 2016	June 30, 2017
Reported Payroll	$ 220,099	$ 230,409
Projected Payroll for Contribution Purposes	$ 240,508	$ 250,859
Number of Members		
Active	3	3
Transferred	3	3
Separated	10	10
Retired	7	7

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)
- Post-Retirement Survivor Allowance (PRSA)
- IDR For Local Miscellaneous Members (50% IDR)

Plan's Major Benefit Options

Plan's Major Benefit Options

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

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

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

CalPERS Annual Valuation Report as of June 30, 2017 (PEPRA Miscellaneous Plan)

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August 2018

PEPRA Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission
(CalPERS ID: 3692049158)
Annual Valuation Report as of June 30, 2017

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2017 actuarial valuation report of the pension plan.

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

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2017.

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

Your June 30, 2017 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you after August 1, 2018.

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

Required Contribution

Fiscal Year	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
2019-20	7.863%	$922
Projected Results		
2020-21	*7.7%*	*$1,400*

The actual investment return for Fiscal Year 2017-18 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.25 percent. ***If the actual investment return for Fiscal Year 2017-18 differs from 7.25 percent, the actual contribution requirements for the projected years will differ from those shown above.***

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

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

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

Changes since the Prior Year's Valuation

At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent. The projected employer contributions on Page 5 are calculated under the assumption that the discount rate will be lowered to 7.00 percent next year as adopted by the Board.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. These new assumptions are incorporated in your actuarial valuations and will impact the required contribution for FY 2019-20. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent was used and a rate of 2.50 percent will be used in the following valuation.

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan. The impact of this has been reflected in the current valuation results.

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

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

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

We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their results, we ask that you wait until after August 1 to contact us with actuarial related questions.

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

Sincerely,

SCOTT TERANDO
Chief Actuary

Actuarial Valuation as of June 30, 2017

for the PEPRA Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission

(CalPERS ID: 3692049158)

Required Contributions for Fiscal Year July 1, 2019 - June 30, 2020

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Section 1

Plan Specific Information for the PEPRA Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission

(CalPERS ID: 3692049158)
(Rate Plan: 27022)

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Actuarial Certification

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2017 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2017 provided by employers participating in the Miscellaneous Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

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

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that Unfunded Accrued Liability amortization bases as of June 30, 2017 and employer contribution as of July 1, 2019, have been properly and accurately determined in accordance with the principles and standards stated above.

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

MAY SHUANG YU, ASA, MAAA
Senior Pension Actuary, CalPERS
Plan Actuary

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Employer Contributions**
- **Plan's Funded Status**
- **Projected Employer Contributions**
- **Changes Since the Prior Year's Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2017 actuarial valuation of the PEPRA Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for Fiscal Year 2019-20.

Purpose of Section 1

This Section 1 report for the PEPRA Miscellaneous Plan of the Sacramento Metropolitan Cable Television Commission of the California Public Employees' Retirement System (CalPERS) was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2017;
- Determine the minimum required employer contribution for this plan for the fiscal year July 1, 2019 through June 30, 2020; and
- Provide actuarial information as of June 30, 2017 to the CalPERS Board of Administration and other interested parties.

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

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

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

California Actuarial Advisory Panel Recommendations

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

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

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

Required Employer Contributions

		Fiscal Year
Required Employer Contributions		**2019-20**
Employer Normal Cost Rate		**7.863%**
Plus, Either		
1) Monthly Employer Dollar UAL Payment	**$**	**76.84**
Or		
2) Annual Lump Sum Prepayment Option	**$**	**890**

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31)****. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.

	Fiscal Year 2018-19	Fiscal Year 2019-20
Development of Normal Cost as a Percentage of Payroll[1]		
Base Total Normal Cost for Formula	13.092%	13.735%
Surcharge for Class 1 Benefits[2]		
a) PRSA	0.674%	0.587%
b) 50% IDR for Miscellaneous	0.347%	0.291%
Phase out of Normal Cost Difference[3]	0.000%	0.000%
Plan's Total Normal Cost	14.113%	14.613%
Plan's Employee Contribution Rate	6.750%	6.750%
Employer Normal Cost Rate	7.363%	7.863%
Projected Payroll for the Contribution Fiscal Year	$ 114,745	$ 123,694
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost	$ 8,449	$ 9,726
Plan's Payment on Amortization Bases[4]	794	922
% of Projected Payroll (illustrative only)	0.692%	0.745%
Estimated Total Employer Contribution	$ 9,243	$ 10,648
% of Projected Payroll (illustrative only)	8.055%	8.608%

[1] The results shown for Fiscal Year 2018-19 reflect the prior year valuation and may not take into account any lump sum payment, side fund payoff, or rate adjustment made after June 30, 2017.

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

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

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

Plan's Funded Status

		June 30, 2016		June 30, 2017
1. Present Value of Projected Benefits (PVB)	$	164,353	$	209,406
2. Entry Age Normal Accrued Liability (AL)		20,434		35,885
3. Plan's Market Value of Assets (MVA)		18,213		33,638
4. Unfunded Accrued Liability (UAL) [(2) - (3)]		2,221		2,247
5. Funded Ratio [(3) / (2)]		89.1%		93.7%

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

Projected Employer Contributions

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

	Required Contribution	Projected Future Employer Contributions (Assumes 7.25% Return for Fiscal Year 2017-18)				
Fiscal Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	7.863%	7.7%	7.7%	7.7%	7.7%	7.7%
UAL Payment	$922	$1,400	$1,200	$1,000	$840	$700

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

Due to the adopted changes in the discount rate for next year's valuation in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for six years from Fiscal Year 2019-20 through Fiscal Year 2024-25.

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

Changes since the Prior Year's Valuation

Benefits

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

Actuarial Methods and Assumptions

At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent. The projected employer contributions on page 5 are calculated assuming that the discount rate will be lowered to 7.00 percent next year as adopted by the Board. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff. The specific decision adopted by the Board reflected recommendations from CalPERS staff and additional input from employer and employee stakeholder groups. Based on the investment allocation adopted by the Board and capital market assumptions, the reduced discount rate assumption provides a more realistic assumption for the long-term investment return of the fund.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. These new assumptions are incorporated in this actuarial valuation and will impact the required contribution for FY 2019-20. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

Notwithstanding the Board's decision to phase into a 7.0 percent discount rate, subsequent analysis of the expected investment return of CalPERS assets or changes to the investment allocation may result in a change to this three-year discount rate schedule.

Subsequent Events

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

For inactive employers the new amortization policy imposes a maximum amortization period of 15 years for all unfunded accrued liabilities effective June 30, 2017. Furthermore, the plan actuary has the ability to shorten the amortization period on any valuation date based on the life expectancy of plan members and projected cash flow needs to the plan. The impact of this has been reflected in the current valuation results.

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2017. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase the retired contribution, while investment returns above the assumed rate of return will decrease the retired contribution.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2018. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- **Breakdown of Entry Age Normal Accrued Liability**
- **Allocation of Plan's Share of Pool's Experience/Assumption Change**
- **Development of Plan's Share of Pool's MVA**
- **Schedule of Plan's Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Employer Contribution History**
- **Funding History**

Breakdown of Entry Age Normal Accrued Liability

Active Members	$	16,052
Transferred Members		8,423
Terminated Members		11,410
Members and Beneficiaries Receiving Payments		0
Total	$	35,885

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

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

1.	Plan's Accrued Liability	$	35,885
2.	Projected UAL balance at 6/30/17		2,857
3.	Pool's Accrued Liability[1]	$	15,780,998,593
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/17[1]		3,912,002,885
5.	Pool's 2016/17 Investment & Asset (Gain)/Loss		(413,206,167)
6.	Pool's 2016/17 Other (Gain)/Loss		(21,126,605)
7.	Plan's Share of Pool's Asset (Gain)/Loss [(1) - (2)] / [(3) - (4)] * (5)		(1,150)
8.	Plan's Share of Pool's Other (Gain)/Loss [(1)] / [(3)] * (6)		(48)
9.	Plan's New (Gain)/Loss as of 6/30/2017 [(7) + (8)]	$	(1,198)
10.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]		258,379,047
11.	Plan's Share of Pool's Change in Assumptions [(1)] / [(3)] * (10)	$	588

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

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

12.	Plan's UAL [(2) + (9) + (11)]	$	2,247
13.	Plan's Share of Pool's MVA [(1) - (12)]	$	**33,638**

Schedule of Plan's Amortization Bases

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

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2017.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date: Fiscal Year 2019-20.

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

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the payment on the UAL for the fiscal year and adjusting for interest. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

								Amounts for Fiscal 2019-20	
Reason for Base	**Date Established**	**Ramp Up/Down 2019-20**	**Amortization Period**	**Balance 6/30/17**	**Payment 2017-18**	**Balance 6/30/18**	**Payment 2018-19**	**Balance 6/30/19**	**Scheduled Payment for 2019-20**
FRESH START	06/30/17	No Ramp	5	$2,247	$(1,296)	$3,751	$(77)	$4,103	$922
TOTAL				**$2,247**	**$(1,296)**	**$3,751**	**$(77)**	**$4,103**	**$922**

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

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

Amortization Schedule and Alternatives

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

Shown on the following page are future year amortization payments based on: 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternate "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. Note that the payments under each alternate scenario increase by 2.875 percent for each year into the future. **The schedules do not attempt to reflect any experience after June 30, 2017 that may deviate from the actuarial assumptions. Therefore, future amortization payments displayed in the Current Amortization Schedule may not match projected amortization payments shown in connection with Projected Employer Contributions provided elsewhere in this report.**

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

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

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

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

Amortization Schedule and Alternatives

			Alternate Schedules			
	Current Amortization Schedule		0 Year Amortization		0 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2019	4,103	922	N/A	N/A	N/A	N/A
6/30/2020	3,445	948				
6/30/2021	2,713	976				
6/30/2022	1,899	1,004				
6/30/2023	997	1,033				
6/30/2024						
6/30/2025						
6/30/2026						
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6/30/2046						
6/30/2047						
6/30/2048						
Totals		**4,883**		**N/A**		**N/A**
Interest Paid		**780**		**N/A**		**N/A**
Estimated Savings				**N/A**		**N/A**

* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2017. For Projected Employer Contributions, please see page 5.

Employer Contribution History

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

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)
2016 - 17	7.022%	$13
2017 - 18	7.000%	$33
2018 - 19	7.363%	$794
2019 - 20	7.863%	$922

Funding History

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

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2014	$ 11,936	$ 12,467	$ (531)	104.5%	$ 91,128
06/30/2015	7,364	7,107	257	96.5%	75,663
06/30/2016	20,434	18,213	2,221	89.1%	105,008
06/30/2017	35,885	33,638	2,247	93.7%	113,611

Risk Analysis

- **Analysis of Future Investment Return Scenarios**
- **Analysis of Discount Rate Sensitivity**
- **Volatility Ratios**
- **Hypothetical Termination Liability**

Analysis of Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2017-18, 2018-19, 2019-20 and 2020-21). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Each of the five investment return scenarios assumes a return of 7.25 percent for fiscal year 2017-18. For fiscal years 2018-19, 2019-20, and 2020-21 each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0 percent, 4.0 percent, 7.0 percent, 9.0 percent and 12.0 percent.

The alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2021. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the 4-year outcomes generated in the stochastic analysis, approximately 25 percent of them had an average annual return of 4.0 percent or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0 percent or greater than 12.0 percent over this four-year period, the possibility of a single investment return less than 1.0 percent or greater than 12.0 percent in any given year is much greater.

Assumed Annual Return From 2018-19 through 2020-21	**Projected Employer Contributions**			
	2020-21	**2021-22**	**2022-23**	**2023-24**
1.0%				
Normal Cost	7.7%	7.7%	7.7%	7.7%
UAL Contribution	$1,400	$1,700	$2,000	$2,100
4.0%				
Normal Cost	7.7%	7.7%	7.7%	7.7%
UAL Contribution	$1,400	$1,500	$1,500	$1,600
7.0%				
Normal Cost	7.7%	7.7%	7.7%	7.7%
UAL Contribution	$1,400	$1,200	$1,000	$840
9.0%				
Normal Cost	7.7%	7.9%	8.0%	8.2%
UAL Contribution	$1,400	$1,100	$790	$520
12.0%				
Normal Cost	7.7%	7.9%	8.0%	8.2%
UAL Contribution	$1,400	$810	$250	$0

Given the temporary suspension of the Risk Mitigation Policy during the period over which the discount rate assumption is being phased down to 7.0 percent, the projections above were performed without reflection of any possible impact of this Policy for Fiscal Year 2020-21. In addition, the projections above do not reflect the recent changes to the new amortization policy effective with the June 30, 2019 valuation but the impact on the results above is expected to be minimal.

Analysis of Discount Rate Sensitivity

Shown below are various valuation results as of June 30, 2017 assuming alternate discount rates. Results are shown using the current discount rate of 7.25 percent as well as alternate discount rates of 6.0 percent, 7.0 percent, and 8.0 percent. The alternate rate of 7.0 percent was selected since the Board has adopted this rate as the final discount rate at the end of the three-year phase-in of the reduction in this assumption. The rates of 6.0 percent and 8.0 percent were selected since they illustrate the impact of a 1 percent increase or decrease to the 7.0 percent assumption. This analysis shows the potential plan impacts if the PERF were to realize investment returns of 6.0 percent, 7.0 percent, or 8.0 percent over the long-term.

