



# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

799 G Street, 4th Floor, Sacramento, CA 95814 • (916) 874-6661 • Fax: (916) 854-9666 • [www.sacmetro.cable.tv](http://www.sacmetro.cable.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

*(Board Members may participate via teleconference.)*

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

**THURSDAY, MARCH 4, 2021**  
**2:30 p.m.**

Board Members: Phil Serna, Patrick Kennedy, Rich Desmond, Sue Frost, Don Nottoli, Katie Valenzuela, Eric Guerra, Mai Vang, Tim Schaefer, Kevin Spease, YK Chalamcherla, Garrett Gatewood  
Elected Alternates: Porsche Middleton, Stephanie Nguyen, Siri Pulipati  
Appointed Alternates: Lisa Nava (Serna), Keaton Riley (Kennedy), Vanessa McCarthy-Olmstead (Desmond), Matt Hedges (Frost), Michelle Pariset (Valenzuela), Sarah Pollo (Guerra), Catherina Nou (Vang)

### PUBLIC COMMENT PROCEDURES

In compliance with directives of the County, State, and Centers for Disease Control and Prevention (CDC), this meeting is live stream and closed to public attendance. Meeting procedures are subject to change pursuant to guidelines related to social distancing and minimizing person-to-person contact.

#### Live Meeting Comments

Make a verbal public comment during a meeting. The public comment phone line will open 15-minutes prior to the start of the meeting. Refer to the agenda and listen to the live meeting to determine when is the best time to call to be placed in queue to make a public comment. Callers may be on hold for up to an extended period of time and should plan accordingly. Dial (916) 875-2500 and follow the prompts to be placed in queue for a specific agenda item or off-agenda matter. When the Chair opens public comment for a specific agenda item or off-agenda matter, callers will be transferred from the queue into the meeting to make a verbal comment. Each agenda item queue will remain open until the public comment period is closed for that specific item.

#### Written Comments

Written comments can be emailed to [sacmetro@saccounty.net](mailto:sacmetro@saccounty.net) by **5:00 p.m. Wednesday, March 3, 2021**. Include the meeting date and agenda item number, or off-agenda item. Contact information is optional. Mail a comment to 700 H Street, Suite 2450, Sacramento, CA. 95814. Include meeting date and agenda item or off-agenda item. Contact information is optional. Written comments are distributed to members, filed in the record, and will not be read aloud.

### How to Submit Videos

Video submissions may be delivered to the Commission Clerk electronically to [sacmetro@saccounty.net](mailto:sacmetro@saccounty.net) in the following formats – MP4, MOV, MPG, or WMV. DVD submissions must be delivered to the Commission at 799 G Street, 4<sup>th</sup> Floor, Sacramento, CA. 95814 by **5:00 p.m., Wednesday, March 3, 2021**. Video submissions shown during the meeting will be limited to the first ten submissions. Video submissions may not exceed 5 minutes in length.

### How to View a Meeting

The meeting is recorded and cablecast live on Metro Cable 14 on the Comcast, Consolidated Communications, and AT&T U-Verse systems and livestreamed at [metro14live.saccounty.net](http://metro14live.saccounty.net). It is also closed captioned for hearing impaired viewers. There will be a rebroadcast of this meeting on Saturday, March 6, 2021 at Noon and Sunday, March 7, 2021 at 9:00 a.m.

### How to Access Meeting Material

The online version of the Agenda and associated material is available at [www.sacmetro.cable.tv](http://www.sacmetro.cable.tv). Some documents may not be posted online because of size or format (maps, site plans, and renderings). Contact the Cable Commission's Administration Office at (916) 874-6662 to obtain copies of documents.

### How to Request an Accommodation

Requests for accommodations pursuant to the Americans with Disabilities Act (ADA) should be made with the Clerk of the Board by telephone at (916) 874-6662 (voice) or [sacmetro@saccounty.net](mailto:sacmetro@saccounty.net) (e-mail) 24 hours prior to the meeting.

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## CALL TO ORDER

- 1) Roll Call
- 2) Introduction of new Board Members / Alternates

## ITEM NO. 1) CONFERENCE WITH LEGAL COUNSEL

- A. 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
- 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-01212

**ITEM NO. 1) CONFERENCE WITH LEGAL COUNSEL (CONT'D)**

**C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

Government Code Section 54956.9(d)(1)

Name of Case: Anne Arundel, Sacramento Metropolitan Cable Television Commission, et al v. US and FCC

Case No. 19-4165 (Anne Arundel et al.) Consolidated with other cases in the Sixth Circuit Court of Appeal: Lead Case: Eugene Oregon v. US, 19-4161

**Action:**

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

**ITEM NO. 2) RESOLUTION NO. 2021-001, ADOPTING THE MID-YEAR GENERAL FUND (094A) AND PEG FEE FUND (094B) BUDGET ADJUSTMENTS FOR FISCAL YEAR 2020-21**

**Action:**

Approve Resolution No. 2021-001, Adopting the Mid-Year Fiscal Year General Fund (094A) (094A) and PEG Fee Fund (094B) Budget Adjustments for Fiscal Year 2020-21, to include Exhibit A, and Attachment 1 - the Regional Transit Revised Fiscal Year 2020-21 PEG Fee Funding Agreement.

**ITEM NO. 3) RESOLUTION NO. 2021-002, APPROVING THE AMENDED AND RESTATED SACRAMENTO METROPOLITAN CABLE TELEVISION CAFETERIA PLAN**

**Action:**

Adopt Resolution No. 2021-002, Approving the Amended and Restated SMCTC Cafeteria Plan; and direct staff return at the June 3, 2021 Annual Budget Meeting with an item to implement vision, life insurance, and employee assistant program (EAP) benefits for eligible Commission employees.

**ITEM NO. 4) BESTNet MEMORANDUM OF UNDERSTAND STATUS REPORT**

**Action:**

Receive and file the BESTNet MOU Status Report.

**ITEM NO. 5) RESOLUTION NO. 2021-003, HONORING GARY MARTIN UPON THE OCCASION OF HIS RETIREMENT**

**Action:**

Adopt Resolution No. 2021-003, Honoring Gary Martin Upon the Occasion of His Retirement.



**ITEM NO. 6) CONFLICT OF INTEREST CODE - DESIGNATED POSITIONS FOR CALENDAR YEAR 2021**

**Action:**

Approve the Designated Positions for Calendar Year 2021 (Appendix A), related to the Cable Commission's Conflict of Interest Code; and delegate authority to the Executive Director to make changes to the list, as needed in the future.

**ITEM NO. 7) AUDITED FINANCIAL STATEMENTS AND OTHER REPORTS FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019**

**Action:**

Receive and file the audited financial statements and other reports for the Sacramento Metropolitan Cable Television Commission as of and for the fiscal years ended June 30, 2018 and June 30, 2019.

**ITEM NO. 8) CHAIR AND VICE-CHAIR ELECTION FOR THE REMAINDER OF FISCAL YEAR 2020-21**

**Action:**

Elect a Chair and a Vice Chair for the Commission Board for the remainder of FY 2020-21.

**ITEM NO. 9) CALENDAR YEAR 2021 INVESTMENT POLICY FOR POOL INVESTMENT FUND**

**Action:**

Receive and file the review the County of Sacramento's Calendar Year 2021 Investment Policy for the Pool Investment Fund

**ITEM NO. 10) GENERAL ADMINISTRATION REPORT**

**Action:**

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

- a. FCC In-kind Proceeding
- b. Metro Cable Technical Coordinator
- c. Metro Cable Operations (during the pandemic)
- d. Member Agencies Fiscal Year 2020-21 PEG Fee Funded Projects
- e. Fiscal Year 2021-22 Call for Funding Process
- f. Accounting Services Agreement
- g. Atrium 916 Agreement

**ITEM NO. 11) CHANNEL LICENSEE REPORTS**

**Action:**

Receive and file reports and comments, if any, from representatives of the following Channel Licensees:

**ITEM NO. 11 CHANNEL LICENSEE REPORTS (CONT'D)**

- a. Access Sacramento
- b. Capital Public Radio
- c. KVIE, Inc.
- d. Sacramento Faith TV
- e. Sacramento Educational Cable Consortium

**ITEM NO. 12) STATE FRANCHISEE REPORTS**

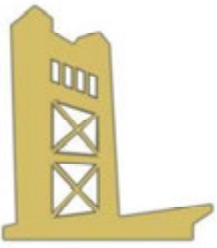
**Action:**

Receive and file reports and comments, if any, from representatives of the following State Franchisees:

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

**ITEM NO. 13) PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA**

**ADJOURNMENT**



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## AGENDA ITEM NO. 1

**DATE:** March 4, 2021  
**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: SMCTC v. Comcast Cable Communications Management, LLC  
Case No. 2:18-CV-00500
- 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-01212
- C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION  
Government Code Section 54956.9(d)(1)  
Name of Case: *Anne Arundel, Sacramento Metropolitan Cable Television Commission, et al. v. US and FCC*  
Case No. 19-4165 (Anne Arundel et al.) Consolidated with other cases in the Sixth Circuit Court of Appeal: Lead Case: *Eugene Oregon v. US*, 19-4161

Respectfully submitted,

**Robert A. Davison**

Digitally signed by Robert A. Davison  
DN: cn=Robert A. Davison, o=Sac Metro Cable  
TV Commission, ou=Executive Director,  
email=davisonb@saccounty.net, c=US  
Date: 2021.02.26 15:47:50 -08'00'

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



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## AGENDA ITEM NO. 2

**DATE:** March 4, 2021

**TO:** Chair and Board of Directors

**FROM:** Robert A. Davison, Executive Director

**SUBJECT:** **RESOLUTION NO. 2021-001, ADOPTING THE MID-YEAR GENERAL FUND (094A) AND PEG FEE FUND (094B) BUDGET ADJUSTMENTS FOR FISCAL YEAR 2020-21**

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### **RECOMMENDATION:**

It is recommended the Board approve Resolution No. 2021-001, Adopting the Mid-Year General Fund (094A) and PEG Fee Fund (094B) Budget Adjustments for Fiscal Year 2020-21.

### **BACKGROUND/DISCUSSION:**

The Commission Board approved the Fiscal Year 2020-21 Final General Fund (094A) and PEG Fee Fund (094B) Budget by Resolution Nos. 2020-007 and 2020-008 at its September 3, 2020 meeting, which included funding for Legal Services in the General Fund, and funding for Regional Transit's control room out of the PEG Fee Fund.

During recent discussions with Legal Counsel related to trial dates and settlement conferences scheduled for existing pending litigation, it was determined additional funding would be necessary to cover legal costs related to scheduled trial dates and settlement conferences. In addition, Commission staff has been working with Legal Counsels on significant items such as the Cafeteria Plan (on today's agenda), updating of the Commission's Personnel and Procedures Manual, and personnel issues - all of which contribute to the legal expenses being in excess of what is normally spent on such services in a fiscal year.

As well, due to recent review of PEG equipment recommended for Regional Transit's Control Room by current Metro Cable staff, which was previously approved along with the Commission's FY 2020-21 PEG Fee Fund Budget, it was determined additional equipment would be needed. This will insure the control room will be fully functionally independent of the Metro Cable van previously used to cablecast Regional Transit meetings, which was leased from the County and recently returned.

The funding options as recommended by staff in the report will require line item adjustments in both the General Fund and PEG Fee Fund budgets as outlined in Exhibit A.

**RECOMMENDATION:**

Staff recommends the Board approve Resolution No. 2021-001, Adopting the Mid-Year General Fund (094A) and PEG Fee Fund (094B) Budget Adjustments for Fiscal Year 2020-21, to include the line item adjustments as outlined in Exhibit A; and the revised Fiscal Year 2020-21 PEG Fee Funding Agreement for Regional Transit (Attachment 1).

Respectfully submitted,

**Robert A. Davison**

Digitally signed by Robert A. Davison  
DN: cn=Robert A. Davison, o=Sac Metro Cable TV  
Commission, ou=Executive Director,  
email=davisonb@saccounty.net, c=US  
Date: 2021.02.26 15:45:12 -08'00'

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

**Attachments:**

Resolution No. 2021-001 / Exhibit A

Fiscal Year 2020-21 Revised PEG Fee Funding Agreement for Regional Transit (Attachment 1)



**SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION**

**RESOLUTION NO. 2021-001**

**A RESOLUTION ADOPTING THE PROPOSED MID-YEAR  
GENERAL FUND (094A) & PEG FEE FUND (94B) BUDGET ADJUSTMENTS FOR FISCAL YEAR 2020-21**

**WHEREAS**, the Sacramento Metropolitan Cable Television Commission Board approved the Fiscal Year 2020-21 Final General Fund (094A) Budget by Resolution No. 2020-007 and the Fiscal Year 2020-21 Final PEG Fee Fund (094B) Budget by Resolution No. 2020-008 on September 3, 2020; and

**WHEREAS**, based on trial dates and settlement conferences scheduled in the current fiscal year for existing pending litigation, it was determined the budget for Legal Services would need to be increased;

**WHEREAS**, Commission staff met with Legal Counsels to determine anticipated additional legal costs to cover expenses for upcoming trial dates and settlement conferences; and

**WHEREAS**, due to review of the PEG equipment recommended for Regional Transit's Control Room by current Metro Cable staff, more equipment were deemed necessary to insure the Control Room is fully functional, independent from the Metro Cable van formerly leased from the County and no longer available; and

**WHEREAS**, the Commission Board recognizes the need for the proposed adjustments to the General Fund (094A) and PEG Fee Fund) as outlined in Exhibit A.

**NOW THEREFORE, BE IT RESOLVED** that the Board of the Sacramento Metropolitan Cable Television Commission hereby:

- 1) Amend the Fiscal Year 2020-21 Final General Fund (094A) Budget as shown on Exhibit A; and
- 2) Amend the Fiscal Year 2020-21 Final PEG Fee Fund (094B) Budget as shown in Exhibit A.

**FURTHER BE IT RESOLVED** that the Board of the Sacramento Metropolitan Cable Television Commission authorizes the Executive Director to do and perform everything necessary to carry out the purpose of this Resolution.

On a motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Governing Board of the Sacramento Metropolitan Cable Television Commission, State of California, this 4<sup>th</sup> day of March 2021, by the following vote, to wit:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

\_\_\_\_\_  
Chair of the Board

ATTEST:

\_\_\_\_\_  
Clerk of the Board

EXHIBIT A

FISCAL YEAR 2020-21  
 PROPOSED MID-YEAR BUDGET ADJUSTMENTS  
 GENERAL FUND (094A) & PEG FEE FUND (094B)

GENERAL FUND (094A)				
G/L Number	Expenditure	FY 2020-21 Final* (Approved 9/03/20)	FY 2020-21 Mid-Year Adjustment	\$ Diff
20253100	Legal Services	\$200,000	\$350,000	\$150,000
30398000	O/C – Prior Year (Fiscal Year 2017-18 & 2018-19 Audit Adjustments)	\$310,000	\$160,000	(\$150,000)
PEG FEE FUND (094B)				
G/L Number	Expenditure	FY 2020-21 Final* (Approved 9/03/20)	FY 2020-21 Mid-Year Adjustment	\$ Diff
43430300	Equipment SD-Non-Recon	\$280,513	\$311,474	\$30,961*
79790100	Contingency Appropriation	\$55,084	\$24,123	(\$30,961)
*Revised PEG fee funding request for Regional Transit's Control Room (from \$31,257 to \$62,218).				

# ATTACHMENT 1



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## SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION AMENDED AND RESTATED PEG FEE FUNDING AGREEMENT FOR REGIONAL TRANSIT

FISCAL YEAR 2020-21  
(Revised February 2021)

THIS AMENDED AND RESTATED AGREEMENT is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2020~~1~~, by and between the Sacramento Metropolitan Cable Television Commission (“SMCTC”) and Sacramento Regional Transit District (“SacRTAgency”).

**WHEREAS**, commencing with the 2009-2010 fiscal year, SMCTC began collecting a 1% Public, Educational, and Governmental (“PEG”) access channel fees (“PEG Fee funding”) from cable television operators to support PEG facilities;

**WHEREAS**, SMCTC anticipates that PEG Fee funds will be available to provide to its Member Agencies, Channel Licensees, and Metro Cable to support projects, programming, and services relating to PEG access facilities;

**WHEREAS**, SMCTC has received a request(s) for PEG Fee funding from Metro Cable on behalf of SacRT Regional Transit and hereby approves that request(s). A copy of the approved request(s) made on behalf of SacRT Regional Transit is hereby incorporated by this reference;

**WHEREAS**, SMCTC has received a revised request(s) for PEG fee funding from Metro Cable staff on behalf of SacRT and hereby has approveds that revised request(s); a copy of revised list hereby incorporated by this reference herein as Exhibit A;

**WHEREAS**, federal law currently restricts the use of PEG Fee funding to capital, equipment and facilities expenditures; and

**WHEREAS**, SMCTC and SacRT Regional Transit (Agency) desires to enter into this Amended and Restated revised Agreement to memorialize the terms under which SMCTC will provide PEG Fee funding to Agency, and to expressly set forth the restrictions on SacRTAgency’s use of such funding.

**NOW, THEREFORE**, SMCTC and SacRTAgency agree as follows:

1. Funding to Agency. SMCTC hereby agrees to provide to SacRT Agency the total not to



exceed amount sum of ~~Thirty-one Thousand, Two Hundred Fifty Seven Dollars (\$31,257)~~, ~~SIXTYixty-TWOtwo THOUSANDthousand, Forty-Three-TWO-HUNDRED AND EIGHTEEN DOLLARSollars (\$62,218043)~~, which consists of PEG Fee funding to be used solely for the purposes summarized in the table below and detailed in Exhibit “A” attached hereto and incorporated by this reference.

2020-122A

Fiscal Year 2020-21 PEG Project – Regional Transit Control Room (See Exhibit A – Revised FebuaryFebruary 2021)Revised 2/02/2021)	
EEG - EN492 - iCap <del>closed-Captioning</del> Encoder	\$10,881
<del>Compix - ConverG1 - Character Generator</del>	<del>\$21,375</del>
<del>Cablecast - VIO Lite - Recorder</del>	<del>\$10,687</del>
AJA - KiPrRo Ultra <del>12GPlus - Record-Deck</del>	\$4,744
<del>AJA-Pak-Deck</del>	<del>\$350</del>
<del>AJA - KPU Shelf</del>	<del>\$94</del>
<del>AJA - Pak 2000 - 2TB SSD</del>	<del>\$4,263</del> \$2,132
<del>AJA - 3GDA - SDI DA</del>	<del>\$469</del>
<del>2 Port KVM Switch</del>	<del>\$83</del>
<del>PC Monitor</del>	<del>\$237</del>
<del>TV-Logic - LMV-170A - 22SDI Monitor</del>	<del>\$2,345</del>
<del>AJA - Helo - Streaming Encoder</del>	<del>\$1,538</del>
<del>AJA - HA5-Plus - HDMI to SDI</del>	<del>\$469</del>
<del>Ensemble Designs - BrightEye 72 - SDI to HDMI w/Caption Converter</del>	<del>\$874</del>
<del>Design-Micro Converter (HDMI to SDI)</del>	<del>\$65</del>
<del>Dell Latitude 5500 Laptop</del>	<del>\$1,900</del>
<del>Dell Vostro 5000 PC Tower</del>	<del>\$1,424</del>
<del>San Disk 128GB Ultra SDXC UHS-1 Memory Card</del>	<del>\$100</del>
<del>DataVideo TPC-700 Touch Panel Controller</del>	<del>\$870</del>
<del>2-Way Active Studio Monitor Speakers</del>	<del>\$850</del>
<del>Miscellaneous Equipment/Software</del>	<del>\$1,514</del>
<del>HDMI DA</del>	<del>\$499</del>
<del>HDMI Switch</del>	<del>\$142</del>
<del>HDMI Cable</del>	<del>\$119</del>
<del>Mackie - 402VL4 - Audio Mixer</del>	<del>\$119</del>
<del>Wohler - AMP1-2SDA - Audio Monitor</del>	<del>\$1,852</del>
<del>Furman - CN-1800S - Power Sequencer</del>	<del>\$735</del>
<del>Power Strip</del>	<del>\$475</del>
<del>Sennheiser HD 280 Pro Circumaural Closed-Back Monitor Headphones</del>	<del>\$380</del>
<del>Headphone Extender 25ft 1/4" Extension Cable</del>	<del>\$59</del>

Audio Cable	\$237
<b>Fiscal Year 2020-21 PEG Project – Regional Transit Control Room (CONTINUED)</b>	
Neutrik - NC3MXX - Male XLR	\$11
Neutrik - NP3x - 1/4" TRS	\$21
Belden - 1855a 1,000 ft	\$492
Kings - 2065-11-9 M66 - BNC Connectors 100x	\$284
Rack Screws 50x	\$36
Furniture Ergo Chair 2	\$1,077 \$829
<b>Total Fiscal Year 2020-21 PEG Project</b>	<b>\$31,257 \$62,043 \$218</b>
<i>The PEG Fee funding will be available during Fiscal Year 2020-21, as set forth below.</i>	

While the table above lists specific products by brand and model, SMCTC understands that SacRT must comply with its Board Adopted Procurement Ordinance that requires that supplies and equipment be purchased pursuant to a competitive bidding process. Because of SacRT’s competitive bidding process, SacRT may ultimately purchase equipment that is fundamentally comparable to that equipment listed above, but which may be of a different brand and/or model. SacRT’s purchase of equipment that is of a different brand and/or model shall not constitute a breach of this Agreement by SacRT, so long as the equipment performs substantially similar and is of similar quality to the equipment listed above.