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

Sensitivity Analysis

As of June 30, 2017	Plan's Total Normal Cost	Accrued Liability	Unfunded Accrued Liability	Funded Status
7.25% (current discount rate)	14.613%	$35,885	$2,247	93.7%
6.0%	18.798%	$45,247	$11,609	74.3%
7.0%	15.185%	$37,101	$3,463	90.7%
8.0%	12.412%	$31,162	$(2,476)	107.9%

Volatility Ratios

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

Asset Volatility Ratio (AVR)

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

Liability Volatility Ratio (LVR)

Plans that have higher liability-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with a liability-to-payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability-to-payroll ratio of 4. The liability volatility ratio is also shown in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The asset volatility ratio, described above, will tend to move closer to the liability volatility ratio as the plan matures. Since the liability volatility ratio is a long-term measure, it is shown below at the current discount rate (7.25 percent) as well as the discount rate the Board has adopted to determine the contribution requirement in the June 30, 2018 actuarial valuation (7.00 percent).

Rate Volatility		As of June 30, 2017
1. Market Value of Assets	$	33,638
2. Payroll		113,611
3. Asset Volatility Ratio (AVR) [(1) / (2)]		0.3
4. Accrued Liability	$	35,885
5. Liability Volatility Ratio (LVR) [(4) / (2)]		0.3
6. Accrued Liability (7.00% discount rate)		37,101
7. Projected Liability Volatility Ratio [(6) / (2)]		0.3

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2017. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

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

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

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] @ 1.75%	Funded Status	Unfunded Termination Liability @ 1.75%	Hypothetical Termination Liability[1,2] @ 3.00%	Funded Status	Unfunded Termination Liability @ 3.00%
$33,638	$122,930	27.4%	$89,291	$85,074	39.5%	$51,436

[1] The hypothetical liabilities calculated above include a 5 percent mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

[2] The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.61 percent on June 30, 2017, and was 2.83 percent on January 31, 2018.

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

Participant Data

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

	June 30, 2016	June 30, 2017
Reported Payroll	$ 105,008	$ 113,611
Projected Payroll for Contribution Purposes	$ 114,745	$ 123,694
Number of Members		
Active	3	3
Transferred	2	2
Separated	1	2
Retired	0	0

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- Post-Retirement Survivor Allowance (PRSA)
- IDR For Local Miscellaneous Members (50% IDR)

Plan's Major Benefit Options

Plan's Major Benefit Options

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

	Contract package	
Benefit Provision	Active Misc	
Benefit Formula	2.0% @ 62	
Social Security Coverage	Yes	
Full/Modified	Full	
Employee Contribution Rate	6.75%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	Yes	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	No	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$500	
Survivor Allowance (PRSA)	Yes	
COLA	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

Assembly Bill No. 1912

Public Employees' Retirement: JPAs Liability

Assembly Bill No. 1912

CHAPTER 909

An act to amend Sections 6508.1 and 20575 of, to add Sections 6508.2 and 20574.1 to, and to repeal and add Section 20577.5 of, the Government Code, relating to public agencies, and making an appropriation therefor.

[Approved by Governor September 29, 2018. Filed with Secretary of State September 29, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1912, Rodriguez. Public employees' retirement: joint powers agreements: liability.

(1) Existing law establishes various public agency retirement systems, including, among others, the Public Employees' Retirement System, the State Teachers' Retirement System, the Judges' Retirement System II, and various county retirement systems pursuant to the County Employees Retirement Law of 1937. These systems provide defined pension benefits to public employees based on age, service credit, and amount of final compensation. Existing law authorizes a contracting agency, as defined, to terminate a contract under the Public Employees' Retirement System pursuant to specified procedures and authorizes the Board of Administration of the Public Employees' Retirement System to terminate a contract with a contracting agency under specified circumstances, including if a contracting agency fails to pay any installment of contributions into the Public Employees' Retirement Fund.

The Joint Exercise of Powers Act generally authorizes 2 or more public agencies, by agreement, to jointly exercise any common power. Under the act, if an agency is not one or more of the parties to the agreement but is a public entity, commission, or board constituted pursuant to the agreement, the debts, liabilities, and obligations of the agency are the debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise.

This bill would specify that the parties to the joint powers agreement may not specify otherwise with respect to retirement liabilities of the agency if the agency contracts with a public retirement system, and would eliminate an authorization for a party to a joint powers agreement to separately contract or assume responsibilities for specific debts, liabilities, or obligations of the agency.

Existing law authorizes a contracting agency, as defined, to terminate a contract under the Public Employees' Retirement System pursuant to specified procedures and authorizes the Board of Administration of the Public Employees' Retirement System to terminate a contract with a contracting agency under specified circumstances, including if a contracting

agency fails to pay an installment of contributions into the Public Employees' Retirement Fund.

This bill would require member agencies of an agency established pursuant to a joint powers agreement that participates in, or contracts with, a public retirement system, prior to filing a notice of termination or upon notice of potential termination by the Board of Administration of the Public Employees' Retirement System, to mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided that the agreement equals 100% of the retirement liability of the agency. If the member agencies are unable to mutually agree to the apportionment, the bill would require the board to apportion the retirement liability of the agency to each member agency, as specified, and would establish procedures allowing a member agency to challenge the board's determination through the arbitration process. The bill would also provide that if a judgment is rendered against an agency or a party to the agreement for a breach of its obligations to the retirement system, the time within which a claim for injury may be presented or an action commenced against the other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered. The bill would specify that those provisions apply both retroactively to a member agency, or current and former member agency, that has an agreement with the board on or before January 1, 2019, and to new agreements with the board on or after that date.

(2) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System (PERS), which provides a defined benefit to members of the system, based on final compensation, credited service, and age at retirement, subject to certain variations. PERL vests management and control of PERS in its Board of Administration.

Existing law requires the PERS board to enter into a specified agreement with the governing body of a terminating agency, upon request of that agency, to ensure that final compensation is calculated in the same manner as benefits of nonterminating agencies, and that related necessary adjustments in the employer's contribution rate are made and benefits adequately funded, including a lump-sum payment at termination, if agreed to by the terminating agency and the board. Existing law requires a terminating agency to notify the PERS board of its intention to enter into this agreement within a specified period of time. Existing law authorizes the PERS board to choose not to enter into an agreement to terminate if the board determines that it is not in the best interests of PERS. Existing law requires all plan assets and liabilities of a terminating agency to be deposited in a single pooled account, the terminated agency pool subaccount within the Public Employees' Retirement Fund, a continuously appropriated fund.

This bill would also require the PERS board to enter into the above-described agreement upon request of a member agency of a terminating agency formed under the Joint Exercise of Powers Act and would provide that the member agencies of the terminating agency are liable to the system for inadequate funding of the benefits pursuant to the agreement. To the extent that the bill would increase any lump-sum payments

made by a terminating agency and deposited into a subaccount within the Public Employees' Retirement Fund, the bill would make an appropriation.

(3) Existing law makes a terminated agency liable to the system for any deficit in funding for earned benefits, interest, and for reasonable and necessary costs of collection, including attorney's fees. Existing law provides that the board has a lien on the assets of a terminated contracting agency, as specified, and that assets shall also be available to pay actual costs, including attorney's fees necessarily expended for collection on the lien.

This bill would extend that liability and lien to all of the parties of a terminating agency that was formed under the Joint Exercise of Powers Act. To the extent that these changes would increase deposits in the Public Employees' Retirement Fund, the bill would make an appropriation.

(4) Existing law authorizes the board of PERS to elect not to impose a reduction, or to impose a lesser reduction, on a terminated plan if the board has made all reasonable efforts to collect the amount necessary to fully fund the liabilities of the plan and the board finds that not reducing the benefits, or imposing a lesser reduction, will not impact the actuarial soundness of the terminated agency pool.

This bill would eliminate that provision. The bill would require the board, prior to exercising its authority to reduce benefits and to the extent consistent with its fiduciary duties, to consider and exhaust all options and necessary actions, including evaluating whether to bring a civil action against any member agencies to a terminated agency formed by an agreement under the Joint Exercise of Powers Act to compel payment of the terminated public agency's pension obligations. The bill would also specify that the board is entitled to reasonable attorney's fees in addition to other costs. The bill would also set forth related legislative findings.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares as follows:

(a) Retirement security is important to families, workers, and communities, as well as to the local, regional, and statewide economies, and provides financial security and dignity to those who retire.

(b) A defined benefit plan offers, among other types of retirement plans, a guarantee of financial security in retirement.

(c) A Joint Power Authority (JPA) created pursuant to the Joint Exercise of Powers Act (Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code) provides important services and benefits to its geographical areas and communities.

(d) A JPA may offer a defined benefit plan to attract, recruit, and retain highly skilled employees toward providing services and fulfilling its purpose.

(e) Employees who have been promised a retirement allowance and the other benefits of a defined benefit plan by their employer should be provided

those benefits after reaching the requisite age, based on years of service and an established benefit formula, as promised by that employer.

(f) Further, an employee who accepts employment with a JPA employer that promises a defined benefit plan may detrimentally rely on the retirement benefit, as committed by the employer, during his or her employment and retirement from that employer.

(g) Moreover, a JPA might have limited sources of revenue, and an inability to increase, or secure additional sources of revenue, that may lead to financial distress or insolvency of the JPA, absent the financial surety of its member agencies and for the retirement benefits of the JPA's employees.

(h) Thus, member agencies of a JPA should not be permitted to absolve themselves of financial liability, in whole or in part, that may result in a reduction of a retirement benefit to an employee or retiree of a JPA of which the agencies are, or were, members.

(i) Therefore, in order to ensure that the board of a public retirement system is meeting its fiduciary duties and responsibilities to its members and the system, the board should be required to consider and exhaust all options and necessary actions and be permitted to seek legal redress on behalf of its members if an action by the governing body of the JPA may result in a reduction of retirement benefits to the employees or retirees of a JPA.

(j) Further, to ensure that the board is meeting its fiduciary duties and responsibilities, contracts with the retirement system by a JPA must protect present and future retirees of the JPA.

(k) For purposes of this section, "public retirement system" means any pension or retirement system of a public employer, including, but not limited to, an independent retirement plan offered by a public employer that the public employer participates in or offers to its employees for the purpose of providing retirement benefits, or a system of benefits for public employees that is governed by Section 401(a) of Title 26 of the United States Code.

SEC. 2. Section 6508.1 of the Government Code is amended to read:

6508.1. (a) If the agency is not one or more of the parties to the agreement but is a public entity, commission, or board constituted pursuant to the agreement, the debts, liabilities, and obligations of the agency shall be debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise. However, the parties to the agreement may not agree otherwise with respect to the retirement liabilities of the agency if the agency contracts with a public retirement system.

(b) For purposes of this section, "public retirement system" means any pension or retirement system of a public employer, including, but not limited to, an independent retirement plan offered by a public employer that the public employer participates in or offers to its employees for the purpose of providing retirement benefits, or a system of benefits for public employees that is governed by Section 401(a) of Title 26 of the United States Code.

SEC. 3. Section 6508.2 is added to the Government Code, to read:

6508.2. (a) (1) Prior to filing a notice of termination pursuant to Section 20570 or 20571, or a decision by the governing body of an agency that does

not contract with the California Public Employees' Retirement System to dissolve or to cease the operations of the agency, member agencies of an agency established by agreement under this chapter that participates in, or contracts with, a public retirement system, shall mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided that the agreement equals 100 percent of the retirement liability of the agency. A copy of this mutual agreement, signed by all parties thereto, shall be provided to the board, which shall be reflected in the agreement with the board. If the member agencies are unable to mutually agree, the board shall apportion the retirement liability of the agency to each member agency based on the share of service received from the agency, or population of each member agency, such that the apportionment equals 100 percent of the retirement liability of the agency, which shall be reflected in the agreement with the board.

(2) A member agency may challenge the determination by the board to apportion the retirement liability of the agency within 30 calendar days of the determination. However, a member, or a former member, that is not identified by the board pursuant to subdivision (a) shall not be permitted to challenge a determination by the board.

(A) A challenge pursuant to this paragraph shall be referred by the member agency or agencies that challenge a determination by the board to an arbitrator who shall, at his or her discretion, apportion the liability among the current and former member agencies such that the apportionment equals 100 percent of the retirement liability of the agency. The arbitrator shall make a decision as to the apportionment of liability no later than 60 calendar days following referral of a challenge.

(B) The final decision by the arbitrator shall be binding on all current and former member agencies, and all costs of arbitration shall be equally shared among the member agencies that are identified by the arbitrator to share in the apportioned liability. The arbitrator shall submit an official copy of his or her final decision to the board within seven calendar days of the decision.

(b) An agency shall not be permitted to terminate pursuant to Section 20570 or 20571, nor shall a decision by the governing body of an agency that does not contract with the California Public Employees' Retirement System to dissolve or cease to operate, become effective until a final determination or decision, pursuant to paragraph (1) or paragraph (2) of subdivision (a), is final.

(c) Upon notice by the board of a potential termination pursuant to Section 20572, an agency established by agreement under this chapter shall, within 60 calendar days, provide to the board a copy of an agreement, signed by all parties thereto, that sets forth the apportionment of 100 percent of the retirement obligations of the agency. If the agency does not timely provide a copy of the mutual agreement, the board shall in its sole discretion apportion the retirement liability of the agency among the current or former member agencies, such that the apportionment equals 100 percent of the retirement liability of the agency.

(1) A member agency may challenge the determination by the board to apportion the retirement liability of the agency within 30 calendar days of the determination. However, a member, or a former member, that is not identified by the board pursuant to subdivision (a) shall not be permitted to challenge a determination by the board.

(2) A challenge pursuant to paragraph (1) shall be referred by the member agency or agencies that challenge a determination by the board to an arbitrator who shall, at his or her discretion, apportion the liability among the current and former member agencies such that the apportionment equals 100 percent of the retirement liability of the agency.

(3) The arbitrator shall make a decision as to the apportionment of liability no later than 60 calendar days following referral of a challenge and shall submit an official copy of his or her final decision to the board within seven calendar days of the decision. The final decision by the arbitrator shall be binding on all current and former member agencies, and all costs of arbitration shall be equally shared among the member agencies that are identified by the arbitrator to share in the apportioned liability. The board may take action to terminate the agency's contract no earlier than 30 calendar days following the final decision by the arbitrator.

(d) Mutual agreement among the member agencies, or a determination by the board, as to the apportionment of the retirement liability of the agency pursuant to paragraph (1) of subdivision (a), or a decision by the arbitrator pursuant to paragraph (2) of subdivision (a), may include the apportionment of retirement liability to a former member of the agency.

(e) This section shall apply retroactively to a member agency, or current and former member agency, that has an agreement in existence with the board on or before January 1, 2019. In addition, this section shall apply to a new agreement between an agency and the board on or after January 1, 2019. However, this section shall not apply to an agency established pursuant to this chapter that has dissolved prior to January 1, 2019.

(f) For purposes of this section, "board" means the board of any pension or retirement system of a public employer, including, but not limited to, an independent retirement plan offered by a public employer that the public employer participates in or offers to its employees for the purpose of providing retirement benefits, or a system of benefits for public employees that is governed by Section 401(a) of Title 26 of the United States Code.

(g) Notwithstanding any other law, if a judgment is rendered against an agency or a party to the agreement for a breach to its obligations to the public retirement system, the time within which a claim for injury may be presented or an action commenced against any other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered.

SEC. 4. Section 20574.1 is added to the Government Code, to read:

20574.1. In lieu of the procedure set forth in Section 20574, all parties to a terminating agency that was formed by an agreement under Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 shall be liable to the system for any deficit in funding for earned benefits, as determined

pursuant to Section 20577, interest at the actuarial rate from the date of termination to the date the agency, or the parties to the terminating contracting agency, pays the system, and reasonable and necessary costs of collection, including attorney's fees. The board shall have a lien on the assets of a terminated contracting agency and on the assets of all parties to the terminating contracting agency, subject only to a prior lien for wages, in an amount equal to the actuarially determined deficit in funding for earned benefits of the employee members of the agency, interest, and collection costs. The assets shall also be available to pay actual costs, including attorney's fees, necessarily expended for collection of the lien.

SEC. 5. Section 20575 of the Government Code is amended to read:

20575. (a) Notwithstanding any other provision of this part to the contrary, upon request of a terminating agency, the board shall enter into an agreement with the governing body of a terminating agency in order to ensure that both: the final compensation used in the calculation of benefits of its employees shall be calculated in the same manner as the benefits of employees of agencies that are not terminating, regardless of whether they retire directly from employment with the terminating agency or continue in other public service; and related necessary adjustments in the employer's contribution rate are made, from time to time, by the board prior to the date of termination to ensure that benefits are adequately funded or any other actuarially sound payment technique, including a lump-sum payment at termination, is agreed to by the governing body of the terminating agency and the board.

(b) The terminating agency that will cease to exist shall notify the board not sooner than three years nor later than one year prior to its termination date of its intention to enter into agreement pursuant to this section.

(c) The terms of the agreement shall be reflected in an amendment to the agency's contract with the board.

(d) If the board, itself, determines that it is not in the best interests of the system, it may choose not to enter into an agreement pursuant to this section.

(e) A terminating agency formed by an agreement under Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 shall enter into an agreement with the board pursuant to subdivisions (a), (c), and (d) and its member agencies shall be liable to the system for inadequate funding of the benefits pursuant to subdivision (a).

SEC. 6. Section 20577.5 of the Government Code is repealed.

SEC. 7. Section 20577.5 is added to the Government Code, to read:

20577.5. The board shall, prior to exercising authority granted pursuant to Section 20577, and to the extent consistent with its fiduciary duties, consider and exhaust all options and necessary actions, including evaluating whether to bring a civil action against any and all of the member agencies that are parties to a terminated agency formed by an agreement under Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 to compel

payment of the terminated agency's retirement obligations, and shall be entitled to reasonable attorney's fees in addition to other costs.

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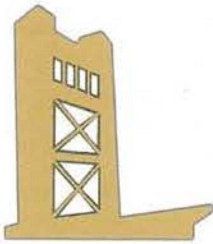


SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

799 G Street, 4th Floor, Sacramento, CA 95814 • (916) 874-6661 • Fax: (916) 854-9666 • www.sacmetrocable.tv

A Joint Powers Agency Representing Sacramento County and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova and Sacramento

AGENDA ITEM NO. 3

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **CALENDAR YEAR 2019 INVESTMENT POLICY FOR THE POOLED INVESTMENT FUND**

RECOMMENDATION:

It is recommended the Board receive and file the County of Sacramento's Calendar Year 2019 Investment Policy for the Pooled Investment Fund.

DISCUSSION:

Since 1987, the County of Sacramento's Director of Finance has submitted a statement of investment policy for the Pooled Investment Fund to the County Board of Supervisors for consideration and adoption.

The Board of Supervisors approved the enclosed Calendar Year 2019 Investment Policy on December 4, 2018.

All changes to the Investment Policy for 2019 were grammatical and do not affect the intent of the Policy.

RECOMMENDATION:

As the Commission is a participant in the County's Pooled Investment Fund, the County recommends your Board receive and file the enclosed Calendar Year 2019 Investment Policy of the Pooled Investment Fund at this regular Board meeting. Your action to receive and file the policy constitutes consideration at a public meeting, as recommended by Government Code Section 53646(a)(2).

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

Enclosure:
Calendar Year 2019 Investment Policy for the Pooled Investment Fund

Department of Finance
Ben Lamera
Director

County of Sacramento

Divisions
Administration
Auditor-Controller
Consolidated Utilities Billing & Service
Investments
Tax Collection & Business Licensing
Treasury

January 1, 2019

To: Pooled Investment Fund Participant Agency Board Chairs

Subject: **CALENDAR YEAR 2019 INVESTMENT POLICY FOR THE POOLED INVESTMENT FUND**

Since 1987, the Director of Finance has submitted a statement of investment policy to the Sacramento County Board of Supervisors for consideration and adoption. The Board of Supervisors approved the enclosed calendar year 2019 investment policy on December 4, 2018.

All changes to the investment policy for 2019 were grammatical and do not affect the intent of the policy.

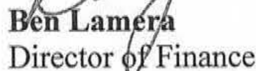
I recommend that the legislative body of your agency receive and file the enclosed Sacramento County Annual Investment Policy of the Pooled Investment Fund — Calendar Year 2019 at its next regular meeting. Your action to receive and file the policy constitutes consideration at a public meeting as recommended by Government Code section 53646(a)(2). The investment policy is also available on the Department of Finance – Investment Division webpage at www.finance.saccounty.net/investments.

The following investment-related reports are also available on the Investment Division webpage:

- Pooled Investment Fund Monthly Review;
- Quarterly Pooled Investment Fund Report; and
- Non-Pooled Investment Funds Portfolio Reports.

If you have any questions about the investment policy or management of the Pooled Investment Fund portfolio, please call me at (916) 874-6744 or Chief Investment Officer Bernard Santo Domingo at (916) 874-7320.

Sincerely,



Ben Lamera
Director of Finance

Enclosure

SACRAMENTO COUNTY

Annual Investment Policy of the Pooled Investment Fund

CALENDAR YEAR 2019

Approved by the
Sacramento County Board of Supervisors

December 4, 2018
Resolution No. 2018-0839

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SACRAMENTO COUNTY

Annual Investment Policy of the Pooled Investment Fund

CALENDAR YEAR 2019

I. Authority

Under the Sacramento County Charter, the Board of Supervisors established the position of Director of Finance and by ordinance will annually review and renew the Director of Finance's authority to invest and reinvest all the funds in the County Treasury.

II. Policy Statement

This Investment Policy (Policy) establishes cash management and investment guidelines for the Director of Finance, who is responsible for the stewardship of the Sacramento County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be judged by the standards of the Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to the Policy.

III. Standard of Care

The Director of Finance is the Trustee of the Pooled Investment Fund and therefore, a fiduciary subject to the prudent investor standard. The Director of Finance, employees involved in the investment process, and members of the Sacramento County Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activities that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California state law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Director of Finance shall act with care, skill, prudence, and diligence to meet the aims of the investment objectives listed in Section IV, Investment Objectives.

IV. Investment Objectives

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

A. Safety of Principal

The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.

B. Liquidity

As a second objective, the Pooled Investment Fund should remain sufficiently flexible to enable the Director of Finance to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

C. Public Trust

In managing the Pooled Investment Fund, the Director of Finance and the authorized investment traders should avoid any transactions that might impair public confidence in Sacramento County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

D. Maximum Rate of Return

As the fourth objective, the Pooled Investment Fund should be designed to attain a market average rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein. For comparative purposes, the State of California Local Agency Investment Fund (LAIF) will be used as a performance benchmark. The Pooled Investment Fund quarterly performance benchmark target has been set at or above LAIF's yield. This benchmark was chosen because LAIF's portfolio structure is similar to the Pooled Investment Fund.

V. Pooled Investment Fund Investors

The Pooled Investment Fund investors are comprised of Sacramento County, school and community college districts, districts directed by the Board of Supervisors, and independent special districts whose treasurer is the Director of Finance. Any local agencies not included in this category are subject to California Government Code section 53684 and are referred to as outside investors.

VI. Implementation

In order to provide direction to those responsible for management of the Pooled Investment Fund, the Director of Finance has established this Policy and will provide it to the Oversight Committee and render it to legislative bodies of local agencies that participate in the Pooled Investment Fund. In accordance with California Government Code section 53646, et seq., the Board of Supervisors shall review and approve this Policy annually.

This Policy provides a detailed description of investment parameters used to implement the investment process and includes the following: investable funds; authorized instruments; prohibited investments; credit requirements; maximum maturities and concentrations; repurchase agreements; Community Reinvestment Act Program; criteria and qualifications of broker/dealers and direct issuers; investment guidelines, management style and strategy; Approved Lists; and calculation of yield and costs.

VII. Internal Controls

The Director of Finance shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. To assist in implementation and internal controls, the Director of Finance has established an Investment Group and a Review Group.

The Investment Group, which is comprised of the Director of Finance and his/her designees, is responsible for maintenance of the investment guidelines and Approved Lists. These guidelines and lists can be altered daily, if needed, to adjust to the ever-changing financial markets. The guidelines can be more conservative or match the policy language. In no case can the guidelines override the Policy.

The Review Group, which is comprised of the Director of Finance and his/her designees, is responsible for the monthly review and appraisal of all the investments purchased by the Director of Finance and staff. This review includes bond proceeds, which are invested separately from the Pooled Investment Fund and are not governed by this Policy.

The Director of Finance shall establish a process for daily, monthly, quarterly, and annual review and monitoring of the Pooled Investment Fund activity. The following articles, in order of supremacy, govern the Pooled Investment Fund:

1. California Government Code
2. Annual Investment Policy
3. Current Investment Guidelines
4. Approved Lists (see page 9, Section IX.K)

The Director of Finance shall review the daily investment activity and corresponding bank balances.

Monthly, the Review Group shall review all investment activity and its compliance to the corresponding governing articles and investment objectives.

Quarterly, the Director of Finance will provide the Oversight Committee with a copy of the Pooled Investment Fund activity and its compliance to the annual Policy and California Government Code.

Annually, the Oversight Committee shall cause an annual audit of the activities within the Pooled Investment Fund to be conducted to determine compliance to the Policy and California Government Code. This audit will include issues relating to the structure of the investment portfolio and risk.

All securities purchased, with the exception of time deposits, money market mutual funds, LAIF and Wells Fargo's overnight investment fund, shall be delivered to the independent third-party custodian selected by the Director of Finance. This includes all collateral for repurchase agreements. All trades, where applicable, will be executed by delivery versus payment by the designated third-party custodian.

VIII. Sacramento County Treasury Oversight Committee

In accordance with California Government Code section 27130 et seq., the Board of Supervisors, in consultation with the Director of Finance, has created the Sacramento County Treasury Oversight Committee (Oversight Committee). Annually, the Director of Finance shall prepare an Investment Policy that will be forwarded to and monitored by the Oversight Committee and rendered to Boards of all local agency participants. The Board of Supervisors shall review and approve the Policy during public session. Quarterly, the Director of Finance shall provide the Oversight Committee a report of all investment activities of the Pooled Investment Fund to ensure compliance to the Policy. Annually, the Oversight Committee shall cause an audit to be conducted on the Pooled Investment Fund. The meetings of the Oversight Committee shall be open to the public and subject to the Ralph M. Brown Act.