2. **Payment Contingent on Receipt of PEG Fees.** SacRT Agency understands that the funding amount set forth in Section 1 will be made to SacRT Agency solely out of PEG fees collected by SMCTC from cable television operators. Such PEG fees are received in quarterly payments and SMCTC shall be under no obligation to pay to SacRT Agency the amount stated in Section 1, or any other amount, unless SMCTC receives sufficient PEG fees to make such payment. If actual revenue received through PEG Fees is less than anticipated, SMCTC is not obligated to pay SacRT Agency. Payments to SacRT Agency will occur during the fiscal year and will be prioritized by the SMCTC based upon facility needs and available revenue; SacRT Agency will be reimbursed based on actual expenditures.

SacRT Agency further understands that SMCTC may enter, or has already entered, into similar funding agreements with other member agencies and with channel licensees that operate one or more of the SMCTC PEG channels. In the event SMCTC receives some, but not all of the PEG fees necessary to fund all such funding agreements, each agency and channel licensee shall receive available PEG funds based on the criteria set forth above. If there are insufficient PEG fees to satisfy all funding requests during this fiscal year, agencies not receiving all identified funding shall be entitled to a higher priority in the next fiscal year before any funding for new projects for the next year fiscal year is approved.

3. **Use of PEG Fee Funding.** SacRT Agency understands that the funding provided to it pursuant to this Agreement originated from PEG access channel fees. As a condition of accepting the PEG Fee funding, SacRT Agency agrees to use those funds only for capital expenditures, equipment and facilities related to the provision of cablecasting on the PEG channels and for no other purpose. SMCTC has both the responsibility and the right under this Agreement to monitor and audit the use of the funding allocated under this Agreement. SacRT Agency shall agree to cooperate fully with any



audit requested by SMCTC.

Since applicable law does not specifically define those expenses that qualify as capital costs, SMCTC has developed a working definition of the types of expenses that it believes qualify for the use of PEG Fee funding. SMCTC reserves the right to modify its working definition as the law on this topic develops. In accordance with SMCTC's working definition, PEG Fee funding may be used for the following expenditures: purchase of equipment, rental of facilities, purchase of software, and tangible goods provided that, a CPA certifies that the tangible goods qualify as capital expenditures pursuant to standard accounting practices. PEG Fee funding may not be used for the following expenditures: operations, training, maintenance, maintenance contracts/agreements, employment of staff, and hiring of persons to perform services. [SacRT Agency](#) shall provide for such fiscal control and funding accounting procedures as reasonably necessary to assure proper disbursement, accounting, and expenditures of PEG Fee funding.

[SacRT Agency](#) further understands and agrees that the PEG Fee funding provided by SMCTC was awarded based on a request from Metro Cable on behalf of [SacRT Agency](#) and that the use of the PEG funds are limited to the expenditures outlined in that request as approved by SMCTC. If [SacRT Agency](#) determines that it will not proceed with the expenditures as set forth in the request approved by SMCTC during the current fiscal year, then [SacRT Agency](#) shall notify SMCTC that the [SacRT Agency](#) will re-submit the PEG Fee funding in the next fiscal year. [SacRT The Agency](#) may also request to modify the approved use of the funding. The Executive Director may consider and approve requests up to a total of \$50,000 in the fiscal year if the requested change(s) is an allowable PEG Funding expenditure. Requests above a total of \$50,000 will require Commission consideration and action. The Executive Director may consider and approve any request as authorized by this section. The Executive Director may also elect to seek direction or action by the Commission on any such requests.

4. **Indemnification.** [SacRT Agency](#) shall, at its sole expense, fully indemnify, defend, and hold harmless SMCTC and its member agencies, and in their capacity as such, the officers, agents and employees thereof, from and against any and all claims, suits, actions, liability and judgments for damages including reasonable attorneys' fees or otherwise [related to claims arising out of this Agreement](#).

For actual or alleged injury to persons or property, including loss of use of property due to an occurrence, whether or not such property is physically damaged or destroyed, directly or indirectly arising out of or attributable to, in whole or in part, the acts or omissions of [SacRT Agency](#) in connection with, related to, or in any way arising out of [SacRT Agency's](#) use of the PEG Fee funding provided to it under this Agreement.

Directly or indirectly arising out of or attributable to, in whole or in part, [SacRT Agency's](#) failure to comply with the provisions of any statute, regulation, or ordinance of the United States, the State of California, SMCTC or any local agency in connection with, related to, or in any way arising out of [SacRT's Agency's](#) use or expenditure of the PEG Fee funding provided to it under this Agreement.

5. **Attorneys' Fees.** If any party to this Agreement commences any legal action against another party to this Agreement, which arise out of this Agreement or the performance thereof, the prevailing party in such action may recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses and attorneys' fees.

6. Reimbursement Requirement; Record Retention. No later than June 1st for each fiscal year, Agency shall submit to SMCTC a copy of all invoices and receipts reflecting the expenditures made with such funds during the preceding fiscal year, a request for reimbursement from funds identified in Section 1 above and such other information as SMCTC may require. Any expenses or projects that have not been completed by June 15 of that fiscal year shall be subject to the provisions of section 3 above. SMCTC shall reimburse Agency within a reasonable time of receipt of such documentation subject to the provisions of this Agreement, including Sections 2 & 3. [SacRTAgency](#) shall retain all records related to the expenditure of PEG Fee funds for a period of no less than three (3) years from the last expenditure reimbursed under this Agreement.

7. Unauthorized Use of PEG Fee Funding. If SMCTC determines that [SacRTAgency](#) has used the PEG Fee funds provided to it under this Agreement for purposes other than capital expenditures and facilities, [SacRTAgency](#) shall return to SMCTC the total sum of those unauthorized expenditures within sixty (60) days of receipt of written notice from SMCTC.

8. Ownership of Facilities and Equipment. [SacRTAgency](#) shall own and be solely responsible for any facilities, equipment, or other items that it acquires with PEG Fee funding provided to it pursuant to this Agreement. SMCTC shall have no obligations, and shall bear no costs, with respect to any facilities, equipment, or other items that [SacRTAgency](#) acquires with such PEG Fee funding.

9. No Right of Action. [SacRTAgency](#) understands and agrees that it has no right of judicial action against SMCTC for the failure of SMCTC to pay any or all of the funds to Agency under this Agreement. Such judicial actions include those at law and/or equity, including, but not limited to, any action to compel payment of the funds, any action for general or special damages, or otherwise.

10. Agreement Contains All Understanding. This document represents the entire and integrated agreement between the Parties, and supersedes all prior negotiations, representations or agreements, either written or oral regarding the subjects addressed herein. This document may be amended only by written instrument, signed by all Parties.

11. Effective Date of Agreement. This Agreement shall be effective on the date next to the signature of the Executive Director of the SMCTC, as authorized by the SMCTC Board on the ~~3<sup>rd</sup> of September 2020~~ 4<sup>th</sup> of March 2021.

12. Terms. The term of the PEG Fee funding Agreement ends June 30, 2021.

REGIONAL TRANSIT

SACRAMENTO METROPOLITAN  
CABLE TELEVISION COMMISSION

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**EXHIBIT A**

**FISCAL YEAR 2020-21 PEG FEE FUNDING REQUEST  
METRO CABLE C/O REGIONAL TRANSIT  
[\(REVISED FEBRUARY 2021\)](#)**

**FISCAL YEAR 2020-21 PEG FEE FUNDING REQUEST  
(PEG Equipment/Facilities)**

**METRO CABLE PROJECT(S): RT Control Room**

Item	Description	Quantity	Unit Price	Sales Tax	10% Contingency	TOTAL	Installation	Warranty	GRAND TOTAL
Closed Captioning Encoder	EEG - EN492 - iCap CC Encoder	1	\$9,163.00	\$801.76	\$916.30	\$10,881.06	\$0.00	\$0.00	\$10,881.06
Character Generator	Compix - ConverG1 - Character Generator	1	\$18,000.00	\$1,575.00	\$1,800.00	\$21,375.00	\$0.00	\$0.00	\$21,375.00
Primary Recorder	Cablecast - VIO Lite - Recorder	1	\$9,000.00	\$787.50	\$900.00	\$10,687.50	\$0.00	\$0.00	\$10,687.50
Record Deck	AJA - KiPro Ultra 12G - Recorder	1	\$3,995.00	\$349.56	\$399.50	\$4,744.06	\$0.00	\$0.00	\$4,744.06
Recorder Shelf	AJA - KPU Shelf	1	\$79.00	\$6.91	\$7.90	\$93.81	\$0.00	\$0.00	\$93.81
SSD	AJA - Pak 2000 - 2TB SSD	1	\$1,795.00	\$157.06	\$179.50	\$2,131.56	\$0.00	\$0.00	\$2,131.56
SDI Distribution Amp	AJA - 3GDA - SDI DA	1	\$395.00	\$34.56	\$39.50	\$469.06	\$0.00	\$0.00	\$469.06
KVM	2 Port KVM Switch	1	\$70.00	\$6.13	\$7.00	\$83.13	\$0.00	\$0.00	\$83.13
PC Monitor	PC Monitor	1	\$200.00	\$17.50	\$20.00	\$237.50	\$0.00	\$0.00	\$237.50
SDI Monitor	TVLogic - LVM-170A - SDI Monitor	1	\$1,975.00	\$172.81	\$197.50	\$2,345.31	\$0.00	\$0.00	\$2,345.31
Streaming Encoder	AJA - Helo - Streaming Encoder	1	\$1,295.00	\$113.31	\$129.50	\$1,537.81	\$0.00	\$0.00	\$1,537.81
HDMI to SDI	AJA - HA5 Plus - HDMI to SDI	1	\$395.00	\$34.56	\$39.50	\$469.06	\$0.00	\$0.00	\$469.06
SDI to HDMI w/CC	Ensemble Designs - BrightEye 72 - SDI to HDMI w/CC	1	\$736.25	\$64.42	\$73.63	\$874.30	\$0.00	\$0.00	\$874.30
HDMI DA	HDMI DA	1	\$420.00	\$36.75	\$42.00	\$498.75	\$0.00	\$0.00	\$498.75
HDMI Switch	HDMI Switch	1	\$120.00	\$10.50	\$12.00	\$142.50	\$0.00	\$0.00	\$142.50
HDMI Cable	HDMI Cable	5	\$20.00	\$1.75	\$10.00	\$118.75	\$0.00	\$0.00	\$118.75
Audio Mixer	Mackie - 402VLZ4 - Audio Mixer	1	\$99.99	\$8.75	\$10.00	\$118.74	\$0.00	\$0.00	\$118.74
SDI Audio Monitor	Wohler - AMP1-2SDA - Audio Monitor	1	\$1,559.40	\$136.45	\$155.94	\$1,851.79	\$0.00	\$0.00	\$1,851.79
Power Sequencer	Furman - CN-1800S - Power Sequencer	1	\$619.00	\$54.16	\$61.90	\$735.06	\$0.00	\$0.00	\$735.06
Power Strip	Power Strip	4	\$100.00	\$35.00	\$40.00	\$475.00	\$0.00	\$0.00	\$475.00
Headphones	Sennheiser HD 280 Pro Circumaural Closed-Back Monitor Headphones	2	\$159.90	\$27.98	\$31.98	\$379.76	\$0.00	\$0.00	\$379.76
Headphone Extender	Headphone Extender 25ft 1/4" Extension Cable	2	\$24.90	\$4.36	\$4.98	\$59.14	\$0.00	\$0.00	\$59.14
Audio Cable	Audio Cable	1	\$200.00	\$17.50	\$20.00	\$237.50	\$0.00	\$0.00	\$237.50
Male XLR Connector	Neutrik - NC3MXX - Male XLR	4	\$2.39	\$0.84	\$0.96	\$11.35	\$0.00	\$0.00	\$11.35
1/4" TRS Connector	Neutrik - NP3x - 1/4" TRS	4	\$4.35	\$1.52	\$1.74	\$20.66	\$0.00	\$0.00	\$20.66
Coax 1,000 ft	Belden - 1855a 1,000 ft	1	\$414.00	\$36.23	\$41.40	\$491.63	\$0.00	\$0.00	\$491.63
BNC Connectors 100x	Kings - 2065-11-9 M66 - BNC Connectors 100x	1	\$239.00	\$20.91	\$23.90	\$283.81	\$0.00	\$0.00	\$283.81
Rack Screws 50x	Rack Screws 50x	1	\$30.00	\$2.63	\$3.00	\$35.63	\$0.00	\$0.00	\$35.63
Desk Chair	Ergo Chair 2	2	\$349.00	\$61.08	\$69.80	\$828.88	\$0.00	\$0.00	\$828.88

**TOTAL FISCAL YEAR 2020-21 PEG EQUIPMENT FUNDING REQUEST:**

\$ 62,218.11 \$ - \$ - \$ 62,218.11

Please attach vendor quotes / supporting documentation for all of the items requested above.

  
Signature \_\_\_\_\_

Kevin Bennion, Technical Coordinator, Metro Cable 14  
Name & Title: \_\_\_\_\_

2/5/2021

Date: \_\_\_\_\_



# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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

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

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## AGENDA ITEM NO. 3

**DATE:** March 4, 2021

**TO:** Chair and Board of Directors

**FROM:** Robert A. Davison, Executive Director

**SUBJECT:** **RESOLUTION NO. 2021-002, APPROVING THE AMENDED AND RESTATED SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION CAFETERIA PLAN**

---

### **RECOMMENDATION:**

It is recommended the Board: 1) adopt Resolution No. 2021-002, Approving the Amended and Restated Sacramento Metropolitan Cable Television Commission (SMCTC) Cafeteria Plan; and 2) direct staff return at the June 3, 2021 annual budget meeting with an item to implement vision, life insurance, and employee assistant program benefits for eligible Commission employees.

### **BACKGROUND/DISCUSSION:**

The Sacramento Metropolitan Cable Television Commission (SMCTC) previously adopted a Cafeteria Plan (Café Plan) pursuant to Section 125 of the Internal Revenue Code for the benefit of its eligible employees and their dependents. Under the current Café Plan, employees are given flex dollars to pay for the CalPERS health insurance plan they have elected. The amount of the flex dollars is equal to 80% of the CalPERS Kaiser family premium for the region that includes Sacramento. The Café Plan also includes dental benefits where 100% of the benefit is paid for by the Commission. Benefits such as vision, life insurance, and the employee assistance program (EAP) are not currently provided and employees are on their own to purchase these benefits if they wish. Currently, the flex dollars amount is \$846.19 semi-monthly, or \$1,692.37 monthly. Under current policy, an employee that does not use the full amount of the flex dollars to pay for their benefit elections under the Café Plan receives the remaining balance as taxable compensation (cash back).

It was brought to staff's attention that the current Café Plan does not comply with federal law. First, the Café Plan has not been amended to comply with various changes applicable to the Café Plan that have been enacted since it was first adopted. Second, the proportion of taxable compensation to the total flex dollar value (i.e., the amount that SMCTC makes available for the purchase of nontaxable benefits) is high which could cause the Café Plan to be deemed a non-bona fide plan for purposes of the Federal Labor Standards Act (FLSA).

Therefore, staff requested that Legal Counsel amend the existing Café Plan to ensure it complies with current law. In addition, staff requested that Legal Counsel provide guidance on how to modify the cash back component of the Café Plan, to further ensure that the Café Plan is considered a bona fide plan for FLSA purposes.

**Agenda Item No. 3**

**Resolution No. 2021-002, Approving the Amended and Restated SMCTC Cafeteria Plan**

**Page 2**

After discussions with Legal Counsel, staff concluded that in order for the Café Plan to maintain bona fide plan status, it would be necessary that the cash back design be revised. Instead of the total cash back possible being equal to the unallocated portion of the flex dollar amount, staff concluded that the cash back should be capped at a fixed dollar amount. By doing so, SMCTC will ensure that the proportion of cash back to the total flex dollars made available under the Café Plan stays below the threshold that is generally consistent with bona fide plan status (i.e., 20%).

After running several scenarios to ensure that the reduction in the amount of cash back has the least amount of impact on employees while remaining under the 20% threshold, staff concluded that the cash back should be capped at \$275 semi-monthly/\$550 monthly. As such, staff proposes that the cash back be capped at \$275 semi-monthly/\$550 monthly.

Staff further proposes that this change become effective on January 1, 2022. Open enrollment to enroll in a CalPERS health benefit plan is held early fall the year prior to when the elections take effect. This means that current health plan enrollment for our employees was based on elections that took place in October of 2020. It's possible that the proposed change in the cash back amount could cause employees to want to change their health plan elections if that were permissible.

However, due to federal law, a mid-year change in the elections made in the prior open enrollment period is not permissible as a result of a change in the amount of cash back available. Therefore, to avoid a detrimental impact as a result of the decisions made by employees during the prior open enrollment period, staff proposes that the proposed change in the cash back take effect on January 1, 2022, which will be the effective date for health plan elections made during the 2021 open enrollment period that will be in September/October 2021.

Due to the impact on employees, staff has also reviewed other benefit options that may be available to Commission employees. Staff has reached out to its insurance provider, GSRMA, which can provide vision, life insurance, and EAP benefits.

The approximate per employee cost for those benefits is as follows:

<b>Benefit</b>	<b>Single Monthly Premium</b>	<b>Family Monthly Premium</b>
Vision	\$5.57	\$17.38
Life Insurance	\$1.77 (Basic)	\$12.10 (Exempt Employees)
EAP	\$1.38	N/A

Given the impact of the modified Café Plan on employees, staff's recommendations includes the addition of vision, life insurance, and employee assistant program benefits as part of the Café Plan where 100% of the benefit is paid for by the Commission (in addition to the dental benefit). Staff is recommending that the Board direct staff to return at the June budget meeting with an item to implement vision and life insurance, and EAP benefits for Commission employees.

The enclosed Sacramento Metropolitan Cable Commission Television Commission Amended and Restated Cafeteria Plan has been prepared by Legal Counsel to conform to the Commission's benefit program design, including the preceding proposed change in the cash back design. In addition, the Café Plan has been restated to comply with federal and state laws that have been enacted since the cafeteria plan was first established.



**Agenda Item No. 3**

**Resolution No. 2021-002, Approving the Amended and Restated SMCTC Cafeteria Plan**

**Page 3**

**RECOMMENDATION:**

It is recommended the Board: 1) Adopt Resolution No. 2021-002, Approving the Amended and Restated SMCTC Cafeteria Plan, which approves the SMCTC Amended and Restated Cafeteria Plan (“Plan”), and authorizes the Executive Director or his designee to execute the Plan on behalf of SMCTC, along with any future amendments that contain only non-substantive and/or administrative changes to the plan documents.; and 2) Direct staff return at the June 2021 budget meeting with an item to implement vision, life insurance, and employee assistant program benefits for eligible Commission employees.

Respectfully submitted,

**Robert A. Davison**

Digitally signed by Robert A. Davison  
DN: cn=Robert A. Davison, o=Sac Metro Cable TV  
Commission, ou=Executive Director,  
email=davisonb@saccounty.net, c=US  
Date: 2021.02.26 15:54:10 -08'00'

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

Attachments:

Resolution No. 2021-002

SMCTC Amended and Restated Cafeteria Plan

**SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION**

**RESOLUTION NO. 2021-002**

**A RESOLUTION APPROVING THE AMENDED AND RESTATED SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION CAFETERIA PLAN**

**WHEREAS**, the Sacramento Metropolitan Cable Television Commission ("Commission") previously established the Sacramento Metropolitan Cable Television Commission Cafeteria Plan ("Cafeteria Plan"); and

**WHEREAS**, it is necessary to amend and restate the Cafeteria Plan to comply with current legislation and the benefits set forth in the Commission's benefit policies; and

**WHEREAS**, the Cafeteria Plan incorporates Schedule "A", currently identifying benefits which may periodically change, and as such, it is necessary that Commission staff have the authority to automatically update or revise Schedule "A", as necessary upon approval of changes to such benefits by the Board of Directors of the Commission ("Board"); and

**WHEREAS**, the Board desires to appoint the Administrative Services Officer III as the Privacy Official for the Cafeteria Plan, as required by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"); and

**WHEREAS**, the Board desires to authorize the Executive Director, or his or her designee, to execute the amended and restated Cafeteria Plan on behalf of the Commission, along with any future amendments that contain only non-substantive and/or administrative changes to the plan documents.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Sacramento Metropolitan Cable Television Commission as follows:

**SECTION 1.** The Commission hereby adopts the amended and restated Sacramento Metropolitan Cable Television Commission Cafeteria Plan ("Cafeteria Plan"), effective as of January 1, 2022.

**SECTION 2.** The Board hereby authorizes the Executive Director, or his or her designee, to duly execute the Cafeteria Plan on behalf of the Commission, along with any future amendments that contain only non-substantive and/or administrative changes to the plan documents.

**SECTION 3.** That the Board hereby authorizes the Executive Director, or his or her designee, to automatically update Schedule "A" as changes to the benefits referenced therein are approved by the Board.

**SECTION 4.** That the Board hereby appoints the Administrative Services Officer III as the HIPAA Privacy Official for the Cafeteria Plan.

On a motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Governing Board of the Sacramento Metropolitan Cable Television Commission, State of California, this 4th day of March 2021, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

**APPROVED:**

\_\_\_\_\_  
Chair of the Board

**ATTEST:**

\_\_\_\_\_  
Clerk of the Board

# **SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION AMENDED AND RESTATED CAFETERIA PLAN**

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION (the “Employer”) established the SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION CAFETERIA PLAN (the “Plan”) for the benefit of its employees and their dependents effective January 1, 2022. The Employer desires to amend and restate the Plan to conform with current legislation and the benefits set forth in its benefit policies. The Employer hereby amend and restates the Plan, effective January 1, 2021.

## ARTICLE I TITLE AND PURPOSE

This Cafeteria Plan shall be known as the AMENDED AND RESTATED SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION CAFETERIA PLAN. The purpose of the Plan is to furnish to eligible employees choices among certain Benefits provided by the Employer, so that employees may receive Benefits that best meet their individual needs. The Plan is intended to provide benefits in accordance with Sections 125 and 105 of the Internal Revenue Code, as amended, and the Regulations issued thereunder, so that the Benefits that an Employee elects to receive under the Plan are eligible for exclusion from the Employee’s income for federal income tax purposes. The Employer shall offer at least one permitted taxable benefit and at least one nontaxable qualified benefit.

## ARTICLE II COMPONENT PLANS

The Benefits offered under this Plan are provided through separate Component Plans which are set forth in separate plan documents, group insurance policies or administrative service contracts and are incorporated herein and identified in Schedule “A” attached hereto.

## ARTICLE III DEFINITIONS

The following words and phrases, when used herein, shall have the following meanings, unless a different meaning is clearly required by the context:

3.1 Administrator. “Administrator” means the Employer or any person or entity appointed by the Employer to administer this Plan on its behalf, as provided in Article IV.

3.2 Benefit. “Benefit” means any of the qualified benefits and permitted taxable benefits which may be purchased under this Plan.

3.3 CalPERS. “CalPERS” shall refer to the California Public Employees’ Retirement System created under the authority of the Public Employees’ Retirement Law as provided under Section



20000 et. Seq. of the California Government Code and as administered by the CalPERS Board of Administration.

3.4 Code. “Code” means the Internal Revenue Code of 1986, as amended and regulations issued thereunder. References to any section of the Code include references to any comparable or succeeding provision of any legislation which amends, supplements or replaces such section.

3.5 Component Plan. “Component Plan” means any plan offering Benefits available under this Plan, as set forth in the separate plan documents.

3.6 Core Coverage. “Core Coverage” means the mandatory Benefit option consisting of at least employee-only health coverage under the Employer’s group health plan which a Participant is required to elect under the terms described in Section 5.3

3.7 Dependent. “Dependent” means the Spouse or dependent of a Participant and who is eligible to receive benefits under a Component Plan. Dependent shall also mean, as to health benefits offered under the Plan, a dependent eligible under Code Section 152, determined without regard to Code Section 152(b)(1), (b)(2) or (d)(1)(B) and any child (as defined in Code Section 152(f)(1)) of the Participant who as of the end of the taxable year has not attained age 27 years.

Notwithstanding the preceding, if a Component Plan permits a Participant to cover an individual other than the Participant’s Spouse or Dependent (including a Participant’s registered domestic partner as recognized by the State of California), the term Dependent as used throughout the Plan document shall also include such individual provided the benefit is treated as a taxable benefit in accordance with Section 8.6.

3.8 Effective Date. “Effective Date” of this restatement means January 1, 2017.

3.9 Employee. “Employee” means all regular full-time and part-time employees of the Employer and, to the extent necessary, former employees who are entitled to receive benefit payments under this Plan. “Employee” shall also mean any individual who is treated as employed by a single employer under Sections 414(b), (c) and (m) of the Code. “Employee” shall not include any self-employed individual described in Section 401(c) of the Code.

3.10 Employer. “Employer” means the SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION.

3.11 Entry Date. “Entry Date” means, for all newly hired Employees, the date of hire. In all other cases, the “Entry Date” shall mean the first day of each Plan Year.

3.12 FMLA. “FMLA” means the Family Medical Leave Act of 1993, as amended and including all regulations issued thereunder.

3.13 Flexible Benefit Allowance. “Flexible Benefit Allowance” means the monthly contribution to the Plan made by the Employer on behalf of each Participant for the purchase of Benefits under this Plan as set forth in Schedule “A”.

3.14 Flexible Benefit Dollars. “Flexible Benefit Dollars” means the Salary Reduction and Flexible Benefit Allowance allocated to each Participant for the Plan Year for the purchase of Benefits, subject to the limitations on use set forth in this Plan.

3.15 Leave of Absence. “Leave of Absence” means any absence of an Employee which is authorized by the Employer designated as FMLA leave. Additionally, an Employee shall be subject to such rights and benefits for family or medical leave, as defined in the California Family Rights Act of 1991.

3.16 Marketplace. “Marketplace” means a state-facilitated or federally-facilitated exchange through which individuals may purchase health insurance.

3.17 Open Enrollment Period. “Open Enrollment Period” means the period beginning at least thirty (30) days before the beginning of the next Plan Year and ending on any date preceding the commencement of the Plan Year, as determined by the Administrator. For a new Employee, “Open Enrollment Period” shall mean the period between the Employee’s effective date of employment and the first day on which an Employee may become a Participant.

3.18 Participant. “Participant” means an Employee who becomes enrolled in the Plan pursuant to Article V. “Participant” shall also mean a former employee who elects to continue health coverage under the Plan pursuant to Article IX. Former Employees, however, shall not receive a Flexible Benefit Allowance.

3.19 Period of Coverage. “Period of Coverage” generally means the Plan Year beginning on January 1 and ending on December 31. A Participant’s Period of Coverage may be less than 12 months if a new Participant enters the Plan during the year or a Participant completes a permitted election change in accordance with Article VI. A Participant’s Period of Coverage shall also include continuation coverage elected by a terminated Participant or Qualified Beneficiary.

3.20 Plan. “Plan” means the SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION CAFETERIA PLAN, set forth herein, including all subsequent amendments and modifications hereto.

3.21 Plan Year. “Plan Year” means the twelve (12) consecutive month period commencing January 1 and ending on December 31.

3.22 Salary Reduction. “Salary Reduction” means the amounts paid into the Plan pursuant to elections made by the Participant to reduce his or her compensation for the purchase of Benefits elected by the Participant.

3.23 Short Plan Year. “Short Plan Year” shall mean a Plan Year which is less than twelve (12) months and which ends on the last day of the Plan Year. This Short Plan Year shall arise only in the following circumstances: (i) the initial Plan Year did not begin on January 1; or (ii) the Employer changes the Plan Year for a valid business purpose resulting in a Short Plan Year. In the event that a Short Plan Year is in effect, all references to “Plan Year” shall be replaced by “Short Plan Year” in all instances where it is appropriate.

3.24 Spouse. “Spouse” means the person to whom the Participant is legally married but shall not include an individual legally separated from a Participant under a decree of legal separation. Notwithstanding, a Participant’s registered domestic partner shall be entitled to and receive

the same rights and coverage attributable to medical and health benefits offered under the Plan pursuant to the California Domestic Partner Rights and Responsibilities Act of 2003, provided that such benefits are treated as taxable benefits in accordance with Section 8.6.

3.25 Uniformed Services. “Uniformed Services” means the Armed Forces, the Army National Guard, and the Air National Guard when engaged in active duty for training, inactive duty training, or full-time National Guard duty, the commissioned corps of the Public Health Service, and any other category of persons designated by the President of the United States in time of war or emergency.

#### ARTICLE IV ADMINISTRATION

##### 4.1 Allocation of Responsibility for Administration.

(a) Designated Representatives. The Employer may appoint an individual or an administrative committee to serve at its discretion as Administrator. The Administrator shall have only those powers, duties, responsibilities and obligations as are specifically given to the Administrator under the Plan.

(b) Employer Responsibilities. The Employer shall have the sole responsibility for making the contributions provided for under Article VII and shall have the sole authority to amend or terminate, in whole or in part, the Plan at any time.

(c) Administrator’s Responsibilities. The Administrator shall have the sole responsibility for the administration of the Plan, as set forth herein. The Administrator warrants that any directions given, information furnished, or action taken by it shall be in accordance with the provisions of the Plan authorizing or providing for such direction, information or action. The Administrator shall be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan and shall not be responsible for any act or failure to act of another Employee. Neither the Administrator, nor the Employer makes any guarantee to any Participant in any manner for any loss or other event because of the Participant’s participation in the Plan.

(d) Transfer of Duties. The Employer may, at any time, assign all or any portion of the Administrator’s duties to a contracting third party.

##### 4.2 Powers and Duties of Administrator.

(a) Powers and Duties Delegated to Administrator. The Administrator shall supervise the administration of the Plan. The Administrator shall be responsible for ensuring that the terms and conditions of the Plan are carried out for the exclusive benefit of persons entitled to participate in the Plan without discrimination. The Administrator shall have full power to administer the Plan, subject to the applicable requirements of the law and any Administration Agreement executed by and between the Employer and the Administrator. For this purpose, the Administrator’s powers shall include the following:

(1) to construe and interpret the Plan, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits hereunder;

(2) to prescribe the procedures for the Participants to follow in filing applications for benefits and to prepare forms to be used by the Participants;

(3) to prepare and distribute, in such manner as the Administrator determines appropriate, information explaining the Plan;

(4) to receive from the Employer, Participants, Participant's spouses and Dependents, and other persons such information as shall be necessary for the proper administration of the Plan;

(5) to furnish to the Employer and the Participants, upon request, annual reports detailing the administration of the Plan;

(6) to receive, review and keep on file records pertaining to the Plan, as the Administrator deems convenient and proper;

(7) to allocate its administrative responsibilities;

(8) to appoint or employ individuals and any other agents the Administrator deems advisable, including legal and actuarial counsel, to assist in the administration of the Plan;

(9) to adopt such rules as the Administrator deems necessary, desirable or appropriate, subject to applicable law. All rules and decisions of the Administrator shall be uniformly and consistently applied to all Participants in similar circumstances; and

(10) to take all other steps necessary to properly administer the Plan in accordance with its terms and conditions and the requirements of the applicable law.

(b) Powers and Duties Not Delegated to Administrator. The Administrator shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under the Plan, except as may be expressly provided herein. Interpretations of the provisions of the Plan shall not be deemed to be additions, subtractions, or modifications of the Plan.

4.3 Nondiscriminatory Exercise of Authority. Whenever in the administration of the Plan any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated shall receive substantially the same treatment.

4.4 Incapacity of Participant. Whenever, in the Administrator's opinion, a person entitled to receive any payment of a benefit hereunder or an installment thereof is under a legal disability or is incapacitated in any way so as to be unable to manage the person's financial affairs, the



Administrator may direct the Employer to make payments to such Participant or to such person or to the person's legal representative or to a relative or friend of such person on such person's behalf, or the Administrator may apply the payment for the benefit of such Participant in such manner as the Administrator considers advisable. Any payment of a benefit or installment in accordance with the provisions of this Section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

4.5 Indemnification of Administrator. The Employer agrees to indemnify any Employee serving as Administrator (including any Employee or former Employee who formerly served as Administrator), against any and all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Employer) occasioned by any act or omission to act in connection with the Plan, if such act or omission is made in good faith pursuant to the provisions of the Plan and not as a result of the Administrator's gross negligence or willful misconduct.

## ARTICLE V ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Each Employee shall be eligible to participate in the Plan as of his or her Entry Date.

5.2 Participation. An Employee may become a Participant by completing and executing an Enrollment Form and Salary Reduction Agreement and by providing such other information as is reasonably required by the Employer as a condition of such participation. A Participant's election to participate in the Plan shall continue to be valid until expressly revoked or altered, as set forth in Article VI. The Administrator shall continue to make Salary Reductions and the Participant shall be deemed to have selected the Benefits previously elected by Participant in subsequent Plan Years consistent with the Participant's most recent election form.

5.3 Recommencement of Participation. A former Participant may recommence participation in the Plan on his or her date of reemployment as an eligible Employee. If a former Participant is rehired by the Employer within 30 days of his or her date of termination, such Participant shall not be permitted to submit a new election and his or her prior election shall be reinstated for the remainder of the Plan Year.

Any employee who returns to active employment within ninety (90) days of completing a period of absence from employment for duty in the Uniformed Services shall reenter the Plan upon reemployment. A Participant whose health coverage under the Plan is terminated on account of his or her being in "uniformed service," and is later reinstated, shall not be subject to a new exclusion or waiting period requirement imposed by such group health plan, provided that such requirements would not have been imposed if coverage had not been terminated as a result of the "uniformed service."

5.4 Leave of Absence. An Employee shall not be disqualified from participating in the Plan during the period in which the Employee is on an authorized Leave of Absence; provided, that Employee continues to have an employment relationship with the Employer and arranges to continue to pay the required costs of coverage for the Benefits elected for the Plan Year.

The Employer shall continue to provide the Flexible Benefit Allowance during the Participant's Leave of Absence irrespective of whether the leave is paid or unpaid. If the Participant

takes paid leave, the Participant shall have his or her share of the cost of Benefits deducted from his or her salary in the same manner as before the paid Leave of Absence was taken

A Participant who takes an unpaid leave of absence under FMLA, the California Family Rights Act of 1991 or Pregnancy Disability Leave (“Statutory Leave”) shall pay the required costs of coverage as provided in Section 8.2; however, the Employee may revoke his or her election to participate under any group health insurance benefit offered under this Plan for the remainder of the Plan Year in which the unpaid Statutory Leave commences. Such revocation shall take effect in accordance with such procedures as prescribed by the Administrator. If the Participant makes such an election, the Employer’s provision of any Flexible Benefit Allowance, with respect to any protected Leave of Absence, shall also cease. Upon such Participant’s return from his or her Statutory Leave, the Participant may then elect to be immediately reinstated in the Plan, on the same terms that applied to the Participant prior to the Statutory Leave, with respect to group health plans, taking into account any voluntary revocation with respect to the allocation of any Flexible Benefit Allowance, and with such other rights to revoke or change elections as are provided to the Participants under the Plan. Notwithstanding the foregoing, a Participant on Statutory Leave shall have no greater rights to benefits for the remainder of the Plan Year in which the Statutory Leave commences than do other Participants.

5.5 Cessation of Participation. An Employee shall cease to be a Participant under this Plan and therefore, under each Component Plan, as of the earliest of:

- (a) the date on which the Participant separates from service with the Employer; or
- (b) the date on which the Administrator, on a consistent and uniform basis, deems the Participant has failed to make the required premium payments, including the Salary Reduction, for the elected benefits, as provided in Section 5.6; or
- (c) the date on which the Participant is not eligible to participate in any of the Component Plans for which he or she wishes to make an election; or
- (d) the date on which the Participant dies; or
- (e) the date on which the Plan terminates.

5.6 Cessation of Required Contributions. A Participant’s election to participate in the Plan may be terminated in accordance with Section 5.5(b) if the Participant fails to make the required premium payments with respect to the Benefit. In such case, that individual may not make a new benefit election for the remaining portion of the Plan Year.

5.7 Eligibility Under Component Plans. The eligibility of a Participant under a Component Plan shall be the same as set forth in this Article, unless otherwise specified in the Component Plan under which a Participant has elected to receive benefits. Each Component Plan may provide more rigorous eligibility requirements which may cause a Participant to be ineligible to participate in a particular Component Plan, but continue to be eligible to participate in this Plan.

ARTICLE VI  
ELECTIONS AND PROCEDURES

6.1 Election of Benefits. Prior to the annual Entry Date (or mid-year Entry Date for newly hired Employees), there shall be an Open Enrollment Period during which the Employee may elect to participate in this Plan. During the Open Enrollment Period, the Administrator shall provide each Employee with an Enrollment Form and Salary Reduction Agreement. The Participant shall specify on his or her Enrollment Form the amount of Salary Reduction, if any, and Flexible Benefit Allowance which are to be applied to provide the Benefits selected, subject to the limitations on the use as set forth in this Plan.

6.2 Salary Reduction Agreement. Prior to participation and prior to each Plan Year, the Employee shall complete a Salary Reduction Agreement which shall include, at a minimum, the following information:

(a) that the election form shall be completed and returned to the Administrator during the Open Enrollment Period; and

(b) that the election shall be irrevocable and effective for the entire Plan Year for which the election is made, unless the Participant is entitled to change his or her election as provided in this Article VI; and

(c) that the Participant is directing the Administrator to convert his or her salary (Salary Reduction) to Flexible Benefit Dollars, as set forth in Article VIII, and

(d) that the Participant's Salary Reduction shall be considered as Employer contributions used to pay for Benefits under the Plan.

Salary Reductions shall be contributed to the Plan by the Employer on behalf of a Participant on a level and pro rata basis for each payroll period. The Administrator, may, in its discretion, establish a limit on the amount of Salary Reductions which a Participant may elect for the Plan Year or adjust any Salary Reduction election made under the Plan, to ensure that the Plan complies with the nondiscrimination provisions of Article X.

6.3 Core Coverage - Mandatory Health Coverage. Each Employee shall be permitted to select among the Benefits made available under the Plan; however, each Employee shall be required to elect at least employee-only group health coverage under the Plan unless the Employee is currently receiving health benefits from another group health plan. An Employee electing employee plus 1 or family coverage shall be deemed to satisfy the Core Coverage requirement. An Employee shall only be exempt from electing Core Coverage if the Employee satisfies the requirements to waive Core Coverage under Section 7.3(a) of this Plan.

6.4 Participant Makes Incorrect Election. If a Participant does not elect the correct amount under his or her Salary Reduction or Flexible Benefit Dollars to pay for coverage of the Benefits selected under the Plan, the Administrator is authorized to increase or decrease a Participant's election by the amount necessary to provide the Participant's elected coverage under the Plan.

6.5 Cost of Coverage Increased or Decreased. If the cost of any Benefit offered under the Component Plans increases or decreases during the Plan Year, the Administrator may, on a reasonable and consistent basis, automatically increase or decrease a Participant's election by a

corresponding amount of Salary Reduction to ensure that the Participant continues to receive the elected coverage under the Component Plans; provided, however, that if the increase or decrease is a significant change in cost, that the Participant shall be given the option to elect to change his or her benefits.

6.6 Failure to Make Initial Election. If an Employee who is first eligible to participate in the Plan fails to return the election form prior to the end of the Open Enrollment Period, the Employee shall be deemed to have elected to enroll in a health insurance plan, employee coverage only, as determined by the Administrator on a uniform and nondiscriminatory basis, unless the employee meets the waiver requirements of Section 7.3(a).

6.7 Elections for Subsequent Plan Years.

(a) Open Enrollment Period. An Open Enrollment Period shall occur prior to the beginning of each Plan Year. During the Open Enrollment Period, a Participant who wishes to change his or her existing election, shall have the opportunity to elect new or different coverage under the Plan effective for the subsequent Plan Year subject to the terms and conditions of the Component Plans.

(b) Failure to Reelect. If a Participant fails to reelect coverage but remains eligible to participate, the Participant shall be deemed to have elected the Benefits selected on the election for the preceding Plan Year and a Salary Reduction amount necessary to provide the same coverage.

(c) Exemption from Core Coverage Requirements. If a Participant elects to waive Core Coverage pursuant to Section 7.3(a) by providing evidence of other group health coverage, the Participant must submit a new election (along with proof of alternate coverage) for each new Plan Year. If the Participant fails to submit a new election and/or provide evidence of alternate coverage for a subsequent Plan Year, the Participant shall be deemed to have elected to enroll in a health insurance plan, employee coverage only, as determined by the Administrator on a uniform and nondiscriminatory basis. Further, the Participant's salary shall be reduced by the amount of Salary Reductions necessary, if any, to provide the minimum required Core Coverage Benefits after the application of the portion of his or her Flexible Benefit Allowance for the Plan Year.

(d) Continuation Coverage. During an Open Enrollment Period, any Participant, or a Qualified Beneficiary thereof, that has elected continuation of health coverage under the Plan, shall have the opportunity to elect new or different coverage under the Plan effective for the subsequent Plan Year. However, any such election shall be limited to health care options under the Plan.

6.8 Special Enrollment Period. In accordance with the Code Section 9801(f) and the regulations issued by the Department of Health and Human Services, an eligible Employee or Dependent who either incurs a loss of health coverage or becomes otherwise eligible for health coverage under this Plan shall be permitted to enroll for health coverage under the Plan in accordance with one of the special enrollment periods described in paragraphs (a) and (b) below.

(a) Loss of Health Coverage. An Employee who is otherwise eligible to enroll in the Plan but has not elected to participate in the Plan, or a Dependent of



Employee that is not enrolled but otherwise eligible under the Plan, shall be permitted to enroll for coverage under the Plan provided all of the following conditions are met:

(1) The Employee or Dependent was covered under another group health plan or had alternate health insurance coverage (“Prior Health Coverage”) at the time coverage under this Plan was previously offered to the Employee.