A member of the Oversight Committee may not be employed by an entity that has contributed to the campaign of a candidate for the office of local treasurer, or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the Oversight Committee. A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the Sacramento County Board of Supervisors or governing board of any local agency that has deposited funds in the county treasury while a member of the Oversight Committee. Finally, a member may not secure employment with, or be employed by bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the Oversight Committee or for one year after leaving the committee.

The Oversight Committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the Department of Finance treasury and investment operations.

IX. Investment Parameters

A. Investable Funds

Total Investable Funds (TIF) for purposes of this Policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Included in TIF are funds of outside investors, if applicable, for which the Director of Finance provides investment services. Excluded from TIF are all funds held in separate portfolios.

The Cash Flow Horizon is the period in which the Pooled Investment Fund cash flow can be reasonably forecasted. This Policy establishes the Cash Flow Horizon to be one (1) year.

Once the Director of Finance has deemed that the cash flow forecast can be met, the Director of Finance may invest funds with maturities beyond one year. These securities will be referred to as the Core Portfolio.

B. Authorized Investments

Authorized investments shall match the general categories established by the California Government Code sections 53601 et seq. and 53635 et seq. Authorized investments shall include, in accordance with California Government Code section 16429.1, investments into LAIF. Authorization for specific instruments within these general categories, as well as narrower portfolio concentration and maturity limits, will be established and maintained by the Investment Group as part of the Investment Guidelines. As the California Government Code is amended, this Policy shall likewise become amended.

C. Prohibited Investments

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

All legal investments issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars, or snuff or for smoking in pipes. The tobacco-related issuers restricted from any investment are any component companies in the Dow Jones U.S. Tobacco Index or the NYSE Arca Tobacco Index. Annually the Director of Finance and/or his designee will update the list of tobacco-related companies.

D. Credit Requirements

Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's, and, if available, F1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's, A2 by Moody's, and, if available, A by Fitch. There are no credit requirements for Registered State Warrants. All other municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIG1 by Moody's, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Viability rating of a or better, without regard to modifiers. The Investment Group is granted the authority to specify approved California banks with Fitch Viability ratings of bbb+ but they must have a Support rating of 1 where appropriate. Foreign banks with domestic licensed offices must have a Sovereign rating of AAA from Standard and Poor's, Moody's, or Fitch and a Fitch Viability rating of a or better, without regard to modifiers; however, a foreign bank may have a rating of bbb+ but they must have a Support rating of 1. Domestic savings banks must be rated a or better, without regard to modifiers, or may have a rating of bbb+ but they must a Support rating of 1.

Community Reinvestment Act Program Credit Requirements

<table>
<tr><th>Maximum Amount</th><th colspan="3">Minimum Requirements</th></tr>
<tr><td rowspan="2">Up to the FDIC- or NCUSIF-insured limit for the term of the deposit</td><td colspan="3"><u>Banks</u> — FDIC Insurance Coverage</td></tr>
<tr><td colspan="3"><u>Credit Unions</u> — NCUSIF Insurance Coverage
Credit unions are limited to a maximum deposit of the NCUSIF-insured limit since they are not rated by nationally recognized rating agencies and are not required to provide collateral on public deposits.</td></tr>
<tr><td>Over the FDIC- or NCUSIF-insured limit to $10 million</td><td>(Any 2 of 3 ratings)
S&P: A-2
Moody's: P-2
Fitch: F-2

Collateral is required</td><td>OR</td><td>Through a private sector entity that assists in the placement of deposits to achieve FDIC insurance coverage of the full deposit and accrued interest.</td></tr>
</table>

Eligible banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with the Federal Reserve Bank of San Francisco, the Home Loan Bank of San Francisco, or a trust bank.

Since credit unions do not have Community Reinvestment Act performance ratings, they must demonstrate their commitment to meeting the community reinvestment lending and charitable activities, which are also required of banks.

All commercial paper and medium-term note issues must be issued by corporations operating within the United States and having total assets in excess of one billion dollars ($1,000,000,000).

The Investment Group may raise these credit standards as part of the Investment Guidelines and Approved Lists. Appendix A provides a Comparison and Interpretation of Credit Ratings by Standard & Poor's, Moody's, and Fitch.

E. Maximum Maturities

Due to the nature of the invested funds, no investment with limited market liquidity should be used. Appropriate amounts of highly-liquid investments, such as Treasury and Agency securities, should be maintained to accommodate unforeseen withdrawals.

The maximum maturity, determined as the term from the date of ownership to the date of maturity, for each investment shall be established as follows:

Investment	Maximum Maturity
U.S. Treasury and Agency Obligations	5 years
Washington Supranational Obligations[1]	5 years
Municipal Notes	5 years
Registered State Warrants	5 years
Bankers Acceptances	180 days
Commercial Paper	270 days
Negotiable Certificates of Deposit	180 days
CRA Bank Deposit/Certificates of Deposit	1 year
Repurchase Agreements	1 year
Reverse Repurchase Agreements	92 days
Medium-Term Corporate Notes	180 days
Collateralized Mortgage Obligations	180 days

The Investment Group may reduce these maturity limits to a shorter term as part of the Investment Guidelines and the Approved Lists.

The ultimate maximum maturity of any investment shall be five (5) years. The dollar-weighted average maturity of all securities shall be equal to or less than three (3) years.

F. Maximum Concentrations

No more than 80% of the portfolio may be invested in issues other than United States Treasuries and Government Agencies. The maximum allowable percentage for each type of security is set forth as follows:

Security	Maximum Percentage
U.S. Treasury and Agency Obligations	100%
Municipal Notes	80%
Registered State Warrants	80%
Bankers Acceptances	40%
Commercial Paper	40%
Washington Supranational Obligations	30%
Negotiable Certificates of Deposit and CRA Bank Deposit/Certificates of Deposit	30%
Repurchase Agreements	30%
Reverse Repurchase Agreements	20%
Medium-Term Corporate Notes	30%
Money Market Mutual Funds	20%
Collateralized Mortgage Obligations	20%
Local Agency Investment Fund (LAIF)	(per State limit)[2]

The Investment Group may reduce these concentrations as part of the Investment Guidelines and the Approved Lists.

[1] The International Bank for Reconstruction and Development, International Finance Corporation, and Inter-American Development Bank.

[2] LAIF current maximum allowed is $65 million.

No more than 10% of the portfolio, except Treasuries and Agencies, may be invested in securities of a single issuer including its related entities.

Where a percentage limitation is established above, for the purpose of determining investment compliance, that maximum percentage will be applied on the date of purchase.

G. Repurchase Agreements

Under California Government Code section 53601, paragraph (j) and section 53635, the Director of Finance may enter into Repurchase Agreements and Reverse Repurchase Agreements. The maximum maturity of a Repurchase Agreement shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement. The reverse repurchase agreement must be "matched to maturity" and meet all other requirements in the code.

All repurchase agreements must have an executed Sacramento County Master Repurchase Agreement on file with both the Director of Finance and the Broker/Dealer. Repurchase Agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the Approved Lists of the County and which meet the qualifications of the Policy, with a market value of 102%. Since the market value of the underlying securities is subject to daily market fluctuations, investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Use of mortgage-backed securities for collateral is not permitted. Strictly for purposes of investing the daily excess bank balance, the collateral provided by the Sacramento County's depository bank can be Treasuries or Agencies valued at 110%, or mortgage-backed securities valued at 150%.

H. Community Reinvestment Act Program

The Director of Finance has allocated within the Pooled Investment Fund, a maximum of $90 million for the Community Reinvestment Act Program to encourage community investment by financial institutions, which includes community banks and credit unions, and to acknowledge and reward local financial institutions which support the community's financial needs. The Director of Finance may increase this amount, as appropriate, while staying within the investment policy objectives and maximum maturity and concentration limits. The eligible banks and savings banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. The minimum credit requirements are located on page 5 of Section IX.D.

I. Criteria and Qualifications of Brokers/Dealers and Direct Issuers

All transactions initiated on behalf of the Pooled Investment Fund and Sacramento County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York or direct issuers that directly issue their own securities which have been placed on the Approved List of

brokers/dealers and direct issuers. Further, these firms must have an investment grade rating from at least two national rating services, if available.

Brokers/Dealers and direct issuers which have exceeded the political contribution limits, as contained in Rule G-37 of the Municipal Securities Rulemaking Board, within the preceding four-year period to the Director of Finance, any member of the Board of Supervisors, or any candidate for the Board of Supervisors, are prohibited from the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer authorized to do business with Sacramento County shall, at least annually, supply the Director of Finance with audited financial statements.

J. Investment Guidelines, Management Style and Strategy

The Investment Group, named by the Director of Finance, shall issue and maintain Investment Guidelines specifying authorized investments, credit requirements, permitted transactions, and issue maturity and concentration limits which are consistent with this Policy.

The Investment Group shall also issue a statement describing the investment management style and current strategy for the entire investment program. The management style and strategy can be changed to accommodate shifts in the financial markets, but at all times they must be consistent with this Policy and its objectives.

K. Approved Lists

The Investment Group, named by the Director of Finance, shall issue and maintain various Approved Lists. These lists are:

1. Approved Domestic Banks for all legal investments.
2. Approved Foreign Banks for all legal investments.
3. Approved Commercial Paper and Medium Term Note Issuers.
4. Approved Money Market Mutual Funds.
5. Approved Firms for Purchase or Sale of Securities (Brokers/Dealers and Direct Issuers).
6. Approved Banks / Credit Unions for the Community Reinvestment Act Program.

L. Calculation of Yield and Costs

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets; managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated by specific cost

accounting projects and charged to the Pooled Investment Fund on a quarterly basis throughout the fiscal year.

The Department of Finance will allocate the net interest earnings of the Pooled Investment Fund quarterly. The net interest earnings are allocated based upon the average daily cash balance of each Pooled Investment Fund participant.

X. Reviewing, Monitoring and Reporting of the Portfolio

The Review Group will prepare and present to the Director of Finance at least monthly a comprehensive review and evaluation of the transactions, positions, performance of the Pooled Investment Fund and compliance to the California Government Code, Policy, and Investment Guidelines.

Quarterly, the Director of Finance will provide to the Oversight Committee and to any local agency participant that requests a copy, a detailed report on the Pooled Investment Fund. Pursuant to California Government Code section 53646, the report will list the type of investments, name of issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value, and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Each quarter, the Director of Finance shall provide to the Board of Supervisors and interested parties a comprehensive report on the Pooled Investment Fund.

Annually, the Director of Finance shall provide to the Oversight Committee the Investment Policy. Additionally, the Director of Finance will render a copy of the Investment Policy to the legislative body of the local agencies that participate in the Pooled Investment Fund.

XI. Withdrawal Requests for Pooled Fund Investors

The Director of Finance will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Director of Finance at a one dollar net asset value. Any requests to withdraw funds for purposes other than immediate cash flow needs, such as for external investing, are subject to the consent of the Director of Finance. In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made in writing to the Director of Finance. When evaluating a request to withdraw funds, the Director of Finance will take into account the effect of a withdrawal on the stability and predictability of the Pooled Investment Fund and the interests of other depositors. Any withdrawal for such purposes will be at the market value of the Pooled Investment Fund on the date of the withdrawal.

XII. Limits on Honoraria, Gifts, and Gratuities

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment

trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities from any single source in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation was $470 for the period January 1, 2017, to December 31, 2018, and is adjusted for inflation every odd-numbered year. Any violation must be reported to the State Fair Political Practices Commission.

XIII. Terms and Conditions for Outside Investors

Outside investors may invest in the Pooled Investment Fund through California Government Code Section 53684. Their deposits are subject to the consent of the Director of Finance. The legislative body of the local agency must approve the Sacramento County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. Any withdrawal of these deposits must be made in writing 30 days in advance and will be paid based upon the market value of the Pooled Investment Fund. If the Director of Finance considers it appropriate, the deposits may be returned at any time to the local agency.

Appendix A

Comparison and Interpretation of Credit Ratings

Long Term Debt & Individual Bank Ratings				
Rating Interpretation	**Moody's**	**S&P**	**Fitch**	**Fitch Viability Rating**
Best-quality grade	Aaa	AAA	AAA	aaa
High-quality grade	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-	aa+ aa aa-
Upper Medium Grade	A1 A2 A3	A+ A A-	A+ A A-	a+ a a-
Medium Grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	bbb+ bbb bbb-
Speculative Grade	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	bb+ bb bb-
Low Grade	B1 B2 B3	B+ B B-	B+ B B-	b+ b b-
Poor Grade to Default	Caa	CCC+	CCC	ccc
In Poor Standing	- -	CCC CCC-	- -	
Highly Speculative Default	Ca C	CC -	CC -	cc c
Default	- - -	- - D	DDD DD D	f f f

Short Term / Municipal Note Investment Grade Ratings			
Rating Interpretation	**Moody's**	**S&P**	**Fitch**
Superior Capacity	MIG-1	SP-1+/SP-1	F1+/F1
Strong Capacity	MIG-2	SP-2	F2
Acceptable Capacity	MIG-3	SP-3	F3

Appendix A

Short Term / Commercial Paper Investment Grade Ratings			
Rating Interpretation	**Moody's**	**S&P**	**Fitch**
Superior Capacity	P-1	A-1+/A-1	F1+/F1
Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

Fitch Support Ratings	
Rating	*Interpretation*
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

Appendix A

Fitch Sovereign Risk Ratings	
Rating	*Interpretation*
AAA	**Highest credit quality.** 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	**Very high credit quality.** 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	**High credit quality.** 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	**Good credit quality.** 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for timely payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
BB	**Speculative.** 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	**Highly speculative.** 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	**High default risk.** Default is a real possibility.
CC	**Very high levels of credit risk.** Default of some kind appears probable.
C	**Exceptionally high levels of credit risk.** Default appears imminent or inevitable.
D	**Default.** Indicates a default. Default generally is defined as one of the following: • Failure to make payment of principal and/or interest under the contractual terms of the rated obligation; • The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor; or • The coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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A Joint Powers Agency Representing Sacramento County and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova and Sacramento

AGENDA ITEM NO. 4

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **REVIEW OF FRANCHISE & PEG FEES REMITTED BY CONSOLIDATED COMMUNICATIONS, INC. FOR THE PERIOD JANUARY 1, 2015 THROUGH DECEMBER 31, 2017**

RECOMMENDATION:

It is recommended the Board receive and file the review of franchise and PEG fees paid by Consolidated Communications, Inc., to the Sacramento Metropolitan Cable Television Commission (Commission) for the period January 1, 2015 through December 31, 2017.