(2) The Employee stated in writing at such time that Prior Health Coverage was the reason for declining enrollment.

(3) The Employee’s or Dependent’s Prior Health Coverage was either:

(i) under a continuation coverage provision and the coverage period was exhausted; or

(ii) was terminated as a result of loss of eligibility (including a result from a change in family status) or employer contributions toward such coverage were terminated.

(4) Under the terms of the Plan, the employee requests such enrollment not later than 30 days after the date of a special enrollment event or the date a certificate of group health coverage is provided following a termination of health coverage.

(b) State Premium Subsidy. Notwithstanding the thirty (30) day election period prescribed by subparagraphs (a) and (b) above, if an Employee or his or her Dependent becomes eligible to receive a state premium subsidy for a group health plan sponsored by the Employer, such Employee shall have the opportunity to enroll himself or herself or his or her affected Dependent for coverage in the Employer’s health plan, provided the Employee elects enrollment within sixty (60) days of the date of the notice of qualification from Medicaid or the Children’s Health Insurance Program (CHIP).

(c) Dependent Special Enrollment Period. Any Employee, regardless of whether said Employee is currently enrolled for health coverage under the Plan, who experiences an increase in the number of Dependents whether through marriage, birth, adoption or placement for adoption, shall be permitted to enroll for health coverage under the Plan. During the “dependent special enrollment period,” Employee shall have the opportunity to enroll all other Dependents who are otherwise eligible for coverage, including the Employee if not enrolled, provided the Employee elects enrollment within thirty (30) days commencing on the later of: (i) the date dependent coverage is made available; or (ii) the date of the marriage, birth, adoption, placement for adoption, or other event which results in the change of Dependents of Employee.

6.9 Revocability of Elections. The Administrator shall permit a Participant to make a new election outside of the Open Enrollment Period for the remainder of a Plan Year only if the new election is for one of the following reasons:

(a) both the revocation and new election are made on account of and are consistent with a change in the Participant's family status, as set forth in Section 6.9;

(b) there is a significant change in the cost or coverage of the benefits previously elected by the Participant, as set forth in Section 6.10 and Section 6.11;

(c) both the revocation and new election are made on account of and pursuant to the terms of a "national medical support notice," as set forth in Section 6.12; or

(d) the Participant, spouse or dependent becomes eligible for continuation coverage under Article IX and the Participant desires to elect to increase the amount of his or her Salary Reduction in order to pay for the continuation coverage.

6.10 Change in Family Status. A Participant may make a change in coverage during a Plan Year due to a change in family status, as set forth in this Section. A Participant must notify the Administrator and must complete a new election form to change coverage. The Participant's election shall only be deemed valid if the requested change in coverage is necessitated by and corresponds with the change in family status and is consistent with the terms and conditions of the affected Component Plan. This election shall be effective as of the first day of the month following the date the Participant provides the Administrator with a new election form reflecting the change in coverage due to a change in family status.

A change in family status shall include the following:

(a) a change in the Participant's marital status, including marriage, death of spouse, divorce, legal separation, or annulment;

(b) a change in the number of dependents of a Participant (as defined in Section 3.6), including a birth of a child, adoption, placement for adoption, or death of a dependent;

(c) any change in the employment status of the Participant, spouse or dependent which results in that individual becoming or ceasing to be eligible under this Plan or other employee benefit plan maintained by the employer of the Participant, spouse or dependent, including a termination or commencement of employment; a strike or lockout; a commencement or return from an unpaid leave of absence (including leave taken under FMLA); a change in work site; or a reduction or increase in hours of employment (including a switch between part-time and full-time);

(d) a dependent satisfies or ceases to satisfy the eligibility requirements for coverage due to attainment of age, student status, or any similar circumstances as provided under the Component Plan under which the employee receives coverage;

(e) a change in the place of residence of the Participant, spouse, or dependent; and

(f) a Participant, spouse, or dependent becoming or ceasing to be entitled to coverage under MediCare or Medicaid.

To the extent the Code, and regulations issued thereunder, alters this definition of change in family status, this Section 6.9 is intended to be interpreted in accordance with any revised definition or interpretation.

#### 6.11 Significant Change in Cost of Benefit.

(a) If the cost of a Benefit option significantly increases during a coverage period, all affected Participants may make a corresponding change in their benefit election under the Plan. Changes that may be made include the following:

(1) In the case of a Benefit option which has experienced a significant decrease in cost, a Participant may make a prospective change to an election to commence participation in that Benefit option.

(2) In the case of a Benefit option what has experienced a significant increase in cost, a Participant may change an election to terminate such coverage and either, elect prospective coverage under another Benefit option providing similar coverage or drop coverage if no other Benefit option providing similar coverage is available.

(b) For purposes of this Section, a “cost of increase or decrease” refers to an increase or decrease in the amount of the Salary Reductions contributed by a Participant under the Plan, whether that increase or decrease results from an action taken by the Employee (such as switching between full-time and part-time status) or from an action taken by the Employer (such as reducing the amount of Employer contributions for a class of Employees).

#### 6.12 Significant Change in Coverage of Component Plan Benefit.

(a) Significant Curtailment Without Loss of Coverage. If a Participant or a Participant’s spouse or dependent experiences a “significant curtailment of coverage” under a Benefit option that is not a loss of coverage, including a significant increase in the deductible, co-payment, or the out-of-pocket cost sharing limit under a group health plan; the Participant may revoke his or her election for such coverage and prospectively elect to receive coverage under another Benefit option providing similar coverage. For this purpose, coverage under a Component Plan is “significantly curtailed” only if there is an overall reduction in coverage provided under the Component Plan so as to constitute reduced coverage generally. In this regard, the loss of one particular physician in a health care provider network in most cases will not qualify for a significant curtailment of coverage under this Section.

(b) Significant Curtailment With Loss of Coverage. If a Participant or a Participant’s spouse or dependent experiences a significant curtailment of coverage that is a “loss of coverage” under a Benefit option, the Participant may revoke his or her election for such coverage and elect either to receive coverage under another Benefit option providing similar coverage or to drop coverage if no other Benefit option providing similar coverage is available under the Plan. For this purpose, a loss of coverage” means a complete loss of coverage under a benefit package option or other coverage option, including the elimination of a benefits package option, an HMO ceasing to be available in the area where the individual resides, or the individual losing

all coverage under the option by reason of an overall lifetime or annual limitation under a group health plan. In this regard, each of the following is considered to be a “loss of coverage” under this Section:

(1) a substantial decrease in the medical care providers available under the Benefit option (such as a major hospital ceasing to be a member of a preferred provider network or a substantial decrease in the physicians participating in a preferred provider network or an HMO);

(2) a reduction in the benefits for a specific type of medical condition or treatment with respect to which a Participant or the Participant’s spouse or dependent is currently in a course of treatment; or

(3) any other similar fundamental loss of coverage.

(c) Addition or Improvement of Benefit Option. If during the Plan Year, a Component Plan adds a new benefit package option or other coverage option, or if coverage under an existing option is significantly improved, any Participant or Employee, who is otherwise eligible to participate in the Plan, may revoke their election under the Plan for the Plan Year and make an election on prospective basis for coverage under the new or improved benefit option.

(d) Change In Coverage Under Another Employer Plan. A Participant, or an Employee who is otherwise eligible to participate in the Plan but has elected not to participate, may make a prospective election change that is on account of and consistent with a change made under another employer plan (including a plan of the Employer or another employer) by the Employee or the Employee’s spouse or dependent, provided the other employer plan allows participants to make an election change that would be permitted under the rules of Treasury Regulation §1.125-4(c) and as provided in this Plan.

6.13 Qualified Medical Child Support Order. A Participant may make a change in coverage during a Plan Year to provide health coverage under the Plan for Participant’s child or legal dependent pursuant to the terms of a judgment, decree, or order resulting from a family law proceeding, including a “qualified Child Support order” as defined under ERISA Section 609, requiring Participant to provide health coverage for the child. The Participant may also make a change which cancels health coverage for the Participant’s child or dependent provided the order requires the spouse, former spouse, or other individual to provide health coverage for the child.

#### 6.14 Use of Electronic Medium for Participant Notices and Elections.

(a) Definition of Electronic Medium. “Electronic Medium” means an electronic method of communication between the Administrator (or its designated representative) and Employee thereby allowing each party to send and receive notice and elections through the same medium. The only form of electronic communication permitted by the Plan shall be via electronic mail on the Employer’s network or intranet, through an interactive website, or to a private e-mail address supplied to the Employer by the Employee for communication purposes. The electronic medium must be designed so that the information provided is no less understandable to the receiving party than a written paper document. The electronic medium shall be designed to alert the Employee,

at the time a notice is provided, to the significance of the information in the notice (including identification of the subject matter of the notice), and provide any instructions needed to access the notice, in a manner than is readily understandable. The electronic medium shall be designed to preclude any person, other than the appropriate individual, from making a Participant election, such as Salary Reduction Agreement, or accessing individual participant account information.

(b) Disclosure and Consent Requirements.

(1) Disclosure Statement. Prior to electronically transmitting any consent or notice to the Employee, the Administrator shall provide a statement which contains the following: (i) informs the Employee of the right to receive a paper document of the notice or other Plan-related material either prior to or after giving consent to electronic transmission; (ii) informs the Employee of the right to withdraw his or her consent at any time and the procedures for withdrawal, including any conditions or consequences arising from such withdrawal; (iii) describes the scope and duration of the consent as it related to various plan transactions; (iv) describes the procedures for updating Employee contact information; and (v) describes the hardware or software requirements needed to access and retain the notice.

(2) Consent. The Administrator shall be exempt from the consent requirements of Section 101(c) of the Electronic Signatures in Global and National Commerce Act (E-SIGN) provided the Electronic Medium used to provide notices and Plan-related material is a medium that the Employee has the effective ability to access and the Employee is advised, each time a notice is transmitted, that he or she can request to receive the notice in paper form at no charge. The form of Electronic Medium utilized by this Plan shall be through an interactive website requiring the Employee to register an e-mail address for communication purposes.

(3) Changes in Hardware or Software Requirements. In the event of any changes in the hardware or software requirements needed to access the Electronic Medium, the Administrator, or its designated representative, shall provide a statement to each Employee of the revised requirements and the right to withdraw consent to receive electronic delivery of Plan-related materials without consequence.

(c) Participant Elections. The Administrator, or its designated representative, shall be permitted to electronically distribute participant elections by Electronic Medium. Each Employee who is provided with enrollment or election information via Electronic Medium will also be informed by the Administrator that he or she may receive a paper copy of the relevant documents upon request. A participant election will not be treated as being made available to an individual if such individual cannot effectively access the Electronic Medium for purposes of making the election. An election completed by an Employee via Electronic Medium shall be deemed as being provided in written form so long as the following requirements are satisfied:

(1) The Employee has a reasonable opportunity to review, confirm, modify or rescind the terms of the election before the election becomes effective; and



(2) The Employee receives, within a reasonable time, a confirmation of the election either through written paper form or by electronic mail (e-mail).

(d) Timing and Content of Elections and Notices. The provisions of this Section 6.13 shall in no way affect or alter the timing or content requirements applicable to each individual notice or document.

6.15 Election Changes to Enroll through Marketplace. A Participant may make a prospective election change to revoke coverage under the Employer group health plan which provides minimum essential coverage (as defined in Code §5000A(f)(1)) on account of and consistent with his or her enrollment in a Qualified Health Plan through a Marketplace in accordance with the following:

(b) Change Due to Reduction in Hours of Services. A Participant, who was reasonably expected to work an average of at least thirty (30) hours per week and experiences a change in employment status resulting in a reduction of hours, may prospectively change his or her election to revoke coverage if the Participant has enrolled or intends to enroll in a Qualified Health Plan through a Marketplace. To be eligible under this paragraph, the election change must be on account of the Participant's intent to enroll for new coverage through the Marketplace and such new coverage shall be effective beginning no later than the day immediately following the last day of coverage under the Employer's group health plan.

(c) Change Due to Enrollment in Qualified Health Plan. A Participant, who is eligible for a special enrollment period to enroll in a Qualified Health Plan through the Marketplace or is eligible to enroll during the Marketplace's annual open enrollment period, may prospectively change his or her election to revoke health coverage. To be eligible under this paragraph, the election change must be on account of the Participant's intent to enroll for new coverage through the Marketplace and such new coverage shall be effective beginning no later than the day immediately following the last day of coverage under the Employer's group health plan.

(d) Employer Reliance. For purposes of this Section 6.15, the Administrator may rely on the reasonable representation of a Participant that the Participant (and his or her covered Dependents) have enrolled or intend to enroll in a Qualified Health Plan for new coverage that is effective beginning no later than the day immediately following the last day of the original coverage that is revoked.

(e) Definitions. The term "Qualified Health Plan" shall mean a group health plan that provides "minimum essential coverage" as defined in Code Section 5000A(f).

(f) No Cash-Out Permitted. Participants electing to revoke coverage in accordance with this Section 6.15 and purchase Qualified Health Plan coverage shall not be permitted to receive a cash-out of any excess Flexible Benefit Allowance as a taxable benefit under Section 7.3(a).

ARTICLE VII  
EMPLOYER ALLOWANCES

7.1 Flexible Benefit Dollars. Amounts contributed by a Participant through Salary Reduction (pursuant to Section 6.2) and the amounts of Flexible Benefit Allowance allocated by the Employer (pursuant to Section 7.2) shall be converted to Flexible Benefit Dollars for each Participant. Flexible Benefit Dollars shall be used to purchase the Benefits offered under this Plan.

7.2 Flexible Benefit Allowance. The Employer shall contribute on behalf of each Participant a Flexible Benefit Allowance in an amount to be determined under the provisions set forth in Schedule "A". The Flexible Benefit Allowance shall be credited to each Participant during the first month of the Plan Year during which he or she is a Participant under the Plan and may only be used to purchase Benefits under the Plan. The amount of the Flexible Benefit Allowance, if any, to be funded by the Employer shall be determined prior to the beginning of each Plan Year in a uniform and nondiscriminatory manner. The Employer shall inform each Participant of the amount of the Flexible Benefit Allowance for the subsequent Plan Year during the Open Enrollment Period. The maximum Flexible Benefit Allowance available to a Participant for a Short Plan Year shall be a prorated amount, as determined by the Administrator.

7.3 Cash Out Option. Except as provided under Section 6.15(f), if a Participant elects Benefits having an aggregate cost less than the Participant's Flexible Benefit Allowance and/or waives health benefits under Section 7.3(a), the Participant may elect (during the Open Enrollment Period) to receive such excess allowance as taxable cash compensation. This taxable cash compensation shall be paid by the Employer in substantially equal amounts for each pay period during the Plan Year during which he is a Participant under the Plan. In the event of the Participant's cessation of participation in this Plan, the Participant shall have no further right to receive any remaining Flexible Benefit Allowance as taxable cash compensation for the portion of the Plan Year after the termination of participation.

(a) Waiver of Coverage. An Employee may waive receipt of health benefits upon completion of the following with respect to the health benefit option for which the Employee seeks exemption:

(1) The Employee shall provide the Administrator with satisfactory evidence substantiating that the Employee is currently receiving health benefits from an employer-sponsored group health plan.

(2) The Employee declines coverage and agrees in writing to hold the Employer harmless for any consequences resulting in the waiver of such coverage.

(3) The Employee acknowledges in writing that the Employee shall not be permitted to enroll in the declined Benefit option under the Plan until the next Open Enrollment Period, subject to the terms and restrictions of the insurance provider.

(4) An Employee that waives coverage under this Section 7.3(a) shall be required to submit a new election and proof of alternate coverage for each Plan Year.

7.4 Nature of Flexible Benefit Dollars. No money shall actually be allocated to any account(s) on behalf of Participants. Flexible Benefits Dollars credited to a Participant shall be of a

memorandum nature, the amount of which is maintained by the Administrator for accounting purposes and shall not be representative of any identifiable trust assets.

ARTICLE VIII  
FUNDING AND AVAILABLE BENEFITS

8.1 Funding. The Benefits provided herein shall be paid by the Employer; provided, however, that the Employer's payments under the Plan shall be limited to such amounts of compensation as a Participant elects to forego pursuant to his or her Salary Reduction Agreement and amounts contributed by the Employer as a Flexible Benefit Allowance.

8.2 Payment of Contributions While on Statutory Leave. Upon a Participant taking unpaid Statutory Leave (as defined in Section 5.4), each health care benefit elected by the Participant shall continue during the Statutory Leave for the length of the applicable Statutory Leave, unless otherwise revoked by the Participant. During the unpaid Statutory Leave, the Participant shall be responsible for making the Participant's required contributions for such benefits during the period of the Statutory Leave. The Participant may select among the Prepayment Option, Catch-Up Option, and Pay-As-You-Go Option to pay the contributions during Statutory Leave.

(a) Prepayment. The Participant may elect to prepay the contributions prior to commencing the Statutory Leave. The prepaid contributions may be made from salary, vacation pay or sick pay, to the extent permitted by applicable law and in a manner which will not defer compensation to a subsequent Plan Year. In the event, a Participant's Statutory Leave will span two Plan Years, the Participant may only prepay contributions for the remainder of the Plan Year and shall be required to utilize another payment option hereunder to make the contributions for the subsequent Plan Year. The Prepayment Option may not be required as a condition to remaining in the Plan, and prepayment may not be the sole method of making contributions hereunder.

(b) Pay-As-You-Go. The Participant may elect to pay the contributions on an after-tax basis as due. Payments shall be made on the same schedule as payments would have been due if the Participant had not been on Statutory Leave, on the same schedule as payments required for continuation coverage under Article VIII hereunder are made, under the Employer's existing rules for payment by employees on leave without pay, or on any other schedule voluntarily agreed upon by the Administrator and the Participant that is consistent with the Statutory Leave.

Contributions under the Pay-As-You-Go Option may also be paid on a pre-tax basis from taxable compensation such as vacation pay or sick pay provided such payment will not defer compensation to a subsequent Plan Year.

(c) Catch-Up Option. The Employer may assume responsibility for advancing the contributions on behalf of the Participant, and may recoup such contributions upon the Participant's return to employment. The contributions may be made on a pre-tax salary reduction basis from salary, vacation pay or sick pay when the Participant returns from Statutory Leave. The "Catch-Up Option" shall be applied in a manner consistent with Prop. Treasury Regulations Section 1.125-3.

8.3 Uniformed Service Under USERRA. In accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”), a Participant who is absent from employment with the Employer on account of being in the Uniformed Services as defined in Section 3.23, may elect to continue participation in the Plan. The coverage period shall extend for the lesser of eighteen (18) months or until the Participant fails to apply for reinstatement or to return to employment with the Employer. The Participant shall be responsible for making the required contributions to pay for benefits elected during the period during which he or she is in “uniformed service.” The manner in which such payments are made shall be determined by the Administrator, in a manner similar to the payment of contributions with respect to FMLA Leave.

8.4 Provision of Benefits. The Employer shall provide those Benefits elected by a Participant on his or her election for any Period of Coverage in accordance with such election. The Benefits shall be provided pursuant to the terms and conditions of the Component Plans, where applicable, as shall be set forth from time to time in the individual Component Plan documents; provided, however, that the terms and conditions of the Component Plans are not inconsistent with the terms and conditions of this Plan. No Benefit under the Plan shall be paid in any manner that defers the receipt of compensation beyond the last day of the Plan Year

8.5 Cash Payments. Any cash to be paid to a Participant under an election to receive additional cash compensation shall be added to his or her taxable Compensation and shall be paid to him or her during the Plan Year, subject to any applicable wage withholding or similar taxes. Such payments shall not include interest from the date as of which the amounts were credited on the Participant’s behalf to the date of payment. No Benefit under the Plan shall be paid in any manner that defers the receipt of compensation beyond the last day of the Plan Year.

8.6 Taxable Benefits. If offered by the Employer, Employees shall be permitted to elect to receive certain permitted taxable benefits. An Employee receiving such benefits shall be treated as having received, at the time that the benefit is received, cash compensation equal to the full value of the benefits and then subsequently purchasing the benefits with after-tax Employee contributions. For example, the Employer may allow Participants to elect health coverage under the Employer’s group health plan for an individual who is not the Spouse or Dependent of the Participant; provided, however, that the fair market value of such health coverage is included in the Participant’s W-2 income

## ARTICLE IX CONTINUATION COVERAGE

9.1 In General. The following provisions shall apply to Benefits provided to eligible Employees and to their Spouse and eligible dependents under the Plan, but only to the extent that the Benefits selected pertain to health care coverage providing medical, surgical or hospital benefits and to plans providing ancillary medical coverage such as dental, vision or prescription drug benefits. This coverage shall be continued pursuant to the federal continuation coverage provisions of the Public Health and Safety Act (“PHSA”), pursuant to 42 U.S.C. § 300bb.

9.2 Definitions. For purposes of this Article IX, the following words and phrases are intended to supplement, and in some instances replace, the defined terms listed generally in Article III and to the extent of any conflict between the terms set forth herein and those of Article III, the defined terms set forth herein shall control:

(a) “Dependent” means an individual who meets the definition of dependent under the participating Employer provided health plan covering the eligible Employee.

No person shall be considered a dependent of more than one Employee.

If both an Employee and an Employee’s spouse are employed by the Employer, dependent children may be covered by either spouse, but not by both.

(b) “Election period” means the sixty (60) day period during which a Qualified Beneficiary who would lose coverage as a result of a Qualifying Event may elect continuation coverage. This sixty (60) day period begins not later than the date of termination of coverage as a result of a Qualifying Event and ends not earlier than the sixty (60) days after the later of such date of termination of coverage or the receipt of notice of the right to elect continuation coverage under this Plan.

(c) “Medicare” means the Health Insurance for the Aged and Disabled Act, Title XVIII of Public Law 89-97, Social Security, as amended.

(d) “Qualified Beneficiary” means an individual who, on the day before the Qualifying Event, is covered under this Plan as the covered Employee, the spouse of the covered Employee or Dependent child of the covered Employee. Qualified Beneficiary shall include a child who is born to (or placed for adoption with) a covered Employee during the coverage period. The term Qualified Beneficiary does not include an individual whose status as a covered Employee is attributable to a period in which such individual is a nonresident alien who received no earned income from the employer which constituted income from sources within the United States (within the meaning of Code Section 911(d)(2) and Section 861(a)(3)). The term Qualified Beneficiary also does not include a covered Employee’s domestic partner regardless of whether such person was a covered dependent under the Plan prior to the Qualifying Event. If an individual is not a Qualified Beneficiary pursuant to this paragraph, a spouse or dependent child of such individual shall not be considered a Qualified Beneficiary by virtue of the relationship to such individual.

(e) “Qualifying Event” means with respect to a covered Employee, any of the following events which, but for the continuation coverage under this provision, would result in the loss of coverage of a Qualified Beneficiary:

- (1) the death of the covered Employee;
- (2) the termination (except by reason of such covered Employee’s gross misconduct) or reduction in hours of the covered Employee’s employment;
- (3) the divorce or legal separation of the covered Employee from such covered Employee’s spouse;
- (4) the covered Employee becoming entitled to benefits under Title XVIII of the Social Security Act (Medicare);



(5) a dependent child who ceases to be a dependent child under the terms of this Plan;

9.3 Continuation Coverage. To the extent required by Section 9.1 above, a Qualified Beneficiary who would lose health coverage under this Plan as a result of a Qualifying Event is entitled to elect continuation coverage within the election period under this Plan. Coverage provided under this provision is on a contributory basis. No evidence of good health will be required.

Except as otherwise specified in an election, any election by a Qualified Beneficiary who is a covered employee or spouse of the covered employee will be deemed to include an election for continuation coverage under this provision on behalf of any other Qualified Beneficiary who would lose coverage by reason of a Qualifying Event.

If this Plan provides a choice among the types of coverage under this Plan, each Qualified Beneficiary is entitled to make a separate selection among such types of coverage (i.e., single, family, etc.).

9.4 Type of Coverage.

(a) Continuation coverage under this provision is coverage which is identical to the coverage provided under this Plan to similarly situated beneficiaries under this Plan with respect to whom a Qualifying Event has not occurred as of the time coverage is being provided. If coverage under this Plan is modified for any group of similarly situated beneficiaries, the coverage shall also be modified in the same manner for all Qualified Beneficiaries under this Plan in connection with such group.

Continuation coverage available to a Qualified Beneficiary under this provision shall apply only to the type and level of health coverage under the Plan that a Qualified Beneficiary was actually receiving on the day before the Qualifying Event. The Qualified Beneficiary may not change his or her election except as otherwise provided under Sections 6.7(c) and 6.9(d).

9.5 Coverage Period. The coverage under this provision will extend for at least the period beginning on the date of a Qualifying Event and ending not earlier than the earliest of the following:

(a) Initial 18-Month Coverage Period. If the Qualifying Event is a termination of employment (other than for gross misconduct) or a reduction in employment hours of a covered Employee, the coverage period for the Employee and his or her Dependents shall extend for eighteen (18) months after the date of the Qualifying Event.

(b) Disability Extension. The initial eighteen (18) month coverage period described in (a) above may be extended to twenty-nine (29) months after the date of the Qualifying Event in the event the Qualified Beneficiary was disabled upon termination of employment or during the first sixty (60) days of continuation coverage. The Qualified Beneficiary must provide the Administrator with notice of a disability determination made by CalPERS within sixty (60) days of the disability determination and prior to the expiration of the initial eighteen (18) month continuation period provided in (a) above to become eligible for this extension of continuation coverage.

(c) Extension of Coverage Period. The initial eighteen (18) month coverage period described in (a) above may be extended to thirty-six (36) months after the date of the Qualifying Event upon the occurrence of a second Qualifying Event prior to the expiration of the initial eighteen (18) month coverage period. The Qualified Beneficiary must notify the Administrator of the second Qualifying Event within sixty (60) days of the date of the second Qualifying Event and prior to the expiration of the initial eighteen (18) month period. In no event shall continuation coverage extend for a period greater than thirty-six (36) months.

(d) 36-Month Coverage Period. In the case of any Qualifying Event causing the loss of coverage, except those Qualifying Events identified in (a) above, the coverage period for the Employee and his or her Spouse and dependents shall extend for thirty-six (36) months after the date of the Qualifying Event.

#### 9.6 Notification Requirements.

(a) Notification by Qualified Beneficiary. Each covered Employee or Qualified Beneficiary must notify the Employer of the occurrence of a divorce or legal separation of the covered Employee from such covered Employee's spouse and/or the covered Employee's dependent child ceasing to be a dependent child under the terms of this Plan within sixty (60) days after the date of such occurrence. This sixty (60) day time limit shall only apply to those occurrences as described in this paragraph which occur after the date of the enactment of the Tax Reform Act of 1986.

(b) Notification by Employer. The Employer shall notify the Administrator within thirty (30) days of a Qualifying Event, as required by federal law.

(c) Notification to Qualified Beneficiary.

(1) The Administrator shall provide written notice to each covered Employee and spouse of such covered Employee of his or her right to continuation coverage under this provision upon commencement of coverage under a Component Plan providing health coverage, as required by federal law.

(2) The Administrator shall notify any Qualified Beneficiary of the right to elect continuation coverage under this provision within fourteen (14) days of receiving notice of the occurrence of a Qualifying Event, as required by federal law. If the Qualifying Event is the divorce or legal separation of the covered Employee from the covered Employee's spouse or a dependent child ceasing to be a dependent child under the terms of this Plan, the Employer shall only be required to notify a Qualified Beneficiary of his or her right to elect continuation coverage if the covered Employee or the Qualified Beneficiary notifies the Employer of such Qualifying Event within sixty (60) days after the date of such Qualifying Event.

Notification of the requirements of this provision to the spouse of a covered Employee shall be treated as notification to all other Qualified Beneficiaries residing with such spouse at the time notification is made.

9.7 Termination of Continuation Coverage. The continuation coverage provided hereunder shall be terminated prior to the expiration of the coverage periods provided in Section 9.5 above upon the earlier of the following:

(a) the date on which the Employer ceases to provide any group health plan to any Employee;

(b) the date on which the Qualified Beneficiary fails to make timely payment of the required contribution pursuant to this provision provided the deficiency is not an “insignificant amount” as described in Section 9.8(d);

(c) the date on which the Qualified Beneficiary first becomes, after the date of the election, covered under any other group health plan as an employee or dependent. However, if the other group health plan has a preexisting condition limitation, continuation coverage under the Plan will not cease while such preexisting condition limitation under the group plan remains in effect (taking into account prior creditable coverage under the portability rules of the Health Insurance Portability and Accountability Act of 1996); or

(d) the date on which the Qualified Beneficiary becomes entitled to benefits under Title XVIII of the Social Security Act (Medicare).

9.8 Contribution.

(a) A Qualified Beneficiary shall only be entitled to continuation coverage provided such Qualified Beneficiary pays the applicable premium required by the Employer in full and in advance, except as provided in (b) below. Such premium shall not exceed the requirements of applicable federal law. A Qualified Beneficiary may elect to pay such premium in installments as indicated by the Employer.

(b) Except as provided in (c) below, the payment of any premium shall be considered to be timely if made within thirty (30) days after the date due, or within such longer period of time as applies to or under this Plan.

(c) Notwithstanding (a) or (b) above, if an election is made after a Qualifying Event during the election period, this Plan will permit payment of the required premium for continuation coverage during the period preceding the election to be made within forty-five (45) days of the date of the election.

(d) A premium payment received by the Employer which is deficient by an insignificant amount shall be treated as full payment of the premium amount. For purposes of this Section 9.8, an insignificant amount is an amount not greater than the lesser of (i) ten percent (10%) of the required amount; or (ii) fifty dollars (\$50.00). Alternatively, in the event an Employer receives an insufficient payment premium, the Employer retains the option of taking steps to collect the deficient insignificant amount by notifying the Qualified Beneficiary of the deficiency and allowing thirty (30) days after date of the notice for payment of the deficiency.

9.9 Coordination with State Continuation Coverage. In the event a Qualified Beneficiary is entitled to less than 36 months of federal continuation coverage as a result of a Qualifying

Event, the Qualified Beneficiary will be notified prior to the expiration of federal continuation coverage if he or she is eligible to elect an extension of continuation coverage under the Plan for an additional period of up to 36 months from the date of the Qualifying Event pursuant to the Section 1366.20 et. seq. of the California Health and Safety Code (the “California Continuation Benefits Replacement Act” or “Cal-COBRA Program”).

A covered Employee’s Dependent who, (1) on the day before the Qualifying Event, is covered under this Plan as the registered domestic partner of the covered Employee and (2) loses health coverage under this Plan as a result of a Qualifying Event shall be entitled to state continuation coverage subject to the eligibility, election and contribution requirements set forth under the Cal-COBRA Program.

## ARTICLE X DISCRIMINATION

10.1 Nondiscrimination Requirements. The Employer shall not discriminate in favor of Highly Compensated Individuals as to eligibility to participate in the Plan or as to contributions and Benefits provided under the Plan pursuant to Section 125 of the Code and the Regulations. In addition, the Employer shall not discriminate in favor of Highly Compensated Individuals as to the actual operation of this Plan.

(a) Eligibility to Participate. The Plan shall not be considered discriminatory if the Plan benefits a group of Employees who qualify under a reasonable classification established by the Employer and the group of Employees included in the classification satisfies the safe harbor percentage test or unsafe harbor percentage component of the facts and circumstances test in Section 1.410(b)-4(c) of the Code. The Employer is permitted to exclude the following Employees in making this determination:

- (1) Employees covered by a collectively bargained plan;
- (2) Employees who are nonresident aliens and receive no earned income in the United States from the Employer; and
- (3) former Employees who have elected to extend health coverage under the Plan pursuant to Article IX.

Notwithstanding, the Plan will not be considered discriminatory if all Employees are permitted to participate.

(b) Benefit Availability and Participation. The Plan shall not be considered discriminatory if the Plan provides Benefits, including Employer contributions allocable to Benefits, which do not discriminate in favor of Highly Compensated Participants. Benefits shall be made available to all Employees on a uniform basis and each eligible Employee will be given an equal opportunity to make an election for Benefits. The Plan shall be considered discriminatory if the actual election or participation in the Plan by Highly Compensated Participants, including types of Benefits provided and utilization of Employer contributions for the selection of qualified Benefits,

is disproportionate to the total number of non-Highly Compensated Participants for a Plan Year.

(1) Election of Benefits by Highly Compensated Participants. Qualified Benefits are disproportionately elected by Highly Compensated Participants if the aggregate qualified Benefits elected by Highly Compensated Participants, measured as a percentage of the aggregate compensation of Highly Compensated Participants, exceed the aggregate qualified benefits elected by non-Highly Compensated Participants measured as a percentage of the aggregate compensation of non-highly Compensated Participants.

(2) Utilization of Employer Contributions by Highly Compensated Participants. Employer contributions are disproportionately utilized by Highly Compensated Participants if the aggregate contributions utilized by Highly Compensated Participants, measured as a percentage of the aggregate compensation of Highly Compensated Participants, exceed the aggregate contributions utilized by Non-Highly Compensated Participants measured as a percentage of the aggregate compensation of Non-Highly Compensated Participants.

(3) Safe Harbor for Health Benefits. If health benefits are provided under the Plan, excluding dental coverage and medical spending accounts, the Plan shall not be considered discriminatory as to the availability of Benefits and utilization of Employer contributions if –

(i) Employer contributions made on behalf of each Participant include an amount which equals one hundred percent (100%) of the cost of the health Benefit coverage of the majority of the Highly Compensated Participants similarly situated, or equals or exceeds seventy-five percent (75%) percent of the cost of the health Benefit coverage of the Participants (similarly situated) having the highest cost health benefit coverage under the Plan; and

(ii) Contributions or Benefits under the Plan in excess of those described in subparagraph (i) above bear a uniform relationship to compensation.

(c) Safe Harbor for Premium-Only-Plans. A premium-only plan is deemed to satisfy the nondiscrimination rules described in Section 10.1(b) above, as to the availability of benefits and contributions, for a Plan Year upon satisfaction of the nondiscrimination requirements for eligibility to participate described in Section 10.1(a) above.

(d) Highly Compensated Individual. For purposes of this Section 10.1, “Highly Compensated Individual” shall mean (i) an officer of the Employer who is regularly and continuously involved in the business operations of the Employer; (ii) an individual that is “highly compensated;” or (iii) a spouse or dependent of a Highly Compensated Individual.

An individual is “highly compensated” if for the preceding Plan Year (or the current Plan Year in the case of the first year of employment) he or she received compensation from the Employer in excess of the amount specified in Section 414(q)(1)(B) of the Code. The Employer may also elect to identify a top-paid group for



any Plan Year consisting of the top twenty percent (20%) of the Employees when ranked on the basis of compensation pursuant to Section 414(q)(3) of the Code.

A Highly Compensated Individual who elects to participate in the Plan may be referred to as a Highly Compensated Participant for purposes of this Article X.

10.2 Annual Testing. The Employer shall perform nondiscrimination testing as of the last day of the Plan Year, taking into account all non-excludable Employees or former Employees who were employed during the Plan Year.

10.3 Avoiding Discrimination.

(a) Ability to Reject Election. If the Administrator deems it necessary to avoid discrimination or possible taxation to Highly Compensated Participants, the Administrator may, but shall not be required to, reject any Salary Reduction Agreement or reduce contributions or nontaxable benefits to assure compliance with the nondiscrimination requirements of Code Section 125. Any act taken by the Administrator pursuant to this Section shall be in a nondiscriminatory and uniform manner.

(b) Manner of Rejecting Election to Avoid Discrimination. In the event the Administrator determines that it is necessary to reject a Salary Reduction Agreement or reduce contributions or nontaxable benefits, the rejection shall be carried out as set forth in this paragraph. Nontaxable benefits of the affected Highly Compensated Participant who has elected the highest amount of nontaxable benefits shall be reduced until the discrimination tests set forth in Section 10.1(a) and (b) are satisfied or until the amount of his or her nontaxable benefit equals the nontaxable benefit of the affected Participant who has elected the second highest amount of nontaxable benefits. This process shall continue until the discrimination tests are satisfied. Any reduction made pursuant to this paragraph shall be made proportionately among noninsured benefits and once all noninsured benefits are expended, proportionately among insured benefits. Contributions which are not utilized to provide benefits to any Participant by virtue of any administrative act under this paragraph shall be forfeited and deposited into the general account.

10.4 Compliance with Mental Health Parity and Addiction Equity Act and GINA. Notwithstanding any provision in the Plan to the contrary, the Plan, and any Component Plan providing health benefits, will comply with the Mental Health Parity and Addiction Equity Act of 2008 and Title II of the Genetic Information Nondiscrimination Act of 2008.

ARTICLE XI  
CLAIMS PROCEDURE

All claims for benefits that are provided through insurance contracts, whether such contracts are between the insurer and the Employer or the insurer and the Participant, shall be made by filing a claim for benefits in accordance with the claims procedure set forth under the insurance contract. The Employer does not have the authority or responsibility for processing, reviewing or paying such claims. All disputes regarding those claims shall be resolved in accordance with the procedure set forth in the separate Component Plan document concerning those benefits.

ARTICLE XII  
AMENDMENTS, TERMINATION AND ACTION BY EMPLOYER

12.1 Action by Employer. Any action by the Employer under this Plan, including but not limited to, termination of this Plan, shall be by action of the Employer, or by any person or persons duly authorized by action of the Employer to act on its behalf.

12.2 Amendments. The Employer reserves the right to make, from time to time, any amendment or amendments to this Plan as it deems necessary or desirable, without retroactive effect, unless specifically permitted to comply with the law.

12.3 Right to Terminate. The Employer may terminate this Plan at any time. In the event of the dissolution, merger, consolidation or reorganization of the Employer, the Plan shall terminate unless the Plan is continued by a successor to the Employer in accordance with the Employer's procedures.

12.4 Plan Termination. Upon the termination of the Plan, the Administrator may determine the best method to make payments to the affected Participants.

ARTICLE XIII  
HIPAA PRIVACY STANDARDS

13.1 Applicability. The provisions of this Section shall apply only to extent any Component Plan constitutes a "health plan" under 45 CFR §160.103 that uses or discloses "protected health information" or "electronic protected health information" as those terms are defined under 45 CFR §§160 and 164, as amended from time to time (the "HIPAA Privacy Rule") and 45 CFR §§160, 162, and 164, as amended from time to time (the "HIPAA Security Rule") (collectively, the "HIPAA Rules").

13.2 Protection of Individually Identifiable Health Information. The Employer and the Plan have adopted policies and procedures ("HIPAA Policy") for the sole and limited purpose of complying with the HIPAA Rules. The manner in which these provisions will be administered shall in no way affect, or be taken into account in determining, the benefits under the Plan with respect to any individual.

13.3 Definitions. The defined terms and phrases used in this Article shall carry the same meaning and intent set forth under the HIPAA Rules, and in some instances may replace the defined terms listed generally in Article III and to the extent of any conflict between the terms set forth herein and those of Article III, the defined terms shall carry the meaning prescribed under the HIPAA Rules.

13.4 Protected Health Information. For purposes of this Article XIII, Protected Health Information (or "PHI") means information that (a) is created or received by a health care provider, health plan, employer, or health care clearinghouse; (b) relates to the past, present or future physical or mental health or condition of an individual; the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual; (c) identifies the individual (or for which there is a reasonable basis for believing that the information can be used to identify the individual); and (d) is transmitted or maintained in electronic media or in any other form or medium.

PHI excludes education records covered by the Family Educational Rights and Privacy Act, as amended, 20 U.S.C. § 1232g, records described at 20 U.S.C. § 1232g(a)(4)(B)(iv), and employment records held by a covered entity in its role as employer.

13.5 Identity of Plan Sponsor. The Employer shall be the Plan Sponsor for purposes of the Privacy Rule when performing Plan Administration functions or Plan Sponsor functions, when acting on behalf of the Plan with respect to its obligations under the Privacy Rule, and when acting on behalf of the Plan's participants and beneficiaries with respect to Participation and Enrollment Information. The Privacy Official shall act for the Plan Sponsor and shall be entitled to delegate its powers and responsibilities in accordance with its usual practices.

13.6 Responsibilities and Undertakings. The Plan Sponsor shall be responsible for making any necessary certifications to the Plan. Such certifications shall be delivered to the Plan's Privacy Official. The Plan Sponsor also undertakes and agrees that it:

- (a) Shall not use or disclose any PHI except as to those uses specifically permitted under the Privacy Rule;
- (b) Shall require any agents or subcontractors to whom it discloses PHI to agree to the same restrictions on the use and disclosure of PHI as apply to the Plan Sponsor;
- (c) Shall not use or disclose PHI for any employment-related actions of Employer;
- (d) Shall not use or disclose PHI in connection with any other benefits or benefit plan, program, or arrangement of Employer;
- (e) Shall report to the Privacy Official any uses or disclosures of PHI inconsistent with the Privacy Policy of which it becomes aware;
- (f) Shall make PHI available in accordance with an individual's right of access in accordance with the Privacy Policy;
- (g) Shall make PHI available for amendment and shall incorporate amendments in accordance with the Privacy Policy;
- (h) Shall make information available to provide any required accounting of disclosures of PHI in accordance with the Plan's Privacy Policy;
- (i) Shall make available to the Secretary of Health and Human Services its internal practices, books, and records relating to the use and disclosure of PHI from the Plan for purposes of determining the Plan's compliance with the Privacy Rule;
- (j) Shall, if feasible, return to the Plan or destroy any PHI from the Plan that it maintains in any form, and shall retain no copies of the PHI when the PHI is no longer needed for the purpose for which disclosure was originally made. If it is not feasible to return or destroy the PHI, the Plan Sponsor agrees that it shall further limit any

uses and disclosures to those purposes that make the return or the destruction of the information not feasible; and

(k) Shall ensure that adequate separation between the Plan Sponsor and the Plan is established

### 13.7 Uses and Disclosures of Protected Health Information.

(a) Certification. The Plan, and any Health Insurance Issuer or Health Maintenance Organization with respect to the Plan, may disclose PHI to the Plan Sponsor only following receipt of the Plan Sponsor's certification that the Plan has been amended in accordance with the requirements of the Privacy Rule.

(b) Plan Administration. The Plan Sponsor shall be permitted to the limited use and disclosure of PHI for purposes of plan administration, including all Payment Activities and health care operations, as permitted under the HIPAA Policy.