BACKGROUND/DISCUSSION:

The review of franchise and public, educational, government (PEG) fees remitted to the Commission by Consolidated Communications, Inc. (CCI) for the period January 1, 2015 through December 31, 2017 was performed by Carolyn Sculco, with Ashpaugh & Sculco, CPAs, PLC (A&S).

The review was performed under the authority of the Digital Infrastructure and Video Competition Act (DIVCA) of 2006; for the purpose of determining whether CCI was in conformance with its franchise and PEG fee obligations pursuant to its state franchise under the DIVCA; and to assist the Commission with respect to evaluating franchise & PEG fees owed by CCI to the Commission for the review period.

In accordance with the DIVCA, the franchise fee obligation is 5% of gross revenues and the PEG fee obligation is 1% of gross revenues. Based on the scope of work performed, it was determined CCI does not owe any additional franchise or PEG fees to the Commission for the period reviewed.

It is recommended the Board receive and file this report. The Commission will continue the practice of conducting audits of franchise and PEG fees remitted by CCI in the future.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

Attachment:
Review of Franchise & PEG Fees Remitted by CCI for the Period January 1, 2015 to December 31, 2017

ASHPAUGH & SCULCO, CPAs, PLC
Certified Public Accountants and Consultants

September 27, 2018

Robert Davison, Executive Director
Sacramento Metropolitan Cable TV Commission
799 G Street, 4th Floor
Sacramento, CA 95814

Subject: Review of Franchise and PEG Fees Paid by Consolidated Communications, Inc. to the Sacramento Metropolitan Cable Television Commission, California

Dear Mr. Davison:

Ashpaugh & Sculco, CPAs, PLC (A&S) was engaged by the Sacramento Metropolitan Cable Television Commission, California (SMCTC) to perform a review of the franchise and PEG fees paid by Consolidated Communications, Inc. (CCI). Please find enclosed our findings for the review period of January 1, 2015 through December 31, 2017. To review the franchise and PEG fees paid by CCI, A&S performed the Scope of Work included on page two of this letter report.

This letter report is intended solely for the information and use of the SMCTC, is not intended to be, and should not be used by anyone other than these specified parties. It is our opinion that CCI does not owe any additional franchise or PEG fees to the SMCTC.

We appreciate the opportunity to be of service to you. If you have any questions, please let us know. We can be reached at (407) 645-2020.

Sincerely,

ASHPAUGH & SCULCO, CPAS, PLC

Ashpaugh & Sculco, CPAs, PLC

300 North New York Avenue, #879 • Winter Park, FL 32790 • 407.645.2020 • Fax 866-397-0871
gashpaugh@ascpas.com • csculco@ascpas.com

SUMMARY

Ashpaugh & Sculco, CPAs, PLC was engaged by the Sacramento Metropolitan Cable Television Commission, California (SMCTC) to perform a review of the franchise and PEG fees paid by Consolidated Communications, Inc. (CCI). The review period was from January 1, 2015 through December 31, 2017 (review period).

The purpose of our review was to determine whether CCI was in conformance with CCI's state franchise under the Digital Infrastructure and Video Competition Act of 2006 (DIVCA) enacted in California. In accordance with DIVCA, franchise fees are 5.00% of gross revenues and the PEG fee obligation is 1.00% of gross revenues. It is our opinion that CCI does not owe any additional franchise or PEG fees to the SMCTC.

SCOPE OF WORK

A&S was not engaged to and did not perform an audit of CCI, the objective of which would be the expression of an opinion that the financial statements provide a representation of the operations for the period reviewed. Accordingly, we do not express such an opinion. Had A&S performed such additional procedures, other matters might have come to our attention that would have been reported to the SMCTC. This report relates only to a review of CCI's gross revenues used to calculate franchise and PEG fees and does not extend to any financial statements of CCI or the SMCTC. A&S has relied solely on information provided to us by the SMCTC and CCI. This report is intended solely for the information and use of the SMCTC, is not intended to be, and should not be used by anyone other than this specified party.

A&S performed a review of the franchise and PEG fees paid by CCI to the SMCTC to determine whether CCI complied with the obligations of DIVCA. The review was performed solely to assist the SMCTC with respect to evaluating franchise and PEG fees owed by CCI to the SMCTC for the review period. The conclusions and recommendations are based on data responses, accounting records, and interviews provided by the SMCTC and CCI. A&S performed the following Scope of Work:

1. Submitted initial data request to CCI, on behalf of the SMCTC, requesting information for the review period.
2. Reviewed DIVCA, to gain an understanding of the terms, conditions, and requirements for the determination of franchise and PEG fees.
3. During the project, submitted data requests to CCI to follow-up and resolve outstanding items and questions.
4. Corresponded with CCI and the SMCTC's staff, if needed, to obtain additional information.
5. Reconciled revenues reported in franchise and PEG fee payments to supporting data provided by CCI.
6. For the review period, determined whether all categories of revenues were properly included in the calculation of franchise and PEG fees.
7. Summarized the dollar impact of any exceptions noted for each year.

8. Submitted report to the SMCTC summarizing our findings and recommendations.

REVIEW OF SUBSCRIBER REVENUES

CCI earns the substantial portion of its revenues from cable television subscriber fees. Cable subscriber revenues include amounts received for programming, premium channels, franchise fees, pay-per-view, installation charges, equipment lease rentals, late fees, returned check fees and other miscellaneous charges. A&S reconciled the subscriber revenues to the franchise and PEG fee payments, on a test basis, utilizing the same data as CCI for reporting revenues to the SMCTC. A&S did not identify any material discrepancies in the subscriber revenues reported by CCI to the SMCTC for the review period.

REVIEW OF NON-SUBSCRIBER REVENUES

CCI included non-subscriber revenues generated from advertising, home shopping and other revenues in the gross revenues reported to the SMCTC. A&S obtained and reviewed the amounts from supporting documentation provided by CCI. A&S did not identify any material discrepancies in the non-subscriber revenues reported by CCI to the City for the review period.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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AGENDA ITEM NO. 5

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **REVIEW OF FRANCHISE & PEG FEES REMITTED BY AT&T, INC. FOR CALENDAR YEARS 2016 AND 2017**

RECOMMENDATION:

It is recommended the Board receive and file the review of franchise and PEG fees paid by AT&T, Inc. to the Sacramento Metropolitan Cable Television Commission (Commission) for Calendar Years 2016 & 2017.

BACKGROUND/DISCUSSION:

The attached review of the franchise and public, educational, government (PEG) fees remitted to the Commission by AT&T for Calendar Years 2016 and 2017 was performed by Carolyn Sculco with Ashpaugh & Sculco, CPAs, PLC (A&S). The review was performed in accordance with AT&T's state franchise under the Digital Infrastructure and Video Competition Act of 2006 (DIVCA), to solely assist the Commission with respect to evaluating franchise & PEG fees paid by AT&T for the review period.

Conclusions and recommendations were based on data responses, accounting records, and documentation provided by Commission staff and AT&T.

As a result of that review, A&S identified the following amounts of unpaid franchise & PEG fees that were due to the Commission for the period that was reviewed:

Description	Franchise Fees	PEG Fees	Total Due to SMCTC
Total Franchise & PEG Fees Calculated by A&S	$4,133,122	$ 826,631	$4,959,753
Franchise & PEG Fees Paid by AT&T	($4,045,833)	($809,249)	($4,855,082)
Total Amount Due Before Interest	**$87,289**	**$17,382**	**$104,671**
Interest Charges	$10,249	$2,607	$12,856
Total Amount Due With Interest	**$97,538**	**$19,989**	**$117,527**

Based on the findings, the Commission issued an underpayment letter to AT&T on February 20, 2019, requesting a payment be made within thirty calendar days from the date on the letter. An underpayment check for $117,527 issued by AT&T was received on Friday, March 1, 2019.

It is recommended the Board receive and file this report. The Commission will continue the practice of conducting biennial audits of franchise and PEG fees remitted by AT&T, Inc.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

Attachment:
Review of Franchise & PEG Fees Remitted by AT&T, Inc. for Calendar Years 2016 & 2017

ASHPAUGH & SCULCO, CPAs, PLC
Certified Public Accountants and Consultants

February 19, 2019

Robert Davison, Executive Director
Sacramento Metropolitan Cable TV Commission
799 G Street, 4th Floor
Sacramento, CA 95814

Subject: Review of the Franchise and PEG Fees Paid by AT&T to the Sacramento Metropolitan Cable Television Commission, California for the Years 2016 and 2017

Dear Mr. Davison:

We have enclosed the report of our review of the franchise and PEG fees paid by AT&T to the Sacramento Metropolitan Cable Television Commission, California (SMCTC) for the period of January 1, 2016 through December 31, 2017, in accordance with AT&T's state franchise under the Digital Infrastructure and Video Competition Act of 2006 (DIVCA) enacted in California.

This report is intended solely for the information and use of the SMCTC, is not intended to be, and should not be used by anyone other than these specified parties. It is our opinion that the amount due to the SMCTC from AT&T totals $117,527, as shown on page one of this letter report.

We appreciate the opportunity to be of service to you. If you have any questions, please do not hesitate to call us at (407) 645-2020.

Sincerely,

ASHPAUGH & SCULCO, CPAS, PLC

Ashpaugh & Sculco, CPAs, PLC

300 North New York Avenue, #879 • Winter Park, FL 32790 • 407.645.2020 • Fax 866-397-0871
gashpaugh@ascpas.com • csculco@ascpas.com

SUMMARY

Ashpaugh & Sculco, CPAs, PLC (A&S) has performed a review of the franchise and PEG fees paid by AT&T to the Sacramento Metropolitan Cable Television Commission, California (SMCTC) for the period of January 1, 2016 through December 31, 2017 (review period). The purpose of our review was to determine whether the franchise and PEG fee payments paid by AT&T to the SMCTC were in conformance with the state franchise under the Digital Infrastructure and Video Competition Act of 2006 (DIVCA) enacted in California.

In accordance with DIVCA, franchise fees are 5.00% of gross revenues and PEG fees are 1.00% of gross revenues. A&S has identified an amount due to the SMCTC for the underpayment of franchise and PEG fees, including interest charges, of $117,527. We have itemized the underpayment of franchise and PEG fees, by issue, on the following table. We explain our adjustments and reference them by item number in the remainder of this report, using the same item numbers listed in Table 1.

TABLE 1

Ln. No.	Description	Franchise Fees Due to SMCTC	PEG Fees Due to SMCTC	Total Due to SMCTC
1	Franchise and PEG Fees Paid by AT&T	$4,045,833	$809,249	$4,855,082
	Adjustments			
2	Late Fees	$35,615	$7,123	$42,739
3	Convenience Fees	1,101	220	1,321
4	Returned Check Charges	367	96	463
5	Early Termination Fees	1,355	271	1,626
6	Credit Adjustments	40,712	8,044	48,756
7	Home Shopping	405	81	486
8	Advertising Revenues	7,734	1,547	9,281
9	Total Adjustments	$87,289	$17,382	$104,671
10	Franchise and PEG Fees Calculated by A&S	$4,133,122	$826,631	$4,959,753
11	Franchise and PEG Fees Paid by AT&T	(4,045,833)	(809,249)	(4,855,082)
12	Total Amount Before Interest Charges	$87,289	$17,382	$104,671
13	Interest Charges	10,249	2,607	12,856
14	Total Amount Due to SMCTC	$97,538	$19,989	$117,527

SCOPE OF WORK

A&S was not engaged to and did not perform an audit of AT&T, the objective of which would be the expression of an opinion that the financial statements provide a representation of the operations for the period reviewed. Accordingly, we do not express such an opinion. Had A&S

performed such additional procedures, other matters might have come to our attention that would have been reported to the SMCTC. This report relates only to a review of AT&T's gross revenues used to calculate franchise and PEG fees and does not extend to any financial statements of AT&T or the SMCTC. A&S has relied solely on information provided to us by the SMCTC and AT&T. This report is intended solely for the information and use of the SMCTC, is not intended to be, and should not be used by anyone other than this specified party.

A&S performed a review of the franchise and PEG fees paid by AT&T to the SMCTC to determine whether AT&T complied with the franchise and PEG fee obligations of DIVCA. The review was performed solely to assist the SMCTC with respect to evaluating franchise and PEG fees paid by AT&T to the SMCTC for the review period. We based our conclusions and recommendations on data responses, accounting records, and interviews provided by the SMCTC and AT&T. To analyze franchise and PEG fees, A&S performed the following Scope of Work:

Project Kick-Off and General Steps

1. Contact the SMCTC staff to obtain documentation required to kick-off the project, including, but not limited to:
    a. Copies of franchise and PEG fees paid to the SMCTC for the review period and any supporting information; and
    b. Copies of other documentation and correspondence between the SMCTC and AT&T relevant to the review period and consistent with DIVCA.
2. Submit initial data request to AT&T requesting information for the review period. During the project, if needed, prepare and submit additional data requests.
3. Execute Non-Disclosure Agreement with AT&T in order to obtain confidential data.
4. Correspond with the SMCTC, AT&T via phone, mail, and email to obtain data, resolve issues, and obtain assistance.
5. Review the franchise and PEG fee payments to the SMCTC to determine whether the franchise and PEG were calculated in accordance with DIVCA.

Subscriber Revenues

6. Reconcile gross revenues reported in the franchise and PEG fee payments to revenues recorded in the general ledgers or equivalent reporting information.
7. Review the components of reported subscriber revenues consistent with the definition of gross revenues in DIVCA to ensure the amounts were correctly included in the franchise and PEG fees reported to the SMCTC.
8. Identify each revenue type that AT&T did not include in the determination of the franchise and PEG fees remitted to the SMCTC for the review period and note if the methodology is consistent with DIVCA.

Non-Subscriber Revenues

9. Reconcile non-subscriber revenue categories reported in the franchise and PEG fee

payments to documentation provided by AT&T.

10. Review and recalculate the allocation of non-subscriber revenues to ensure that they were correctly included in the franchise and PEG fees reported to the SMCTC.

Report

11. Submit report to the SMCTC. The report will include:
    a. Supporting table that summarize our findings by year and category of service;
    b. Calculations of under/overpayments of the franchise and PEG fees by category of revenues including any associated interest charges; and,
    c. Identification of any areas of noncompliance and our recommended actions.

SUBSCRIBER REVENUES

AT&T earns the substantial portion of its revenues from cable television subscriber fees. Cable subscriber revenues include amounts received for programming (basic, digital, high-definition), premium channels, franchise fees, pay-per-view, installation charges, channel guides, equipment lease rentals, late fees, returned check fees and other miscellaneous charges. A&S reconciled the subscriber revenues to franchise and PEG fee payments utilizing the same data as AT&T for reporting revenues to the SMCTC.

Late Fees (Line 2)

AT&T charged a past due collection fee, also known as a late fee, to subscribers if payment was not received on or before the bill due date. The late fee was the same amount no matter whether the subscriber was taking a single service or multiple services. AT&T included amounts collected from subscribers for late payment fees in the gross revenues reported to the SMCTC. However, AT&T allocated the late fees based on the services taken by the subscriber during that month, i.e., if a subscriber took voice, video and Internet services one-third of the late fee was included in reported gross revenues. Since late fees are associated with the bill and not a specific line of service or services, A&S made an adjustment to include 100% of the late fees collected from video subscribers for the review period.

Convenience Fees (Line 3)

AT&T charged a convenience fee when a customer service representative processed a subscriber payment. AT&T included the convenience fees in the revenues reported to the SMCTC. However, AT&T allocated the convenience fee based on the services taken by the subscriber during that month, i.e., if a subscriber took voice, video and Internet services one-third of the convenience fee was included in reported gross revenues. Since convenience fees are associated with the bill and not a specific line of service or services, A&S made an adjustment to include 100% of the convenience fees collected from video subscribers for the review period.

Returned Check Charges (Line 4)

AT&T charged a returned check fee to subscribers when the bank returned a check because of insufficient funds. AT&T included the returned check charges in the revenues reported to the

SMCTC. However, AT&T allocated the returned check charges based on the services taken by the subscriber during that month, i.e., if a subscriber took voice, video and Internet services one-third of the returned check charge was included in reported gross revenues. Since returned check charges are associated with the non-payment of the bill and not a specific line of service or services, A&S made an adjustment to include 100% of the returned check charges collected from video subscribers for the review period.

Early Termination Fees (Line 5)

If a subscriber signed up for services for a specified term and then terminated or canceled services before the end of the agreed term, AT&T charged an early termination fee. That fee recoups a portion of the difference between the amount the subscriber paid based upon the charges applicable to long-term contracts, and the amount the subscriber would have been charged without making a longer-term commitment. AT&T did not include the amounts collected from subscribers for early termination fees in the gross revenues reported to the SMCTC for the review period. Based on our review of DIVCA, there was no basis for excluding early termination fees from gross revenues reported to the SMCTC. Because subscribers may have service for video, phone and/or internet, A&S made an adjustment to include the early termination fees collected from video subscribers for the review period.

Credit Adjustments (Line 6)

Each month, AT&T reduced subscriber revenues by a "credit adjustment". However, the "credit adjustment" included Internet, telephone and video services, as well as lump sum credits to address subscriber complaints. AT&T provided A&S with supporting schedules so that we could reasonably determine how much of the credit was applicable to video. Based on our review of the data provided by AT&T, A&S accepted the portion of the credit related to video and made an adjustment to reverse the non-video related charges for the review period.

NON-SUBSCRIBER REVENUES

In accordance with DIVCA, AT&T included non-subscriber revenues generated from advertising, home shopping, and other revenues. A&S reviewed the revenues from supporting documentation provided by AT&T.

Home Shopping Revenues (Line 7)

A&S recalculated the home shopping revenues and compared the amounts to the home shopping revenues that AT&T reported to the SMCTC. From June 2017 through September 2017, AT&T incorrectly reported home shopping revenues to the SMCTC. A&S adjusted the home shopping revenues to reflect the revised amounts.

Advertising Revenues (Line 8)

A&S recalculated the advertising revenues and compared the amounts to the advertising revenues that AT&T reported to the SMCTC. For numerous months throughout the review period, AT&T incorrectly reported advertising revenues to the SMCTC. A&S adjusted the advertising revenues to reflect the revised amounts.

INTEREST CHARGES (Line 13)

Interest charges are defined in DIVCA, Section 5860, paragraph (h) as follows:

> The state franchise fee shall be remitted to the applicable local entity quarterly, within 45 days after the end of the quarter for that calendar quarter. Each payment shall be accompanied by a summary explaining the basis for the calculation of the state franchise fee. If the holder does not pay the franchise fee when due, the holder shall pay a late payment charge at a rate per year equal to the highest prime lending rate during the period of delinquency, plus 1 percent. If the holder has overpaid the franchise fee, it may deduct the overpayment from its next quarterly payment.

A&S calculated interest charges, compounded annually, for the underpayment of franchise fees utilizing the prime rate plus 1.00%. The prime rate plus 1.00% is shown in the table below. A&S assumed that payment of the outstanding amount would be on February 28, 2019. If payment is after February 28, 2019, additional interest charges will accrue. Interest charges will be recalculated based on when actual payment is expected to be received.

Time Period	Prime Rate + 1%
April 1, 2017 – June 30, 2017	5.00%
July 1, 2017 – December 31, 2017	5.25%
January 1, 2018 – March 31, 2018	5.50%
April 1, 2018 – June 30, 2018	5.75%
July 1, 2018 – September 30, 2018	6.00%
October 1, 2018 – December 31, 2018	6.25%
January 1, 2019 – February 28, 2109	6.50%

DIVCA does not address the issue of interest charges for the underpayment of PEG fees. Therefore, A&S utilized the language from the California Constitution, Article 15, Section 1, to determine the interest charges associated with PEG fees. A&S calculated interest charges at 7.00%, compounded annually, through February 28, 2019. A&S assumed that payment of the outstanding amount would be on February 28, 2019. If payment is after to February 28, 2019, additional interest charges will accrue. Interest charges will be recalculated based on when actual payment is expected to be received.

AUDIT FEES

In accordance with DIVCA, Section 5860(i), "If the examination discloses that the holder has underpaid franchise fees by more than 5 percent during the examination period, the holder shall pay all of the reasonable and actual costs of the examination." The identified underpayment due to the SMCTC from our review did not exceed the 5.00% threshold for the review period. Thus, we did not include the reimbursement of audit fees in our findings.

RECOMMENDATIONS

A&S recommends that the SMCTC pursue payment of $117,527 from AT&T for the underpayment of franchise and PEG fees, including interest charges. Based on our review, it is

reasonable to assume that some of the findings noted in this report could apply to franchise and PEG fees paid to the SMCTC in future quarters. A&S proposes that the SMCTC request that AT&T maintain all relevant financial records in case the SMCTC decides to review additional years later. The financial records should include accounting records, general ledgers, the number of subscribers, and data for advertising revenues. It is imperative to maintain these records because clerical errors, changes in accounting methods, or unique situations that would not surface during the year may be discovered under direct questions and analyses.

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AGENDA ITEM NO. 6

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **RESOLUTION NO. 2019-001, REVISING THE FIXED ASSETS CAPITALIZATION POLICY**

RECOMMENDATION:

It is recommended the Board approve Resolution No. 2019-001, Revising the Fixed Assets Capitalization Policy for the Sacramento Metropolitan Cable Television Commission (Commission).

BACKGROUND:

The term "fixed assets" is used to describe capital assets used in the Commission's operations that have a useful life beyond a single reporting period.

Capitalization is primarily an accounting issue and used to determine whether a given capital asset should be reported on the balance sheet. A government agency may establish a single capitalization threshold for all of its capital assets, or establish different thresholds for different classes of capital assets.

The Commission's threshold of $500 for capitalization of tangible capital assets was established on August 1, 1995. As a result of the audit of the Commission's Fiscal Years 2007-08 and 2008-09 financial statements, the County Auditor recommended the Commission's fixed assets threshold be increased from $500 to $5,000 (the same as the County of Sacramento's threshold).

The Board at their October 2011 meeting approved Resolution No. 2011-012, increasing the fixed assets threshold from $500 to $5,000.

During the audit of the Commission's Fiscal Years 2009-10 and 2010-11 financial statements, the County's Auditor identified the following finding:

> Asset Capitalization Policy
>
> The Commission's Fixed Asset Capitalization Policy included an incorrect example of depreciation calculations. As a result, the Commission's depreciation was incorrectly calculated. In addition, the costs of assets did not include asset acquisition expenditures such as sales taxes, delivery costs, and installation costs. Furthermore, the policy stated that "Fixed assets will be shown on the financial statements at historical cost, not depreciated costs."

> Capital assets reported in the government-wide financial statements should include depreciation expense and accumulated depreciation or the use of the alternative Modified Approach in accordance with accounting principles generally accepted in the United States of America.

As a result, the Board at their October 4, 2012 meeting approved Resolution No. 2012-016, Revising the Fixed Assets Capitalization Policy, to include a correct example of depreciation calculation, to accurately present the depreciation calculation, to provide guidance for what should be included in the costs of capital assets, and to properly present capital assets in the government-wide financial statements in accordance with accounting principles generally accepted in the United States of America.

On September 26, 2018, Richardson & Company, the Commission's current contracted auditing company completed the audit of the financial statements of the Commission for the years ended June 30, 2016 and June 30, 2017.

As a result of that audit, the auditor recommended the Commission no longer assign a residual value to its fixed assets, as they appear to no longer have a salvage value by the time they are disposed.

Based on that recommendation, the Fixed Assets Capitalization Policy has been revised to show a nil value when a fixed asset is disposed.

<u>RECOMMENDATION</u>:

It is recommended the Board approved Resolution No. 2019-001, Revising the Fixed Assets Capitalization Policy, to comply with the auditor's recommendation.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

Attachments:

Resolution No. 2011-012
Fixed Assets Capitalization Policy (Revised October 2011)
Resolution No. 2012-016
Fixed Assets Capitalization Policy (Revised October 2012)
Resolution No. 2019-001
Fixed Assets Capitalization Policy (Revised March 2019)

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

RESOLUTION NO. 2011-012

A RESOLUTION APPROVING A FIXED ASSETS CAPITALIZATION POLICY AND A FIXED ASSETS DISPOSAL POLICY

WHEREAS, the proposed Fixed Assets Capitalization Policy provides guidelines for the accounting and uniform handling of all fixed assets acquired by the Sacramento Metropolitan Cable Television Commission (Commission); and

WHEREAS, the proposed Fixed Assets Disposal Policy provides a process for the transfer and disposal of fixed assets.

NOW, THEREFORE, BE IT RESOLVED, that the Commission approves the Fixed Assets Capitalization Policy, attached hereto as **Exhibit A** and incorporated herein by this reference; and

FURTHER, BE IT RESOLVED, that the Commission approves the Fixed Assets Disposal Policy, attached hereto as **Exhibit B** and incorporated herein by this reference.