(c) Compliance with Privacy Rule. The Plan Sponsor shall be entitled to those uses and disclosures of PHI as permitted by the Privacy Rule to the extent necessary for compliance, including but not limited to any uses and disclosures permitted (1) without permission from an individual; (2) only with explicit or implicit authorization; or (3) because the PHI has been cleansed.

(d) Participation and Enrollment Information. Participation and Enrollment Information may be disclosed as necessary to the Plan Sponsor.

(e) Summary Health Information. Summary Health Information may be disclosed to the Plan Sponsor for the limited purpose of performing Plan Sponsor functions.

(f) Individuals With Access to PHI. The Privacy Official and his or her delegates, if any, are permitted to have access to PHI disclosed to or by the Plan. In addition, the Plan Sponsor shall designate the individual(s) or group(s) of individuals under the direct control of the Plan Sponsor who are permitted to have access to PHI disclosed by or to the Plan.

(g) Limitations on Disclosures of, Access to, and Uses of PHI. PHI may be disclosed from the Plan only for Plan Administration Functions performed on behalf of the Plan, and the other purposes identified in the Plan's HIPAA Policy.

13.8 Health Information Security. In accordance with the HIPAA Rules, the Plan Sponsor shall:

(a) Implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic PHI that is created, received, maintained, or transmitted on behalf of the Plan;

(b) Ensure that adequate separation, as required by the HIPAA Security Rule, is supported by reasonable and appropriate security measures;

(c) Require any agent to whom it provides this information to agree to implement reasonable and appropriate security measures to protect the electronic PHI; and

(d) Report to the Plan any successful unauthorized access, use, disclosure, modification, or destruction of electronic PHI or interference with system operations in an information system containing PHI of which the Plan Administrator becomes aware.

#### ARTICLE XIV GENERAL PROVISIONS

14.1 Written Plan. The Administrator shall, upon request, provide each Participant with a copy of the written Plan(s) detailing the benefits available to the Participant.

14.2 No Trust Fund Required. The Employer shall have no obligation, but shall have the right, to insure any benefits under the Plan or to establish any fund or trust for the payment of benefits under the Plan.

14.3 Insured Benefits. The Employer shall have no responsibility for the payment of any benefits covered under the Component Plans provided by policies of insurance.

14.4 Rights to Employer's Assets. No Employee or beneficiary shall have any right to, or interest in, any assets of the Employer upon termination of employment or otherwise, except as provided from time to time under this Plan, and then only to the extent of the benefits payable under the Plan to such Employee or beneficiary. All payments of benefits as provided for in this Plan shall be made solely out of the assets of the Employer and the Administrator shall not be liable therefore in any manner.

14.5 Nonalienation of Benefits. Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, including any such liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of the Employee, prior to actually being received by the person entitled to the benefit under the terms of the Plan; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall not be recognized, except to the extent required by law. The Employer shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

14.6 Divestment of Benefits. Subject only to the specific provisions of this Plan, nothing shall be deemed to divest a Participant of a right to the benefit to which the Participant becomes entitled in accordance with the provisions of this Plan.

14.7 Discontinuance of Contributions. In the event of a permanent discontinuance of contributions to the Plan, all Participants shall receive any and all benefits to which they were entitled as of the date the discontinuance of contributions occurred.



14.8 Plan Interpretation. This Plan and the various Component Plans are intended to be read in conjunction with one another. However, to the extent of any conflict, the provisions of the Plan shall control, unless otherwise provided by Sections 125 or 105(b) of the Code or the Regulations issued thereunder.

14.9 Governing Law. The Plan shall be administered in the State of California and its validity, construction and all rights hereunder shall be governed by the laws of the State of California.

14.10 Severability. If any provision of the Plan shall be held invalid or unenforceable, the remaining provisions shall continue to be fully effective.

14.11 Gender and Number. Words used in the masculine, feminine or neuter gender shall each be deemed to refer to the other whenever the context so requires. Words used in the singular or plural number shall each be deemed to refer to the other whenever the context so requires.

14.12 Headings. Headings used in the Plan are intended solely for reference and are not intended to explain, modify or place any construction on any of the provisions of the Plan. Any conflict between such headings and the text shall be resolved in favor of the text.

14.13 Successors and Assigns. The Plan shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

14.14 Discharge of Employee. The adoption and maintenance of the Plan shall not be deemed to be a contract between the Employer and the Employee. Nothing herein contained shall be deemed to give any Employee the right to be retained in the employ of the Employer or to interfere with the right of the Employer to discharge any Employee at any time.

14.15 Consolidation With Other Plan Documents. In the event the Plan merges or consolidates with, or transfers the assets and liabilities to, any other plan, no Participant herein shall, solely on account of such consolidation or transfer, be entitled to a benefit on the day following such event which is less than the benefit to which he or she was entitled on the day preceding such event. For the purpose of this Section, the benefit to which a Participant is entitled shall be calculated and based upon the assumption that a Plan termination and distribution of assets occurred on the day as of which the amount of the Participant's entitlement is being determined.

14.16 Counterparts. The Plan may be executed in an original and any number of counterparts by the Employer, each of which shall be deemed an original of one and the same instrument.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the Employer has caused this Amended and Restated Sacramento Metropolitan Cable Television Commission Cafeteria Plan to be executed on \_\_\_\_\_, 2021.

EMPLOYER:

**SACRAMENTO METROPOLITAN CABLE  
TELEVISION COMMISSION**

By: \_\_\_\_\_  
ROBERT A. DAVISON, Executive Director

APPROVED AS TO FORM AND CONTENT:  
BEST BEST & KRIEGER LLP

By: \_\_\_\_\_  
Attorneys for Employer

**SCHEDULE “A”**

**SCHEDULE OF BENEFITS**

*effective January 1, 2022*

The following Schedule of Benefits, which may be amended from time to time by the Employer, specifies the Benefits and the Component Plans which set forth the terms, conditions and limitations of the Benefits offered to Participants. The periods of coverage for the Component Plans shall be the same as the Plan Year of the Plan, unless specified otherwise.

Determination of Flexible Benefit Allowance: The monthly Flexible Benefit Allowance shall be equal to 80% of the CalPERS Kaiser Region 1 Family Premium, plus 100% of the premium for dental, vision, and life insurance, and the employee assistance program.

BENEFIT	PERIOD OF COVERAGE	MAXIMUM LEVEL OF COVERAGE
<b><u>BENEFITS:</u></b> (may use Salary Reduction and Flexible Benefit Allowance)		
CalPERS Health Plan	Plan Year	N/A
Dental Plan	Plan Year	N/A
VSP (vision insurance)	Plan Year	N/A
Life Insurance	Plan Year	N/A
Employee Assistance Program	Plan Year	N/A
<b><u>CASH OUT OPTION:</u></b>		
Cash Out	Plan Year	\$275/semi monthly \$550/monthly

**CERTIFICATION OF  
SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION  
TO  
AMENDED AND RESTATED SACRAMENTO METROPOLITAN CABLE  
TELEVISION COMMISSION CAFETERIA PLAN**

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION is the sponsor of the AMENDED AND RESTATED SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION CAFETERIA PLAN. The Cafeteria Plan is a hybrid entity within the meaning of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) which includes non-health care and health care components. The health care components of the Cafeteria Plan include the following separate group health plans:

- ❖ All group health plans offered by CalPERS and in accordance with PEMHCA

The Cafeteria Plan and the health care components included in the Cafeteria Plan are group health plans within the meaning of HIPAA (collectively, the “Plan”). The Plan and SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION desire to exchange health information protected under HIPAA for purposes related to administration of the Plan. SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION, acting in its capacity as plan sponsor of the Plan (“Plan Sponsor”) makes the following certifications for purposes of administering the Plan as required by the “Standards for Privacy of Individually Identifiable Health Information,” 45 CFR § 164.102 et seq. (the “Privacy Rule”):

The plan document of the Plan incorporates the following provisions and Plan Sponsor agrees to:

- not use or further disclose any protected health information (“PHI”) received from the Plan (including any health insurance issuer or HMO with respect to the group health plan) except as permitted or required by the plan documents or required by law;
- ensure that any agents or subcontractors to whom it discloses any PHI agree to the same restrictions and conditions that apply to the Plan Sponsor with respect to such information;
- not use or disclose PHI for employment-related actions and decisions;
- not use or disclose PHI in connection with any other benefit plan, program, or arrangement of SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION except to the extent such other benefit plan, program or arrangement is part of an organized health care arrangement of which the Plan also is a part;
- report to the Plan any use or disclosure of PHI that is inconsistent with the uses and disclosures specified in the Plan of which it becomes aware;
- give individuals access rights to PHI in its possession in accordance with the policies and procedures of the Plan;

- permit individuals to request amendment of their PHI in the Plan Sponsor's possession, and to make any necessary amendments, in accordance with the policies and procedures of the Plan;
- make information available to provide any necessary accounting of disclosures of PHI in accordance with the policies and procedures of the Plan;
- make its internal practices, books, and records relating to the use and disclosure of PHI from the Plan available to the Secretary of the Department of Health and Human Services for purposes of determining the Plan's compliance with the Privacy Rule;
- if feasible, to return to the Plan or destroy any PHI from the Plan that it maintains in any form, and shall retain no copies of the PHI when the PHI is no longer needed for the purpose for which disclosure was originally made. If it is not feasible to return or destroy the PHI, the Plan Sponsor agrees that it shall further limit any uses and disclosures to those purposes that make the return or the destruction of the information not feasible; and
- agrees to ensure that adequate separation between the Plan Sponsor and the Plan is established.

PLAN SPONSOR

PLAN

**SACRAMENTO METROPOLITAN  
CABLE TELEVISION COMMISSION**

**SACRAMENTO METROPOLITAN  
CABLE TELEVISION COMMISSION  
CAFETERIA PLAN**

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: Privacy Official

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_



# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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

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

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## AGENDA ITEM NO. 4

**DATE:** March 4, 2021

**TO:** Chair and Board of Directors

**FROM:** Robert A. Davison, Executive Director

**SUBJECT: BESTNet MEMORANDUM OF UNDERSTANDING STATUS REPORT**

---

### **RECOMMENDATION:**

It is recommended the Board receive and file this status report. SECC and Comcast continue to work on agreements to continue BESTNet after its current termination date of December 23, 2023. They have reached agreement on terms but are still working on the new documents. The new agreements will provide for continued use of the BESTNet system by SECC and the schools after December 2023. SMCTC will not be a party to the new agreements and there is no provision or obligation for any funding by SMCTC.

### **BACKGROUND/DISCUSSION:**

The Broadband Education Services Technology Network (BESTNet) is an institutional network that provides broadband service to connected schools. BESTNet was possible due to the partnership between the Sacramento Metropolitan Cable Television Commission (SMCTC), Comcast, and the Sacramento Educational Cable Consortium (SECC). SECC works with the school districts, who are active participants in the system through SECC. This partnership has been extremely successful in providing a robust broadband fiber infrastructure network in the Sacramento area and in meeting bandwidth requirements for Sacramento schools. The benefits of BESTNet have had a vast impact relative to supporting technology improvements and growth in the 21<sup>st</sup> century and leave Sacramento schools well positioned for the future.

BESTNet is a dark fiber system, which was installed by and is owned by Comcast. Generally, the cost of construction was split 1/3 Commission, 1/3 SECC and the school districts, and 1/3 Comcast. Some of the fiber is part of Comcast fiber bundles; other fiber was installed to service solely BESTNet. All the fiber is used only by BESTNet. The edge or end equipment that lights that system and operates that system is owned and operated by SECC and the schools.

Over the last few years, SMCTC and SECC staff reached out to Comcast to find a mutually agreeable solution for the continued use of BESTNet after 2023. SECC has taken the lead in this effort. During this time, the elementary schools that were not connected to BESTNet have been connected to broadband products through E-rate that, for those schools, take the place of



**Agenda Item No. 4**  
**BESTNet MOU Status Report**  
**Page 2**

BESTNet. Therefore, the construction phase of BESTNet is completed. In addition, the SMCTC Board approved the use of the construction contingency by SECC for future BESTNet expenditures.

The primary concern of SECC and the schools is to set the terms for an extension of the use of BESTNet for 15 years after 2023, or through 2038. It is staff's understanding that:

- the deal points for the new agreements provides for the use of BESTNet through 2038, with an initial ten year term and five one-year renewal options for SECC;
- the terms of the agreements have been generally agreed to by SECC and Comcast.
- SECC would pay a maintenance charge for the backbone infrastructure and the schools would pay a per connection maintenance fee under the proposed agreements.
- SECC's plan is to pre-pay the first 10 years of the backbone maintenance charge.
- These funds will come from the unexpended BESTNet construction contingency fund.

SMCTC remains a party to the current BESTNet agreement; however, it currently has no ongoing obligations. There are no required Commission funding requirements in the current agreement or the new extended agreements and no obligation on the part of the Commission or its member agencies to provide any funding to BESTNet. Of course, SECC can request funding for future costs but the Commission will be under no obligation to approve any funding for BESTNet from PEG fees or from franchise fees.


Staff is providing this report as a status report and will continue to keep the Board informed on the status of BESTNet and the new agreements.

**RECOMMENDATION:**

It is recommended the Board receive and file this BESTNet MOU Status Report.

Respectfully submitted,

**Robert A.  
Davison**

 Digitally signed by Robert A. Davison  
DN: cn=Robert A. Davison, o=Sac Metro Cable  
TV Commission, ou=Executive Director,  
email=davisonb@saccounty.net, c=US  
Date: 2021.02.26 15:49:58 -08'00'

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



# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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## AGENDA ITEM NO. 5

**DATE:** March 4, 2021  
**TO:** Chair and Board of Directors  
**FROM:** Robert A. Davison, Executive Director  
**SUBJECT:** RESOLUTION NO. 2021-003, HONORING GARY MARTIN UPON THE OCCASION OF HIS RETIREMENT

### RECOMMENDATION:

It is recommended the Board adopt Resolution No. 2021-003, Honoring Gary Martin Upon the Occasion of His Retirement.

### DISCUSSION:

After more than seven years of service as Access Sacramento's Executive Director, Gary Martin has announced he will be retiring in March 2021.

The Commission hereby recognizes and congratulates Gary on his retirement and thanks him for working diligently towards Access Sacramento's mission to "give voice" and helping Sacramento County residents share their perspectives and insights; and for working cooperatively with the Commission in implementing programming broadcast on Channels 17 and 18, that supported this mission.

### RECOMMENDATION:

Staff recommends the Board adopt Resolution No. 2021-003, Honoring Gary Martin upon the Occasion of His Retirement.

Respectfully submitted,

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

Attachment:

Resolution No. 2021-003, Honoring Gary Martin Upon the Occasion of His Retirement

**RESOLUTION NO. 2021-003**

**A RESOLUTION OF THE SACRAMENTO METROPOLITAN CABLE TELEVISION  
COMMISSION HONORING GARY MARTIN UPON THE OCCASION OF HIS RETIREMENT**

**WHEREAS**, Gary Martin after more than seven years as Executive Director of Access Sacramento announced his retirement in March 2021; and

**WHEREAS**, prior to his work at Access Sacramento, Gary Martin has previous experience as a professor of Radio, TV, and Film at Cosumnes River College, Apple Certified Trainer® for Final Cut Pro, and a member of the National Academy of Television Arts and Sciences and the Broadcast Education Association; and

**WHEREAS**, Gary Martin has a Bachelor of Science in Journalism from California Polytechnic University, San Luis Obispo, and a Master of Mass Communication from Arizona State University; and

**WHEREAS**, Gary Martin is only the third Executive Director at Access Sacramento; and

**WHEREAS**, as Executive Director of Access Sacramento, Gary Martin was responsible for the programming and management of the Sacramento Metropolitan Cable Television Commission's Public, Education, and Government (PEG) Channels 17 and 18, which provided the Sacramento community with public access programming that offers unique entertainment, challenging points of view, varied religious beliefs, diverse political opinions, and cultures and languages as an alternative to what is shown on most commercial channels; and

**WHEREAS**, as Executive Director of Access Sacramento, Gary Martin managed a \$650,000 annual budget, staff of ten, and 750 volunteers serving all of Sacramento County and the public access facility inviting public involvement in the production and cable distribution of more than 5,000 videos annually; and

**WHEREAS**, Gary Martin was instrumental in enhancing Access Sacramento's radio station KUBU, giving voice to the community's diverse political opinions, thoughts, and the broadcasting Board of Supervisors' meetings and City Council meetings of some of the Commission member agencies; and

**WHEREAS**, Gary Martin was instrumental in acquiring funding for a high definition truck to which vastly improved the quality of televised local high school football games, HomeTown TV events, and other programming to cablecast on Access Sacramento's PEG channels; and

**WHEREAS**, Gary Martin has been a champion to enhance the Coloma TV Studio and classrooms at Access Sacramento to allow the community to take classes on creating programs, learn how to use video equipment, and to participate with group production efforts; and

**WHEREAS**, Gary Martin has led Access Sacramento's efforts each year in providing the "Place Called Sacramento" Film Festival that serves as a fundraiser and showcases Sacramento area writers, directors, producers, actors and crew, and the amazing talents of filmmakers in the Sacramento region; and

**WHEREAS**, Gary Martin has been an active member of the Alliance for Community Media, including servicing on its Board in numerous capacities, promoting access programming and bringing new ideas to the Sacramento PEG cable providers; and

**WHEREAS**, Gary Martin has continually worked to improve communication in the Sacramento Community, "One Voice at a Time."

**NOW THEREFORE BE IT RESOLVED**, that the Sacramento Metropolitan Cable Television Commission is grateful for Gary Martin's more than seven years of dedicated service as Access Sacramento's Executive Director and does hereby recognize and honor Gary Martin upon the occasion of his retirement and wish him well in this life transition.

On a motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Cable Television Commission this 4<sup>th</sup> day of March 2021, by the following vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

By:

\_\_\_\_\_  
Chair, Sacramento Metropolitan  
Cable Television Commission

Attest:

\_\_\_\_\_  
Clerk of the Board





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## AGENDA ITEM NO. 6

**DATE:** March 4, 2021

**TO:** Chair and Board of Directors

**FROM:** Robert A. Davison, Executive Director

**SUBJECT:** **CONFLICT OF INTEREST CODE –  
DESIGNATED POSITIONS FOR CALENDAR YEAR 2021 (APPENDIX A)**

---

### **RECOMMENDATION:**

It is recommended the Board approve the Designated Positions for Calendar Year 2021 (Appendix A), related to the Cable Commission's Conflict of Interest Code.

### **BACKGROUND/DISCUSSION:**

Public agencies in California are required to adopt a Conflict of Interest Code to help identify potential conflicts of interests and to require public officials and its employees in designated positions to report their financial interest on a Statement of Economic Interests (Form 700).

The California Fair Political Practices Commission's (FPPC) regulations mandates a biennial review of each agency's Conflict of Interest Code to ensure that disclosure categories and job titles of filers remain up-to-date.

Pursuant to Government Code section 82011, the Board of Supervisors of the County of Sacramento is the Code reviewing body for the Cable Commission.

Staff met with the County Clerk's office back in 2016 to discuss the updating of the Cable Commission's Conflict of Interest Code and the list of designated positions and disclosure categories.

As a result of that meeting, the Cable Commission's Conflict of Interest Code was revised, which included changes recommended by the County Clerk's office; revisions were made to the Disclosure Categories; and the list of Designated Positions (Appendix A) was updated.

The Cable Commission Board approved those revisions to those documents at its September 1, 2016 meeting; which were then forwarded to the County Clerk's office.

At the September 11, 2017 meeting, the Commission Board approved the following changes made to the documents related to the Commission's Conflict of Interest Code:

**Agenda Item No. 6**

**Conflict of Interest Code – Designated Positions for Calendar Year 2021**

**Page 2**

- 1) the Designated Position of the Board member representing the cities of Folsom, Galt and Rancho Cordova changed to the Galt representative, with Councilmember Lori Heuer replacing Councilmember Andy Morin from Folsom;
- 2) the addition of a third Board Alternate appointment for the City of Sacramento; and
- 3) the addition of a newly appointed Ex-Officio for Rancho Cordova.

At the June 24, 2018 meeting, the Commission Board approved the updated list of Designated Positions (Appendix A) which included the following changes:

- 1) the appointment of Matt Read, as Board Alternate for Councilmember Steve Hansen, in place of Consuelo Hernandez; and
- 2) the appointment of Councilmember Robert McGarvey, as the Ex-Officio Alternate for Rancho Cordova.

At the October 4, 2018 meeting, the Commission Board approved the updated list of Designated Positions (Appendix A) which included the following change:

- 1) the appointment of Steve Miller, as Board Alternate for the Citrus Heights.

At the September 3, 2020 meeting, the Commission Board approved the updated list of Designated Positions (Appendix A), which included the following changes:

- 1) the appointment of Councilmember Andy Morin, representing the City of Folsom, as the population at Folsom surpassed 80,000 in CY 2020; and
- 2) the addition of Legal Counsel Laura Fowler from Best, Best, and Krieger who works with Commission staff on personnel matters.

At this time, the enclosed list of Designated Positions (Appendix A) has been updated to include new Board Members and Alternates (names highlighted in red) appointed to the Commission Board in **Calendar Year 2021**.