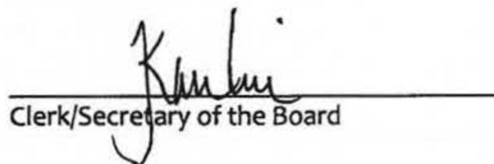
On a motion by Director Sheedy, seconded by Director Fong, the foregoing Resolution was passed and adopted at a regular meeting of the Sacramento Metropolitan Cable Television Commission this 6th day of October, 2011, by the following vote, to wit:

AYES:	UNANIMOUS VOICE VOTE Detrick, Fong, Wolter (Alternate for MacGlashan), Morin, Nottoli, Schmidt (Alternate for Peters), Avdis (Alternate for Serna) Sheedy, Chong (Alternate for Yee)
NOES:	NONE
ABSENT:	MacGlashan, McCarty, Peters, Serna, Turner, Yee
ABSTAIN:	NONE

By:

Chairperson
Sacramento Metropolitan
Cable Television Commission

Attested by:



Clerk/Secretary of the Board

EPRESENTING
amento County
d the Cities of:
:itrus Heights
Elk Grove
Folsom
Galt
ıncho Cordova
Sacramento

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Cable Television Commission
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Phone: (916) 874-6661 • Fax: (916) 854-9666
ROBERT A DAVISON, EXECUTIVE DIRECTOR

FIXED ASSETS CAPITALIZATION POLICY

PURPOSE

The purpose of this policy is to define the minimum threshold values for fixed assets capitalization (excluding infrastructure), determine the useful life of fixed assets, and provide guidelines for assets acquisition, use, accounting, depreciation, retirement, movement, and disposal of fixed assets.

SCOPE OF POLICY

The provisions of this policy shall apply to all fixed assets acquired by the Commission.

It is the responsibility of the Commission staff to insure that:

1) Proper budgeting and purchasing guidelines for acquiring assets are followed.

2) Assets assigned to the Administration or Metro Cable are adequately controlled and inventoried annually.

3) Assets are used for appropriate Commission purposes.

4) The Commission's Fixed Assets Disposal Policy will be followed for the disposal and transfer of fixed assets.

It is the responsibility of the Commission staff to accurately account for and report fixed assets in financial reports issued to external reporting agencies and the public.

The Production Director of Metro Cable and the Commission Administrative Services Officer (ASO) have the following responsibilities:

1) Verifying the receipt of all new fixed asset property assigned/purchased.

2) Assigning an inventory number and tagging all property properly.

3) Maintaining an inventory of all tagged property.

4) Safeguarding the possession of all property within the department.

PROCEDURES

Definition of a Fixed Asset

Generally, if an asset has a cost greater than $5,000 and a useful life of more than one year, it will be considered a fixed asset and should be capitalized. Capitalization is an accounting procedure that spreads out the cost of the asset over its useful life, rather than expensing the cost in the year purchased. Generally accepted accounting principles will be used to help define what is determined to be a fixed asset.

The cost of equipment includes the purchase price less discounts received; freight charges, sales, use and transportation taxes, and installation charges, if applicable.

Budgeting for Fixed Assets

The allocation for new fixed assets will be approved through the Commission's annual budget process. The need for emergency replacement of existing fixed assets will be at the discretion of the Executive Director, or designated staff and will be paid for out of the Commission's General Fund or PEG Fee Fund, as appropriate or as funds are available.

Purchasing of Fixed Assets

The purchase of fixed assets and infrastructure assets will follow the procedures set forth in the Commission's Purchasing Policy.

Use, Maintenance, and Protection of Fixed Assets

The Commission staff is responsible for the proper use, maintenance, and protection from loss, theft, or vandalism of the fixed assets.

Accounting for Fixed Assets

The Commission ASO is responsible for recording the fixed assets according to this policy and generally accepted accounting principles. The capitalization threshold is $5,000. This threshold is applied to individual units of fixed assets as listed. Repairs to fixed assets and/or improvements to fixed assets will only be capitalized if they exceed $5,000 and extend the useful life of the asset. Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible:

Fixed Asset	Useful Life
Computer Equipment / Software	5 Years
Office Equipment / Furniture	5 Years
Metro Cable / Specialty Equipment	5 Years

Inventory and Transfer of Fixed Assets

An inventory of the fixed assets will be maintained. Commission staff is responsible for performing annual physical inventories of the assigned fixed assets. Lost, stolen, or damaged assets shall be reported to the Commission ASO. The ASO must also be notified of any transfer of assets from one location to another.

Disposal of Fixed Assets

The retirement and disposal of fixed assets will follow the procedures set forth in the Commission's Fixed Assets Disposal Policy.

REPRESENTING
Sacramento County
and the Cities of:
Citrus Heights
Elk Grove
Folsom
Galt
Rancho Cordova
Sacramento

S ACRAMENTO METR POLITAN
Cable Television Commission

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ROBERT A DAVISON, EXECUTIVE DIRECTOR

FIXED ASSETS DISPOSAL POLICY

Fixed Assets that are not being used, no longer needed, obsolete, and/or beyond repair are to be disposed of through submission of an Equipment Disposal/Transfer Form to the Sacramento Metropolitan Cable Television Commission (Commission) Administration Office.

The Production Director of Metro Cable and the Commission Administrative Services Officer (ASO) have the following responsibilities, in addition to their responsibilities under the Fixed Asset Policy:

1. Submitting an Equipment Disposal/Transfer form for disposal of fixed assets that are no longer used, no longer needed, obsolete, and/or beyond repair.

2. Submitting an incident report, along with the Equipment Disposal/Transfer form in the event an item is lost or stolen.

3. The Commission ASO shall keep a copy of the form and shall update the fixed asset inventory.

Disposal of the fixed asset will be determined after the Equipment Disposal/Transfer Form is completed and forwarded to the Administration office. Equipment may not be disposed of until a completed form is on file with the Administration office. Disposal shall be accomplished as required by law (i.e., as appropriate, the surplus property rules will apply to disposal).

REPRESENTING
Sacramento County
and the Cities of:
Citrus Heights
Elk Grove
Folsom
Galt
Rancho Cordova
Sacramento

S.ACRAMENTO METR POLITAN
Cable Television Commission

901 H Street, Suite 206 • Sacramento, CA 95814 • www.sacmetrocable.tv
Phone: (916) 874-6661 • Fax: (916) 854-9666
ROBERT A DAVISON, EXECUTIVE DIRECTOR

EQUIPMENT DISPOSAL/TRANSFER FORM

Department Name:		Date:		Inventory Tag #
Serial #	Brand/Make:	Model #	Purchase Date:	Cost:
Description of Property:		☐ Not working & beyond repair ☐ Obsolete ☐ Trade-In ☐ No longer needed ☐ Other – please explain in detail: __________ __________ __________		
Purchase Order #		Comment:		

Disposal – By my signature I represent under oath that the above facts are true and correct to the best of my knowledge.

Reason for Disposal:	
Approved by:	Date:

Administration office use only:

Picked up by:	Date:
Date of Disposal:	Fixed Asset Master Inventory List updated by:

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

RESOLUTION NO. 2012-016

RESOLUTION REVISING THE FIXED ASSETS CAPITALIZATION POLICY

WHEREAS, the Fixed Assets Capitalization Policy provides guidelines for the accounting and uniform handling of all fixed assets acquired by the Sacramento Metropolitan Cable Television Commission (Commission); and

WHEREAS, the Fixed Asset threshold of $500 for capitalization of tangible capital assets was established on August 1, 1995;

WHEREAS, the Commission's fixed asset threshold was increased from $500 to $5,000 in October 2011, as a recommended by the County of Sacramento's auditor, resulting from the audit of the Commission as of and for the fiscal years ending June 30, 2008 and June 30, 2009;

WHEREAS, as a result of the audit of the Commission as of and for the fiscal years ending June 30, 2010 and June 30, 2011, the County Auditor is now recommending the Commission modify the current fixed assets capitalization policy to include a correct example of depreciation calculation, to accurately present the depreciation calculation, to provide guidance for what should be included in the cost of capital assets, and to properly present capital assets in the government-wide financial statements in accordance with accounting principles generally accepted in the United States of America;

NOW, THEREFORE, BE IT RESOLVED, that the Commission approves the Revised Fixed Assets Capitalization Policy, attached hereto as **Exhibit A** and incorporated herein by this reference.

On a motion Director Detrick, seconded by Director Schmidt, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Cable Television Commission this 4th day of October 2012, by the following vote, to wit:

AYES:	UNANIMOUS VOICE VOTE: Directors Detrick, Wolter (Alternate for MacGlashan), Schmidt (Alternate for Peters), Coronado (Alternate for Serna), Turner, Chong (Alternate for Yee)
NOES:	None
ABSENT:	Directors MacGlashan, McCarty, Morin, Nottoli, Peters, Serna, Sheedy, Schenirer, Yee
ABSTAIN:	None

By:

Chair, Sacramento Metropolitan
Cable Television Commission

Attest By:

Clerk/Secretary of the Board

REPRESENTING
Sacramento County
and the Cities of:
Citrus Heights
Elk Grove
Folsom
Galt
Rancho Cordova
Sacramento

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ROBERT A. DAVISON, EXECUTIVE DIRECTOR

FIXED ASSETS CAPITALIZATION POLICY (REVISED OCTOBER 2012)

PURPOSE

The purpose of this policy is to define the minimum threshold values for fixed assets capitalization (excluding infrastructure), determine the useful life of fixed assets, and provide guidelines for assets acquisition, use, accounting, depreciation, retirement, movement, and disposal of fixed assets.

SCOPE OF POLICY

The provisions of this policy shall apply to all fixed assets acquired by the Commission. It is the responsibility of the Commission staff to insure that:

1) Proper budgeting and purchasing guidelines for acquiring assets are followed.
2) Assets assigned to the Administration or Metro Cable are adequately controlled and inventoried annually.
3) Assets are used for appropriate Commission purposes.
4) The Commission's Fixed Assets Disposal Policy will be followed for the disposal and transfer of fixed assets.

It is the responsibility of the Commission staff to accurately account for and report fixed assets in financial reports issued to external reporting agencies and the public.

The Production Director of Metro Cable and the Commission Administrative Services Officer (ASO) have the following responsibilities:

1) Verifying the receipt of all new fixed asset property assigned/purchased.
2) Assigning an inventory number and tagging all property properly.
3) Maintaining an inventory of all tagged property.
4) Safeguarding the possession of all property within the department.

PROCEDURES

Definition of a Fixed Asset

Generally, if an asset has a cost greater than $5,000 and a useful life of more than one year, it will be considered a fixed asset and should be capitalized. Capitalization is an accounting procedure that spreads out the cost of the asset over its useful life, rather than expensing the cost in the year purchased. Generally accepted accounting principles will be used to help define what is determined to be a fixed asset. The cost of equipment includes the purchase price, sales taxes, delivery cost, and any installation costs.

Budgeting for Fixed Assets

The allocation for new fixed assets will be approved through the Commission's annual budget process. The need for emergency replacement of existing fixed assets will be at the discretion of the Executive Director, or designated staff and will be paid for out of the Commission's General Fund or PEG Fee Fund, as appropriate or as funds are available.

Purchasing of Fixed Assets

The purchase of fixed assets and infrastructure assets will follow the procedures set forth in the Commission's Purchasing Policy.

Use, Maintenance, and Protection of Fixed Assets

The Commission staff is responsible for the proper use, maintenance, and protection from loss, theft, or vandalism of the fixed assets.

Accounting for Fixed Assets

The Commission ASO is responsible for recording the fixed assets according to this policy and generally accepted accounting principles. The capitalization threshold is $5,000. This threshold is applied to individual units of fixed assets as listed. Repairs to fixed assets and/or improvements to fixed assets will only be capitalized if they exceed $5,000 and extend the useful life of the asset. Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible:

<table>
<tr><th colspan="4">Depreciation Method - Example 1
(without 10% Residual Value)</th></tr>
<tr><td colspan="2">PURCHASE PRICE</td><td colspan="2">$5,000</td></tr>
<tr><td colspan="2">Residual Value</td><td colspan="2">$5,000 (Purchase Price) x 10% = $500
(Residual value is <u>less than</u> $5,000. Thus, it will not be factored into depreciation increment calculation.)</td></tr>
<tr><td colspan="2">Depreciation Increment</td><td colspan="2">$5,000 (Purchase Price) / 5 years = $1,000 (depreciation per year for 5 years)</td></tr>
<tr><td></td><td>Beginning Equipment Value</td><td>Depreciation Increment</td><td>Ending Equipment Value
(Beginning Equip. Value Minus Depreciation Increment)</td></tr>
<tr><td>Year 1</td><td>$5,000</td><td>$1,000</td><td>$4,000</td></tr>
<tr><td>Year 2</td><td>$4,000</td><td>$1,000</td><td>$3,000</td></tr>
<tr><td>Year 3</td><td>$3,000</td><td>$1,000</td><td>$2,000</td></tr>
<tr><td>Year 4</td><td>$2,000</td><td>$1,000</td><td>$1,000</td></tr>
<tr><td>Year 5</td><td>$1,000</td><td>$1,000</td><td>$0.00
(Fully Depreciated w/ no Residual Value)</td></tr>
</table>

Depreciation Method - Example 2
(with 10% Residual Value greater than or equal to $5,000)

PURCHASE PRICE	**$50,000**		
Residual Value	$50,000 (Purchase Price) x 10% = **$5,000**		
Depreciation Increment	$50,000 (Purchase Price) - $5,000 (Residual Value) = $45,000 / 5 years = **$9,000 (depreciation per year for 5 years)**		
	Beginning Equipment Value	Depreciation Increment	Ending Equipment Value (Beginning Equip. Value Minus Depreciation Increment)
Year 1	$50,000	$9,000	$41,000
Year 2	$41,000	$9,000	$32,000
Year 3	$32,000	$9,000	$23,000
Year 4	$23,000	$9,000	$14,000
Year 5	$14,000	$9,000	**$5,000 (Residual Value)**

Inventory and Transfer of Fixed Assets

An inventory list of the fixed assets will be maintained. Commission staff is responsible for performing annual physical inventories of the assigned fixed assets. Lost, stolen, or damaged assets shall be reported to the ASO. The ASO must also be notified of any transfer of assets from one location to another.

Disposal of Fixed Assets

The retirement and disposal of fixed assets will follow the procedures set forth in the Commission's Fixed Assets Disposal Policy.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

RESOLUTION NO. 2019-001

A RESOLUTION OF THE SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION REVISING THE FIXED ASSETS CAPITALIZATION POLICY

WHEREAS, the Fixed Assets Capitalization Policy provides guidelines for the accounting and uniform handling of all fixed assets acquired by the Sacramento Metropolitan Cable Television Commission (Commission);

WHEREAS, the Fixed Asset threshold of $500 for capitalization of tangible capital assets was established on August 1, 1995;

WHEREAS, the Commission's fixed asset threshold was increased from $500 to $5,000 in October 2011, as a recommended by the County auditor, resulting from the audit of the Commission's financial statements as of and for the fiscal years ending June 30, 2008 and June 30, 2009;

WHEREAS, as a result of the audit of the Commission's financial statements as of and for the fiscal years ending June 30, 2010 and June 30, 2011, the County Auditor recommended the Commission modify the fixed assets capitalization policy to include a correct example of depreciation calculation, to accurately present the depreciation calculation, to provide guidance for what should be included in the cost of capital assets, and to properly present capital assets in the government-wide financial statements in accordance with accounting principles generally accepted in the United States of America; and

WHEREAS, as a result of the audit of the Commission's financial statements as of and for the fiscal years ending June 30, 2015 and June 30, 2016, Richardson & Company, the current Auditor recommended the Commission no longer assign a residual value to its fixed assets, since they appear to no longer have a salvage value by the time they are disposed.

NOW, THEREFORE, BE IT RESOLVED, that the Commission approves the Revised Fixed Assets Capitalization Policy, attached hereto as **Exhibit A** and incorporated herein by this reference.

On a motion Director ____________, seconded by Director ____________, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Cable Television Commission this 7th day of March 2019, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

By: ____________________________________

Chair, Sacramento Metropolitan
Cable Television Commission

Attest By:

____

Clerk of the Board

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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A Joint Powers Agency Representing Sacramento County and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova and Sacramento

FIXED ASSETS CAPITALIZATION POLICY
REVISED MARCH 7, 2019

PURPOSE

The purpose of this policy is to define the minimum threshold values for fixed assets capitalization (excluding infrastructure), determine the useful life of fixed assets, and provide guidelines for assets acquisition, use, accounting, depreciation, retirement, movement, and disposal of fixed assets.

SCOPE OF POLICY

The provisions of this policy shall apply to all fixed assets acquired by the Commission.

It is the responsibility of the Commission staff to insure that:

1) Proper budgeting and purchasing guidelines for acquiring assets are followed.

2) Assets assigned to the Administration or Metro Cable are adequately controlled and inventoried annually.

3) Assets are used for appropriate Commission purposes.

4) The Commission's Fixed Assets Disposal Policy will be followed for the disposal and transfer of fixed assets.

It is the responsibility of the Commission staff to accurately account for and report fixed assets in financial reports issued to external reporting agencies and the public.

The Production Director of Metro Cable and the Commission Administrative Services Officer (ASO) have the following responsibilities:

1) Verifying the receipt of all new fixed asset property assigned/purchased.

2) Assigning an inventory number and tagging all property properly.

3) Maintaining an inventory of all tagged property.

4) Safeguarding the possession of all property within the department.

PROCEDURES

Definition of a Fixed Asset

Generally, if an asset has a cost greater than $5,000 and a useful life of more than one year, it will be considered a fixed asset and should be capitalized. Capitalization is an accounting procedure that spreads out the cost of the asset over its useful life, rather than expensing the cost in the year purchased. Generally accepted accounting principles will be used to help define what is determined to be a fixed asset.

The cost of equipment includes the purchase price, sales taxes, delivery cost, and installation costs, if applicable.

Budgeting for Fixed Assets

The allocation for new fixed assets will be approved through the Commission's annual budget process. The need for emergency replacement of existing fixed assets will be at the discretion of the Executive Director, or designated staff and will be paid for out of the Commission's General Fund or PEG Fee Fund, as appropriate or as funds are available.

Purchasing of Fixed Assets

The purchase of fixed assets and infrastructure assets will follow the procedures set forth in the Commission's Purchasing Policy.

Use, Maintenance, and Protection of Fixed Assets

The Commission staff is responsible for the proper use, maintenance, and protection from loss, theft, or vandalism of the fixed assets.

Accounting for Fixed Assets

The Commission ASO is responsible for recording the fixed assets according to this policy and generally accepted accounting principles. The capitalization threshold is $5,000. This threshold is applied to individual units of fixed assets as listed. Repairs to fixed assets and/or improvements to fixed assets will only be capitalized if they exceed $5,000 and extend the useful life of the asset. Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible:

(Please see depreciation examples on next page.)

Straight-line Depreciation Method - Over a Five-Year Period
Example 1

PURCHASE PRICE	**$5,000**		
Depreciation Increment	$5,000 (Purchase Price) / 5 years = $1,000		
	Beginning Book Value	Depreciation Increment	Ending Book Value (Beginning Book Value Minus Depreciation Increment)
Year 1	$5,000	$1,000	$4,000
Year 2	$4,000	$1,000	$3,000
Year 3	$3,000	$1,000	$2,000
Year 4	$2,000	$1,000	$1,000
Year 5	$1,000	$1,000	**$0**

Straight-line Depreciation Method – Over a Five-Year Period
Example 2

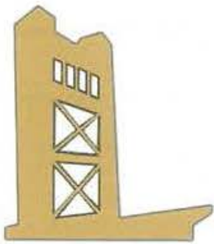
PURCHASE PRICE	**$50,000**		
Depreciation Increment	$50,000 (Purchase Price) / 5 years = $10,000		
	Beginning Book Value	Depreciation Increment	Ending Book Value (Beginning Book Value Minus Depreciation Increment)
Year 1	$50,000	$10,000	$40,000
Year 2	$40,000	$10,000	$30,000
Year 3	$30,000	$10,000	$20,000
Year 4	$20,000	$10,000	$10,000
Year 5	$10,000	$10,000	**$0**

Inventory and Transfer of Fixed Assets

An inventory of the fixed assets will be maintained. Commission staff is responsible for performing annual physical inventories of the assigned fixed assets. Lost, stolen, or damaged assets shall be reported to the Commission ASO III. The ASO III must also be notified of any transfer of assets from one location to another.

Disposal of Fixed Assets

The retirement and disposal of fixed assets will follow the procedures set forth in the Commission's Fixed Assets Disposal Policy.



SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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A Joint Powers Agency Representing Sacramento County and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova and Sacramento

AGENDA ITEM NO. 7

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **CALENDAR YEAR 2018 SURPLUS PROPERTY LIST**

RECOMMENDATION:

It is recommended the Board receive and file the Surplus Property List for Calendar Year 2018.

DISCUSSION:

Staff implemented the practice of conducting a physical inventory of fixed assets annually in order to maintain an accurate list of inventory and control of Commission-owned equipment and furnishings over the years, as a result of the recommendation made by the Commission's Auditor.

The items on the attached list were declared to be surplus property as of and for the Calendar year ended December 31, 2018 and were disposed of based on the Commission's Fixed Assets Disposal Policy. This refers to assets with the following characteristics:

1) It does not function in whole or in part;
2) It is beyond repair;
3) It is technologically obsolete;
4) It is no longer needed by the Commission;
5) It has fully depreciated and has no residual value.

It is recommended the Board receive and file the Calendar Year 2018 Surplus Property list.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

Attachment:
Surplus Property List (Calendar Year 2018)

Sacramento Metropolitan Cable Television Commission

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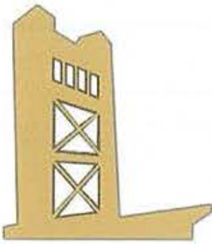
Surplus Property List
Calendar Year 2018

Inventory Tag #	Serial #	Brand/Make	Model #	Description of Property	No Longer Needed/Obsolete
154741	25370	Sony	VO5800 VCR	SonyVO5800 VCR	X
167013	None	Sharp	XC70SC1 Rear Lens Control	Sharp XC70SC1 Rear Lens Control	X
170120	None	Sigma	100A VDA	Sigma 100A VDA	X
170122	None	Shure	M267 Audio Mixer	Shure M267 Audio Mixer	X
170153	None	Bogen	Tripod & Dolly	Bogen Tripod & Dolly	X
190033	None	Sigma	ADA106 Audio Amp	Sigma ADA106 Audio Amp	X
195662	622401	Kramer	BC-1021	Kramer Video DA	X
195664	None	Sigma	N/A	Sigma Video ADA	X
195665	None	Sigma	N/A	Sigma Video ADA	X
204961	470DA-105	EEG	Smart Encoder IV	EEG Smart Encoder IV	X
204962	470DA-106	EEG	Smart Encoder IV	EEG Smart Encoder IV (7 of 8)	X
205003	470DA-110	EEG	Smart Encoder III	EEG Smart Encoder III (1 of 3)	X
212155	100616004	OmniPro	NSK3480	Omnipro Personal Computer	X
212158	100616001	OmniPro	NSK3480	Omnipro Personal Computer (4 of 6)	X
212173	JS0913006021	APC	APC 2200	APC Smart UPS (for Synergy Server Project)	X
213662	None	Maxcom	MX270T	ASI Tx 40km (1 of 4)	X
213664	None	Maxcom	MX270T	ASI Tx 40km (3 of 4)	X
213665	None	Maxcom	MX270T	ASI Tx 40km (4 of 4) * Multimode Adaptioin w/Couplers	X
213650	None	Maxcom	MX2500/4CWDM	4 Slot Chassis w/ 4 CWDM Channels (1 of 2) * SDI Tx CWDM Card 80 km (1 of 2) * SDI Rx CWDM Card 80 km (1 of 2)	X
213666	None	Maxcom	MX2500/4CWDM	4 Slot Chassis w/ 4 CWDM Channels (1 of 2) * SDI Tx CWDM Card 80 km (2 of 2) * SDI Rx CWDM Card 80 km (2 of 2)	X
213651	2 ASI/RX40/0710-06	Maxcom	MX270R	SDI Rx 40km (1 of 3)	X
213653	2 ASI/RX40/0710-02	Maxcom	MX270R	SDI Rx 40km (3 of 3)	X
213641	261601101323	Marshall	v-R102DP-SD	Marshall Rackmount SDI Digital Monitor	X
213709	JS1112035887	APC	APC2200	APC 2200 UPS Battery Backup to Asset No. 213709	X
213809	None	N/A	N/A	For.A HD/SDI 1.5ME Switcher (Internal Card Only)	X



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AGENDA ITEM NO. 8

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **GENERAL ADMINISTRATION REPORT**

RECOMMENDATION:

It is recommended the Board receive a verbal report from staff regarding the following administration matters:

1) Federal Communications Commission (FCC) Order – Cable Franchise Fees In-Kind Proceeding;
2) Request for Proposals – Closed Captioning Services;
3) Vacant Seat on SMCTC Board (Joint seat for the cities of Folsom, Galt, and Rancho Cordova);
4) New Contact at AT&T for Managing Cable Complaint Process – Alice Perez;
5) Fiscal Year 2018-19 PEG Fee Funded Projects – Status Report;
6) Fiscal Year 2019-20 PEG Fee Funding – Call for Funding Process (mid-March 2019);
7) Introduction of Jennifer Nagatoishi, Sr. Office Assistant;
8) Introduction of Dalan Swenson, Metro Cable's new Technical Assistant.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

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A Joint Powers Agency Representing Sacramento County and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova and Sacramento

AGENDA ITEM NO. 9

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **CHANNEL LICENSEE REPORTS**

RECOMMENDATION:

It is recommended the Board receive verbal reports from the representatives of the following Channel Licensees who are present:

A) Access Sacramento
B) Capital Public Radio
C) KVIE, Inc.
D) Interfaith Council of Greater Sacramento (SacFaith TV)
E) Sacramento Educational Cable Consortium

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission

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AGENDA ITEM NO. 10

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **STATE FRANCHISEE REPORTS**

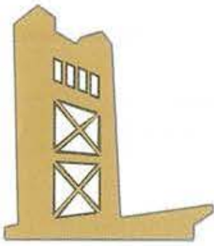
RECOMMENDATION:

It is recommended the Board receive verbal reports from representatives of the following state franchisees who are present:

A) AT&T
B) Comcast
C) Consolidated Communications, Inc.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission



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AGENDA ITEM NO. 11

DATE: March 7, 2019

TO: Chair and Board of Directors

FROM: Robert A. Davison, Executive Director

SUBJECT: **PUBLIC COMMENTS**

RECOMMENDATION:

It is recommended the Board receive comments from the public on matters that are not on the agenda.

Respectfully submitted,

ROBERT A. DAVISON, Executive Director
Sacramento Metropolitan Cable Television Commission