**RECOMMENDATION:**

It is recommended the Board approve the Designated Positions for Calendar Year 2021 (Appendix A) related to the Commission's Conflict of Interest Code, and delegate authority to the Executive Director to make changes to the list, as needed in the future. The list of Designated Positions for Calendar Year 2021 will be forwarded to the County Clerk's office.

Respectfully submitted,

**Robert A. Davison**

Digitally signed by Robert A. Davison  
DN: cn=Robert A. Davison, o=Sac Metro Cable TV  
Commission, ou=Executive Director,  
email=davisonb@saccounty.net, c=US  
Date: 2021.02.26 15:51:35 -08'00'

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

Attachment:

Conflict of Interest Code – Designated Positions for Calendar Year 2021 (Appendix A)





# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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## CONFLICT OF INTEREST CODE APPENDIX A

### DESIGNATED POSITIONS

CALENDAR YEAR 2021

Designated Position	Position No. (County e-Disclosure System)	Name	Assigned Disclosure Categories
Board Member, County of Sacramento - District 1	0000014	Phillip Serna	1, 2, 3, 4, 5
Board Member, County of Sacramento - District 2	0000015	Patrick Kennedy	1, 2, 3, 4, 5
Board Member, County of Sacramento - District 3	0000013	Rich Desmond	1, 2, 3, 4, 5
Board Member, County of Sacramento - District 4	0000010	Sue Frost	1, 2, 3, 4, 5
Board Member, County of Sacramento - District 5	0000012	Don Nottoli	1, 2, 3, 4, 5
Board Member, City of Sacramento – District 4	0000009	Katie Valenzuela	1, 2, 3, 4, 5
Board Member, City of Sacramento – District 6	0000008	Eric Guerra	1, 2, 3, 4, 5
Board Member, City of Sacramento – District 8	0000006	Mai Vang	1, 2, 3, 4, 5
Board Member, City of Citrus Heights	0000023	Tim Schaefer	1, 2, 3, 4, 5
Board Member, City of Elk Grove	0000007	Kevin Spease	1, 2, 3, 4, 5
Board Member, City of Rancho Cordova (Representing Galt and Rancho Cordova)	0000011	Garret Gatewood	1, 2, 3, 4, 5
Board Member, City of Folsom	0000033	YK Chalamcherla	1, 2, 3, 4, 5
Board Alternate, County of Sacramento - District 1	0000003	Lisa Nava	1, 2, 3, 4, 5
Board Alternate, County of Sacramento - District 2	0000002	Keaton Riley	1, 2, 3, 4, 5
Board Alternate, County of Sacramento - District 3	0000004	Vanessa McCarthy-Olmstead	1, 2, 3, 4, 5
Board Alternate, County of Sacramento, District 4	0000005	Matt Hedges	1, 2, 3, 4, 5
Board Alternate, City of Sacramento – District 4	0000024	Michelle Pariset	1, 2, 3, 4, 5
Board Alternate, City of Sacramento – District 8	0000025	Catherina Nou	1, 2, 3, 4, 5
Board Alternate, City of Sacramento – District 6	0000027	Sarah Pollo	1, 2, 3, 4, 5
Board Alternate, City of Citrus Heights	0000017	Porsche Middleton	1, 2, 3, 4, 5
Board Alternate, City of Elk Grove	0000016	Stephanie Nguyen	1, 2, 3, 4, 5
Board Alternate, City of Rancho Cordova	0000028	Siri Pulipati	1, 2, 3, 4, 5
Board Member (Ex-Officio) – City of Galt	0000018	Vacant	1, 2, 3, 4, 5

**Appendix A**

**Conflict of Interest Code - Appendix A - Designated Positions (Calendar Year 2021)**

Page 2

<b>Designated Position</b>	<b>Position No. (County e-Disclosure System)</b>	<b>Name</b>	<b>Assigned Disclosure Categories</b>
Executive Director	0000019	Robert Davison	1, 2, 3, 4, 5
Administrative Services Officer III	0000001	Karen Liu	1, 2, 3, 4, 5
Production Director	0000020	Kristin Riggs	1, 2, 3, 4, 5
Legal Counsel	0000022	Harriet Steiner	1, 2, 3, 4, 5
Legal Counsel	0000026	Joshua Nelson	1, 2, 3, 4, 5
Legal Counsel	0000032	Laura Fowler	1, 2, 3, 4, 5

The Executive Director or Commission Legal Counsel may determine in writing that a particular consultant, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in this Code. Such written determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The Executive Director’s or Commission Legal Counsel’s determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code.





# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

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## AGENDA ITEM NO. 7

**DATE:** March 4, 2021

**TO:** Chair and Board of Directors

**FROM:** Robert A. Davison, Executive Director

**SUBJECT:** **AUDITED FINANCIAL STATEMENTS AND OTHER REPORTS FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019**

---

### RECOMMENDATION:

It is recommended the Board receives and files the audited financial statements and other reports for the Sacramento Metropolitan Cable Television Commission as of and for the fiscal years ended June 30, 2018 and June 30, 2019.

### DISCUSSION:

The audit of the Sacramento Metropolitan Cable Television Commission (Commission) was performed by Richardson & Company, LLP for the Fiscal Years ended June 30, 2018 and June 30, 2019, in accordance with generally accepted auditing standards, and if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of the audit. As part of the audit, Richardson & Company considered the internal control of the Commission. Such considerations were solely for the purpose of determining audit procedures and not to provide any assurance concerning such internal control.

During the audit, the Auditors became aware of the following deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are an opportunity for strengthening internal controls and operating efficiency.

#### Accounting System

The Commission utilizes the County of Sacramento for its Treasury function and the County system reflects the balance sheet and income statement accounts of the Commission in a separate fund, which the Commission utilizes for their accounting system. However, the information maintained by the Commission on the County's system does not contain all of the necessary entries needed to record expenses in the period to which they relate or to record revenue in the proper period. As a result, the Auditors have to make many audit adjustments each year to record expenses as prepaid expense or to accrue for items paid after year-end. The limitation of the County system, which does not allow for adjustments after mid-July, contributes to the difficulty in recording revenues and expenses in the correct year.

## Agenda Item No. 7

### Audited Financial Statements and Reports for the Fiscal Years Ended June 30, 2018 and June 20, 2019

#### Page 2

In addition, the general ledger maintained by the County's system does not contain all of the transactions and accounts of the Commission. The following accounts/transactions are not recorded in the Commission's general ledger and were required to be computed from information outside of the system:

- Compensated absences liability;
- Pension liability;
- Other post-employment benefits liability; and
- Depreciation of capital assets.

Therefore, the balances for the above referenced items had to be adjusted by the Auditors during the audit process.

The Commission should establish a separate general ledger system outside of the County system to ensure that all accounts are properly reflected and all transactions are recorded in the proper period. The new **Government Auditing Standards** independence rules apply starting **June 30, 2020** add additional scrutiny over non-audit services performed by auditors, such as preparing a significant number of adjustments to comply with accounting standards. The **2018 Government Auditing Standards** will result in auditors re-evaluating whether they should provide bookkeeping, schedule preparation, and other services typically performed as part of an audit that require judgement to be exercised that should be performed by management so auditors are not put in the position of auditing their own work. Having a separate accounting system that reflects accrual and other adjustments will reduce the accounting entries needed during the audit process which will ensure the auditor's independence with regards to performing the audit is not impaired.

#### Commission Management's Response

The Commission plans to retain the services of an independent CPA, recommended by Richardson & Company, to establish and maintain a separate general ledger system outside of the County system, and to assist with the monthly and year-end closing of the Commission's books; and to perform any necessary adjustments needed to prepare for the Commission's financial statement audits.

#### Payroll Accounts

The Auditors noted several payroll liability accounts there were not reconciled as of June 30, 2018 and 2019. The Auditors also noted the retirement expense was not reconciled to CalPERS information. It is recommended the Commission ensure all payroll related accounts are reconciled at least annually.

#### Commission Management's Response

Staff has made the changes identified by the Auditors for the period audited. Staff will continue to reconcile the Commission in-house logs on a monthly basis, to ensure employer and employee contributions matches what is reported by CalPERS.

#### Risk Assessment Review

The Commission's current risk assessment process includes a Fraud Prevention / Whistleblower Policy provided to all staff, annual County P-Card audits, and segregation of duties of critical accounting



**Agenda Item No. 7**

**Audited Financial Statements and Reports for the Fiscal Years Ended June 30, 2018 and June 20, 2019**

**Page 3**

process between Admin staff and management personnel. Risk assessment should also involve those responsible for governance. We recommend the Board, in collaboration with management, review Commission risk assessment processes at least annually. Risk assessment review(s) should be incorporated into existing Board meeting(s) by adding an item to the agenda to discuss these risks.

**Commission Management's Response**

Staff will incorporate an item at the Board's annual June budget hearing/meeting to review the Commission's risk assessment processes; and discuss risks, if any.

**RECOMMENDATION:**

Staff recommends the Board receives and files the audited financial statements and reports of the Sacramento Metropolitan Cable Television Commission as of and for the Fiscal Years ended June 30, 2018 and June 30, 2019.

It is anticipated the Commission will sign an engagement letter with Richardson & Company, to perform the next audit in an effort to continue the practice of conducting biennial audits.

Respectfully submitted,



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

**Enclosures:**

Richardson & Company, LLP – Governance Letter (December 7, 2020)

Richardson & Company, LL P – Management Letter (December 7, 2020)

Audited Financial Statements and Other Reports for Year Ended June 30, 2019 and 2018



550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

## GOVERNANCE LETTER

To the Board of Directors  
Sacramento Metropolitan Cable Television Commission  
Sacramento, California

We have audited the financial statements of the Sacramento Metropolitan Cable Television Commission (the Commission) for the years ended June 30, 2019 and June 30, 2018 and have issued our report thereon dated December 7, 2020. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated October 30, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further auditing procedures. Material misstatements may result from (1) errors, (2) fraudulent financial report, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Internal control deficiencies identified during the audit are addressed in separate documents.



We performed the audit according to the planned scope previously communicated to you in our engagement letter dated October 30, 2018.

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note A to the financial statements. We noted no transaction entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. We noted several transactions that have been recognized in the financial statements in a different period than when the transaction occurred. However, adjustments were made during the audit to ensure transactions were recorded in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Accounting estimates are used in determining the depreciable lives and methods used for capital assets, the accrual for other post-employment benefits (OPEB), and the accrual of the unfunded pension liability. The depreciable lives and methods used for capital assets affects the amount of depreciation expense that is recorded and are based on the Commission's estimate of the useful lives of the assets. The OPEB liability is based on an actuarial valuation performed at least every two years, which is based on assumptions including future employment, retirement rates and future costs of health care and health insurance. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The accrual for the unfunded pension liability was determined by an actuarial valuation performed annually by CalPERS.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the postemployment benefit disclosure in Note F and the net pension liability disclosure in Note G to the financial statement.

The financial statement disclosures are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Adjustments included 36 in 2018 and 47 in 2019 for closing entries and audit adjustments needed to correct balances of the accounts and transactions. The nature of these adjustments consist of the following:

- Adjust capital assets to the correct balances and record depreciation
- Reclassify capital expenditures not meeting the capitalization threshold
- Record activity for compensated absence and post-employment benefits liabilities
- Record prepaid expenses and accounts payable to reflect expenses in the period in which they were incurred
- Accrue receivables for franchise and PEG fees in the period to which the revenue relates
- Record activity for the pension deferred inflow, liability, deferred outflow and pension expense

- Record activity for other post employment benefits liability and related deferred inflows/outflows
- Record activity for capital asset additions, disposals and depreciation
- Accrue additional franchise and PEG fee revenue as a result of audits of franchisees
- Adjust components of fund balance and net position
- Corrections to various payroll-related accounts

#### Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2020.

#### Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Finding Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to the Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions – Miscellaneous Plan (Unaudited) and the Other Postemployment Benefit (OPEB) Plan – Schedule of Contributions and Schedule of Changes in Net OPEB Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Directors and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

*Richardson & Company, LLP*



550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

## MANAGEMENT LETTER

To the Board of Directors and Management  
Sacramento Metropolitan Cable Television Commission  
Sacramento, California

In planning and performing our audit of the financial statements of the Sacramento Metropolitan Cable Television Commission (the Commission) as of and for the years ended June 30, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Commission's internal control.

However, during our audit, we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are an opportunity for strengthening internal controls and operating efficiency. See paragraphs below that summarize our comments and suggestions regarding those matters. A separate report dated December 7, 2020, contains our report on significant deficiencies or material weaknesses in the Commission's internal control. This letter does not affect our report dated December 7, 2020 on the financial statements of the Commission.

### Accounting System

The Commission utilizes the County of Sacramento for its treasury function and the County system reflects the balance sheet and income statement accounts of the Commission in a separate fund, which the Commission utilizes for their accounting system. However, the information maintained by the Commission on the County's system does not contain all of the necessary entries needed to record expenses in the period to which they relate or to record revenue in the proper period. As a result, we have many audit adjustments each year to record expenses as prepaid expense or to accrue for items paid after year-end. The limitation of the County system, which does not allow for adjustments after mid-July, contributes to the difficulty in recording revenues and expenses in the correct year.

In addition, the general ledger maintained on the County's system does not contain all of the transactions and accounts of the Commission. The following accounts/transactions are not recorded in the Commission's general ledger and were required to be computed from information outside of the system: compensated absences liability, pension liability, other post-employment benefits liability, and depreciation on capital assets. All of these balances had to be adjusted during the audit process.

The Commission should consider establishing a separate general ledger system outside of the County system to ensure that all accounts are properly reflected and all transactions are recorded in the proper period. The new *Government Auditing Standards* independence rules apply starting June 30, 2020 add additional scrutiny over nonaudit services performed by auditors, such as preparing a significant number of adjustments to comply with accounting standards. The 2018 *Government Auditing Standards* will result in auditors reevaluating whether they should provide bookkeeping, schedule preparation and other

services typically performed as part of an audit that require judgement to be exercised that should be performed by management so auditors are not put in the position of auditing their own work. Having a separate accounting system that reflects accrual and other adjustments will reduce the accounting entries needed during the audit process which will ensure our independence with regards to performing the audit is not impaired.

Payroll Accounts

We noted several payroll liability accounts that were not reconciled as of June 30, 2018 and 2019. We also noted the retirement expense was not reconciled to CalPERS information. We recommend that the Commission ensure all payroll related accounts are reconciled at least annually.

Risk Assessment Review

The Commission's current risk assessment process includes a Fraud Prevention/Whistleblower Policy provided to all staff, annual County P-Card audits, and segregation of duties of critical accounting processes between admin and management personnel. Risk assessment should also involve those responsible for governance. We recommend the Board, in collaboration with management, review Commission risk assessment processes at least annually. Risk assessment review(s) should be incorporated into existing Board meeting(s) by adding an item to the agenda to discuss these risks.

\* \* \* \* \*

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This report is intended solely for the information and use of the Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specific parties.

*Richardson & Company, LLP*

December 7, 2020

**SACRAMENTO METROPOLITAN CABLE  
TELEVISION COMMISSION**

Audited Financial Statements and  
Other Reports

June 30, 2019 and 2018

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SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

Audited Financial Statements and  
Other Reports

June 30, 2019 and 2018

Independent Auditor's Report ..... 1

Basic Financial Statements

June 30, 2018:

Statement of Net Position and Governmental Fund Balance Sheet ..... 3  
Statements of Activities and Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance ..... 5  
Statement of Revenues and Expenditures – Budget and Actual General Fund ..... 7  
Statement of Revenues and Expenditures – Budget and Actual PEG Fee Fund..... 8

June 30, 2019:

Statement of Net Position and Governmental Fund Balance Sheet ..... 9  
Statements of Activities and Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance ..... 11  
Statement of Revenues and Expenditures – Budget and Actual General Fund ..... 13  
Statement of Revenues and Expenditures – Budget and Actual PEG Fee Fund..... 14

Notes to the Basic Financial Statements ..... 15

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability and Schedule of  
Contributions to the Pension Plan – Miscellaneous Plan (Unaudited) ..... 37  
Other Postemployment Benefit (OPEB) – Schedule of Contributions to the OPEB Plan  
and the Schedule of Changes in The Net OPEB Liability ..... 39

Compliance Report

Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards ..... 40





550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

To the Board of Directors  
Sacramento Metropolitan Cable Television Commission  
Sacramento, California

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sacramento Metropolitan Cable Television Commission (the Commission) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Commission's financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of

To the Board of Directors  
Sacramento Metropolitan Cable Television Commission

June 30, 2019 and 2018 and the respective changes in financial position and the budgetary comparisons for the General and PEG Funds for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### **Change in Accounting Principle**

As discussed in Note N to the financial statements, in 2018 the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Report on Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions – Miscellaneous Plan and the OPEB Plan Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Management's Discussion and Analysis*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

December 7, 2020

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2018

	<u>General</u>	<u>PEG Fee</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 13,071,418	\$ 2,550,291	\$ 15,621,709
Interest receivable	70,445	15,947	86,392
Accounts receivable	4,357,068	861,609	5,218,677
Other assets	39,162		39,162
Equipment, net of depreciation			
TOTAL ASSETS	<u>\$ 17,538,093</u>	<u>\$ 3,427,847</u>	<u>\$ 20,965,940</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pensions			
OPEB			
TOTAL DEFERRED OUTFLOW OF RESOURCES			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 11,406,892	\$ 556,563	\$ 11,963,455
Long-term liabilities:			
Due within one year			
Due in more than one year			
TOTAL LIABILITIES	<u>11,406,892</u>	<u>556,563</u>	<u>11,963,455</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pensions			
OPEB			
Unavailable revenue	498,664	89,972	588,636
TOTAL DEFERRED INFLOW OF RESOURCES	<u>498,664</u>	<u>89,972</u>	<u>588,636</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balance:			
Nonspendable	39,162		39,162
Restricted		2,781,312	2,781,312
Unassigned	5,593,375		5,593,375
Total fund balances	<u>5,632,537</u>	<u>2,781,312</u>	<u>8,413,849</u>
TOTAL LIABILITIES, DEFERRED OUTFLOW OF RESOURCES FUND BALANCES	<u>\$ 17,538,093</u>	<u>\$ 3,427,847</u>	<u>\$ 20,965,940</u>
<b>Net position:</b>			
Investment in capital assets			
Restricted			
Unrestricted			
<b>TOTAL NET POSITION</b>			

The accompanying notes are an integral part of these financial statements.

Adjustments (Note L)	Statement of Net Position
	\$ 15,621,709
	86,392
	5,218,677
	39,162
\$ 45,012	45,012
<u>45,012</u>	<u>21,010,952</u>
150,014	150,014
<u>154,602</u>	<u>154,602</u>
<u>304,616</u>	<u>304,616</u>
	11,963,455
2,651	2,651
<u>1,513,247</u>	<u>1,513,247</u>
<u>1,515,898</u>	<u>13,479,353</u>
88,468	88,468
104,731	104,731
<u>(588,636)</u>	<u>                    </u>
<u>(395,437)</u>	<u>193,199</u>
(39,162)	
(2,781,312)	
<u>(5,593,375)</u>	
<u>(8,413,849)</u>	
45,012	45,012
2,899,018	2,899,018
<u>4,698,986</u>	<u>4,698,986</u>
<u>\$ 7,643,016</u>	<u>\$ 7,643,016</u>

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2018

	<u>General</u>	<u>PEG Fee</u>	<u>Total</u>
<b>PROGRAM REVENUES</b>			
Franchise fees	\$ 13,667,478		\$ 13,667,478
Public, educational and government fees		\$ 2,721,776	2,721,776
Miscellaneous	7,716		7,716
TOTAL REVENUES	<u>13,675,194</u>	<u>2,721,776</u>	<u>16,396,970</u>
<b>EXPENDITURES/EXPENSES</b>			
General government and administration	13,920,151	2,339,281	16,259,432
Capital outlay		19,322	19,322
TOTAL EXPENDITURES/EXPENSES	<u>13,920,151</u>	<u>2,358,603</u>	<u>16,278,754</u>
NET PROGRAM (EXPENSES) REVENUES	(244,957)	363,173	118,216
<b>GENERAL REVENUES</b>			
Interest income	121,749	29,860	151,609
Loss on disposal of assets			
TOTAL GENERAL REVENUES	<u>121,749</u>	<u>29,860</u>	<u>151,609</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(123,208)	393,033	269,825
Fund balance/net position, beginning of year,	5,755,745	2,388,279	8,144,024
Prior period adjustment			
Fund balance/net position, beginning of year, as restated	<u>5,755,745</u>	<u>2,388,279</u>	<u>8,144,024</u>
FUND BALANCE/NET POSITION END OF YEAR	<u>\$ 5,632,537</u>	<u>\$ 2,781,312</u>	<u>\$ 8,413,849</u>

The accompanying notes are an integral part of these financial statements.

<u>Adjustments (Note L)</u>	<u>Statement of Activities</u>
452,025	\$ 14,119,503
78,286	2,800,062
	7,716
<u>530,311</u>	<u>16,927,281</u>
3,345	16,262,777
(19,322)	
<u>(15,977)</u>	<u>16,262,777</u>
546,288	664,504
58,325	209,934
(2,908)	(2,908)
<u>55,417</u>	<u>207,026</u>
601,705	871,530
(945,715)	7,198,309
	(426,823)
<u>(945,715)</u>	<u>6,771,486</u>
<u>\$ (344,010)</u>	<u>\$ 7,643,016</u>

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENT OF REVENUES AND  
EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Franchise fees	\$ 13,750,000	\$ 13,750,000	\$ 13,667,478	\$ (82,522)
Interest income	75,000	75,000	121,749	46,749
Miscellaneous	9,000	9,000	7,716	(1,284)
TOTAL REVENUES	<u>13,834,000</u>	<u>13,834,000</u>	<u>13,796,943</u>	<u>(37,057)</u>
EXPENDITURES				
General government and administration				
Salaries and benefits	991,096	991,096	767,797	223,299
Services and supplies	25,620,461	25,620,461	13,152,354	12,468,107
Capital outlay	25,000	25,000		25,000
Contingency	131,506	131,506		131,506
TOTAL EXPENDITURES	<u>26,768,063</u>	<u>26,768,063</u>	<u>13,920,151</u>	<u>12,847,912</u>
NET CHANGE IN FUND BALANCE	<u>\$ (12,934,063)</u>	<u>\$ (12,934,063)</u>	<u>\$ (123,208)</u>	<u>\$ 12,810,855</u>

The accompanying notes are an integral part of these financial statements.



SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENT OF REVENUES AND  
EXPENDITURES - BUDGET AND ACTUAL  
PEG FEE FUND

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Public, educational and government fees	\$ 2,750,000	\$ 2,750,000	\$ 2,721,776	\$ (28,224)
Interest income	10,000	10,000	29,860	19,860
TOTAL REVENUES	<u>2,760,000</u>	<u>2,760,000</u>	<u>2,751,636</u>	<u>(8,364)</u>
<b>EXPENDITURES</b>				
General government and administration				
Services and supplies	3,660,423	3,660,423	2,339,281	1,321,142
Capital outlay	65,548	65,548	19,322	46,226
Contingency	193,289	193,289		193,289
TOTAL EXPENDITURES	<u>3,919,260</u>	<u>3,919,260</u>	<u>2,358,603</u>	<u>1,560,657</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (1,159,260)</u></u>	<u><u>\$ (1,159,260)</u></u>	<u><u>\$ 393,033</u></u>	<u><u>\$ 1,569,021</u></u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2019

	<u>General</u>	<u>PEG Fee</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 8,413,251	\$ 2,957,168	\$ 11,370,419
Interest receivable	111,625	33,089	144,714
Accounts receivable	4,770,243	946,959	5,717,202
Other assets	39,594		39,594
Equipment, net of depreciation			
TOTAL ASSETS	<u>\$ 13,334,713</u>	<u>\$ 3,937,216</u>	<u>\$ 17,271,929</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pensions			
OPEB			
TOTAL DEFERRED OUTFLOW OF RESOURCES			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 6,327,466	\$ 433,604	\$ 6,761,070
Long-term liabilities:			
Due within one year			
Due in more than one year			
TOTAL LIABILITIES	<u>6,327,466</u>	<u>433,604</u>	<u>6,761,070</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pensions			
OPEB			
Unavailable revenue	910,141	173,478	1,083,619
TOTAL DEFERRED INFLOW OF RESOURCES	<u>910,141</u>	<u>173,478</u>	<u>1,083,619</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balance:			
Nonspendable	39,594		39,594
Restricted		3,330,134	3,330,134
Unassigned	6,057,512		6,057,512
Total fund balances	<u>6,097,106</u>	<u>3,330,134</u>	<u>9,427,240</u>
TOTAL LIABILITIES, DEFERRED OUTFLOW OF RESOURCES FUND BALANCES	<u>\$ 13,334,713</u>	<u>\$ 3,937,216</u>	<u>\$ 17,271,929</u>
<b>Net position:</b>			
Investment in capital assets			
Restricted			
Unrestricted			
<b>TOTAL NET POSITION</b>			

The accompanying notes are an integral part of these financial statements.

Adjustments (Note L)	Statement of Net Position
	\$ 11,370,419
	144,714
	5,717,202
	39,594
\$ 75,878	75,878
75,878	17,347,807
131,411	131,411
151,735	151,735
283,146	283,146
	6,761,070
3,335	3,335
1,543,565	1,543,565
1,546,900	8,307,970
84,494	84,494
83,641	83,641
(1,083,619)	
(915,484)	168,135
(39,594)	
(3,330,134)	
(6,057,512)	
(9,427,240)	
75,878	75,878
3,523,622	3,523,622
5,555,348	5,555,348
\$ 9,154,848	\$ 9,154,848

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2019

	<u>General</u>	<u>PEG Fee</u>	<u>Total</u>
<b>PROGRAM REVENUES</b>			
Franchise fees	\$ 13,117,432		\$ 13,117,432
Public, educational and government fees		\$ 2,635,896	2,635,896
Miscellaneous	8,172		8,172
TOTAL REVENUES	<u>13,125,604</u>	<u>2,635,896</u>	<u>15,761,500</u>
<b>EXPENDITURES/EXPENSES</b>			
General government and administration	12,852,877	2,074,585	14,927,462
Capital outlay		74,407	74,407
TOTAL EXPENDITURES/EXPENSES	<u>12,852,877</u>	<u>2,148,992</u>	<u>15,001,869</u>
NET PROGRAM REVENUES	272,727	486,904	759,631
<b>GENERAL REVENUES</b>			
Interest income	191,842	61,918	253,760
TOTAL GENERAL REVENUES	<u>191,842</u>	<u>61,918</u>	<u>253,760</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	464,569	548,822	1,013,391
Fund balance/net position, beginning of year	<u>5,632,537</u>	<u>2,781,312</u>	<u>8,413,849</u>
FUND BALANCE/ NET POSITION END OF YEAR	<u>\$ 6,097,106</u>	<u>\$ 3,330,134</u>	<u>\$ 9,427,240</u>

The accompanying notes are an integral part of these financial statements.

<u>Adjustments (Note L)</u>	<u>Statement of Activities</u>
386,750	\$ 13,504,182
77,350	2,713,246
	8,172
<u>464,100</u>	<u>16,225,600</u>
\$ 70,949	14,998,411
<u>(74,407)</u>	
<u>(3,458)</u>	<u>14,998,411</u>
467,558	1,227,189
30,883	284,643
<u>30,883</u>	<u>284,643</u>
467,558	1,511,832
<u>(770,833)</u>	<u>7,643,016</u>
<u>\$ (303,275)</u>	<u>\$ 9,154,848</u>

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENT OF REVENUES AND  
EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Franchise fees	\$ 13,125,984	\$ 13,125,984	\$ 13,117,432	\$ (8,552)
Interest income	100,000	100,000	191,842	91,842
Miscellaneous	15,000	15,000	8,172	(6,828)
TOTAL REVENUES	<u>13,240,984</u>	<u>13,240,984</u>	<u>13,317,446</u>	<u>76,462</u>
<b>EXPENDITURES</b>				
General government and administration				
Salaries and benefits	1,094,032	1,094,032	878,786	215,246
Services and supplies	23,631,733	23,631,733	11,974,091	11,657,642
Capital outlay	7,000	7,000		7,000
Contingency	7,000	7,000		7,000
TOTAL EXPENDITURES	<u>24,739,765</u>	<u>24,739,765</u>	<u>12,852,877</u>	<u>11,886,888</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$(11,498,781)</u></u>	<u><u>\$(11,498,781)</u></u>	<u><u>\$ 464,569</u></u>	<u><u>\$ 11,963,350</u></u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

STATEMENT OF REVENUES AND  
EXPENDITURES - BUDGET AND ACTUAL  
PEG FUND

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Public, educational and government fees	\$ 2,600,000	\$ 2,600,000	\$ 2,635,896	\$ 35,896
Interest income	25,000	25,000	61,918	36,918
TOTAL REVENUES	<u>2,625,000</u>	<u>2,625,000</u>	<u>2,697,814</u>	<u>72,814</u>
<b>EXPENDITURES</b>				
General government and administration				
Services and supplies	4,279,499	4,279,499	2,074,585	2,204,914
Capital outlay	118,001	118,001	74,407	43,594
Contingency	109,875	109,875		109,875
TOTAL EXPENDITURES	<u>4,507,375</u>	<u>4,507,375</u>	<u>2,148,992</u>	<u>2,358,383</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,882,375)</u>	<u>\$ (1,882,375)</u>	<u>\$ 548,822</u>	<u>\$ 2,431,197</u>

The accompanying notes are an integral part of these financial statements.



# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sacramento Metropolitan Cable Television Commission (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the Commission are described below.

**Background:** The Commission was organized through a Joint Powers Agreement (JPA) in the 1980's under chapter 5.50 of Title 5 of the Sacramento County Code. The purpose of the Commission includes administering the franchising and licensing of cable television services within the Sacramento community. The County of Sacramento and the cities of Sacramento, Galt, Folsom, Elk Grove, Rancho Cordova, and Citrus Heights are members of the Commission.

The power and authority of the Commission is vested with a Board of Directors consisting of eleven Board members. The Commission's Board of Directors is comprised of 5 members from the County Board of Supervisors: 3 members of the Sacramento City Council, 1 member of the Citrus Heights City Council, 1 member of the Elk Grove City Council and 1 member appointed to represent Rancho Cordova, Folsom and Galt.

One of the purposes of the Commission is to administer State-issued cable television franchises in the County of Sacramento. The Commission collects franchise fees from cable providers, which is rent paid for the use of the public rights-of-way. The Commission uses part of the 5% franchise fee revenues it receives to support the administration and enforcement arm of the Commission, to help fund activities and operations of four independent community Channel Licensees (Access Sacramento, Capitol Public Radio, KVIE, and the Sacramento Education Cable Consortium), and to operate Metro Cable 14, the local government channel. The balance of the franchise fee revenue is distributed to the Commission's seven member jurisdictions at the end of each fiscal year.

Digital Infrastructure and Video Act of 2006 (DIVCA) allowed local entities including joint power agencies to impose a fee up to 3% to support Public, Educational and Governmental (PEG) channel facilities. On February 5, 2009 the Commission's board adopted resolution number 09.001 to implement a 1% PEG fee collection.

The use of PEG fees is restricted to pay for capital and equipment costs incurred for the provision of public, educational and government programming on the cable systems and for the institutional network that is also part of the cable system and such other expenditures as the Commission may determine proper under state and federal law. The 1% PEG fee revenue is distributed each fiscal year to member agencies, channel licensees, and Metro Cable, to help fund capital equipment and facility needs to support PEG channel activities. The funds cannot be used for operational expenses such as staffing.

The Commission's reporting entity includes all financial activities under control of its Board of Directors. Control was determined on the basis of budget adoption and continuing oversight responsibilities.

**Basis of Presentation – Government-wide Financial Statements:** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Commission. The effect of interfund activity has been removed from these statements. The Commission has only governmental activities, which are supported primarily by franchise fees and PEG fees.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Franchise fees and PEG fees are recognized as revenues in the year in which the fee relates.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation – Fund Financial Statements: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers all revenues to be available if they are collected within 180 days of the end of the current fiscal period. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible. Franchise fees and PEG fees and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Payable balances consist primarily of payables to member agencies.

Fund Accounting: The accounts of the Commission are organized on the basis of funds. A fund is a separate accounting unit with a self-balancing set of accounts. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Commission resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The Commission's funds are as follows:

General Fund: Used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund. Franchise fees are accounted for in this fund.

PEG Fee Fund: Used to account for the 1% PEG fee and related expenditures. Because these fees are to be expended for capital items, the entire fund balance is reported as restricted.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets are recorded at

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

historical cost. Donated assets are valued at estimated fair value on the date received. Equipment is depreciated using the straight-line method over 5 years with 10% residual value for certain items.

Maintenance and repairs are charged to operations when incurred. It is the Commission's policy to capitalize all capital assets with a cost of more than \$5,000 and a useful life of more than one year. Costs of assets retired (and the related amounts of accumulated depreciation) are eliminated in the year of retirement, and the resulting gain or loss is recognized in operations. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balance as proceeds from sale.

Compensated Absences: Regular, full-time Commission employees are granted vacation and sick leave in varying amounts based upon length of service. Any accrued hours, not in excess of the maximum allowable, which are unused during the current period, are carried forward to following years. Additionally, certain employees are allowed compensated time-off (CTO) in lieu of overtime compensation and/or for working on holidays. Unused CTO is paid out every year in January. Any sick leave hours not used during the period are carried forward to future years, with no limit to the number of hours that can be accumulated. The Commission pays 1/3 of accumulated sick leave to employees upon termination with a minimum two years of service.

The General Fund records expenditures for compensated absences as they are taken by employees. Each year's budget includes a provision for the estimated expenditure for the current year. Compensated absences are accrued in the government-wide financial statements when earned. A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and is currently payable. Each year's budget includes a provision for the estimated expenditure for the current year.

Fund Equity: In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable Fund Balance – Fund balance should be reported as nonspendable when amounts cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise prepaid items and other assets.

Restricted Fund Balance – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Fund balances should be reported as committed when the amounts can only be used for specific purposes determined by formal action of the Commission's highest level of decision-making authority (resolution by the Board of Directors). These amounts cannot be used for any other purpose unless the Commission's Board of Directors modifies or removes the fund balance commitment.

Assigned Fund Balance – Fund balance should be reported as assigned when the amounts are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the Commission's General Fund that includes amounts not contained in the other classification.

Net Position: The government-wide financial statements report net position. The following are the three categories:

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net position of the Commission not restricted for any project or other purpose.

Fund Balance Policy: When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, restricted amounts would be reduced first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

The Board of Directors is the highest level of authority. It establishes, modifies, or rescinds fund balance commitments and assignments by the passage of a resolution and approval of the detailed implementation plan. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A commitment can only be modified or removed by the same formal action. When it is appropriate for fund balance to be assigned, the Commission delegates the responsibility to assign funds to the Executive Director or his/her designee. Assignments may occur subsequent to fiscal year-end.

The Commission has set aside \$1,198,884 as of June 30, 2018 and \$1,298,884 as of June 30, 2019 for general reserves to be used for unanticipated expenditures and to offset revenue shortfalls during the fiscal years. The reserve was authorized by the Commission's Board of Directors through board resolution. For the purpose of reporting fund balance, this amount is reported as unassigned in the General Fund.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the Commission's OPEB and pension plans as described in Notes F and G.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported as fair value.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Budgetary Principles: As required by the Agreement of Formation of the Commission, the Commission's Board of Directors adopts a preliminary budget prior to July 1st and a final budget prior to September 1st of each fiscal year. Until the adoption of the final balanced budget, operations are governed by the adopted proposed budget approved by the Board. Public hearings are conducted on the proposed final budget to review all appropriations and the sources of financing.

Operating budgets are adopted for the General Fund on the modified accrual basis of accounting except as explained below. Budgetary control and the legal level of control are at the object level which classifies expenditures by type of goods purchased and services obtained. The *Statement of Revenues and Expenditures - Budget to Actual* presents revenues at the source level and expenditures at the function level.

New Pronouncements: In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an

# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The Commission will fully analyze the impact of these new Statements prior to the effective date above.

### NOTE B – CASH AND CASH EQUIVALENTS

Investment policy: California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Commission does not have its own investment policy that addresses its interest rate risk, credit risk and concentration of credit risk, but uses the County’s policy.

Investment in the County of Sacramento’s Investment Pool: The Commission maintains its cash in Sacramento County’s cash and investment pool, which is managed by the Sacramento County Treasurer. The amount invested by all public agencies in Sacramento County’s cash and investment pool is \$4,029,757,939 and \$4,327,235,862 at June 30, 2018 and 2019, respectively. Sacramento County does not invest in any derivative financial products. The Sacramento County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Sacramento County’s cash and investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in Sacramento County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Commission’s position in the pool. Investments held in the County’s investment pool are available on demand to the Commission and are stated at cost, which approximates fair value.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018 and 2019, the weighted average maturity of the investments contained in the County’s investment pool was approximately 309 days and 320 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County’s investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the County’s investment pool).

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018 and 2019 was as follows:

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets, being depreciated:				
Equipment	\$ 656,298	\$ 19,322	\$ (159,864)	\$ 515,756
Total capital assets, being depreciated	<u>656,298</u>	<u>19,322</u>	<u>(159,864)</u>	<u>515,756</u>
Less accumulated depreciation for:				
Equipment	(586,293)	(41,407)	156,956	(470,744)
Total accumulated depreciation	<u>(586,293)</u>	<u>(41,407)</u>	<u>156,956</u>	<u>(470,744)</u>
Total capital assets for governmental activities	<u>\$ 70,005</u>	<u>\$ (22,085)</u>	<u>\$ (2,908)</u>	<u>\$ 45,012</u>
	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets, being depreciated:				
Equipment	\$ 515,756	\$ 74,407	\$ (99,823)	\$ 490,340
Total capital assets, being depreciated	<u>515,756</u>	<u>74,407</u>	<u>(99,823)</u>	<u>490,340</u>
Less accumulated depreciation for:				
Equipment	(470,744)	(43,541)	99,823	(414,462)
Total accumulated depreciation	<u>(470,744)</u>	<u>(43,541)</u>	<u>99,823</u>	<u>(414,462)</u>
Total capital assets for governmental activities	<u>\$ 45,012</u>	<u>\$ 30,866</u>	<u>\$ -</u>	<u>\$ 75,878</u>

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity of the Commission for the years ended June 30, 2018 and 2019:

	Restated Balance June 30, 2017	Additions	Repayments	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 58,205	\$ 64,656	\$ (53,290)	\$ 69,571	\$ 2,651
Other post-employment benefits	759,163		(136,613)	622,550	
Net pension liability	834,038		(10,261)	823,777	
	<u>\$ 1,651,406</u>	<u>\$ 64,656</u>	<u>\$ (200,164)</u>	<u>\$ 1,515,898</u>	<u>\$ 2,651</u>
	Balance June 30, 2018	Additions	Repayments	Balance June 30, 2019	Due Within One Year
Compensated absences	\$ 69,571	\$ 56,767	\$ (52,830)	\$ 73,508	\$ 3,335
Other post-employment benefits	622,550		(52,925)	569,625	
Net pension liability	823,777	79,990	-	903,767	
	<u>\$ 1,515,898</u>	<u>\$ 136,757</u>	<u>\$ (105,755)</u>	<u>\$ 1,546,900</u>	<u>\$ 3,335</u>



SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE E – OPERATING LEASES

In January 2018, the Commission renewed its lease agreement for office space for five years. The monthly rental payments are \$2,758.86 through December 2022. Rent expense during the years ended June 30, 2018 and 2019 totaled \$30,593 and \$33,106, respectively.

Future minimum non-cancelable operating lease payments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2020	\$ 33,106
2021	33,106
2022	33,106
2023	<u>16,553</u>
	<u>\$ 115,871</u>

NOTE F – OTHER POST-EMPLOYMENT BENEFITS

Plan Description: The Commission provides medical coverage through CalPERS to eligible retirees and their dependents. The Commission contributes 100% of the premium for the employee and his or her dependents up to, but not exceeding, 80% of the Kaiser (pre-Medicare) family premium rate in the Sacramento region. This provides a maximum monthly subsidy of \$1,464 per month in 2018, which decreased to \$1,431 per month in 2019.

Contributions: The contribution requirements of the plan members and the Commission are established and may be amended by the Commission. The Commission prefunds the plan by contributing at least 100% of actuarially determined contributions to the California Employers' Retiree Benefit Trust (CERBT), a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115. The Trust is administered by CalPERS as an agent multiple-employer plan. During the years ended June 30, 2018 and 2019 the Commission's cash contributions to the trust were \$80,216 and \$129,171, benefit payments were \$31,996 and \$46,732, and the estimated implicit subsidy was \$14,736 and \$14,549, resulting in total payments of \$126,948 and \$129,171 respectively.

Employees Covered by Benefit Terms: At June 30, 2018 and 2019, the following current and former employees were covered by the benefit terms:

	<u>2018</u>	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefit payments	3	3
Active employees	<u>7</u>	<u>7</u>
Total	<u>10</u>	<u>10</u>

Net OPEB Liabilities: The Commission's net OPEB liabilities were measured as of June 30, 2017 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2018, rolled forward as of June 30, 2018 and 2019.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liabilities in the June 30, 2017 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	June 30, 2018	June 30, 2019
Valuation date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2017	June 30, 2018
Actuarial cost method	Entry-age normal cost method, level percent of pay	Entry-age normal cost method, level percent of pay
Asset valuation method	Market value of assets	Market value of assets
Actuarial assumptions:		
Investment rate of return	6.5%	6.5%
Discount rate	6.5%	6.5%
Salary increases	3.25% per year	3.25% per year
Wage inflation	3.0%	3.0%
Inflation	2.75%	2.75%
Mortality rate	Derived using CalPERS	Derived using CalPERS
Mortality Improvement	MacLeod Scale 2017 applied	MacLeod Scale 2017 applied
Healthcare trend rate	Start at 7.5%. Grade down to 5.0% by 2024	Start at 7.5%. Grade down to 5.0% by 2024

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected.

The assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	2018 Percentage of Portfolio	2019 Percentage of Portfolio	1-10 Year Expected Return	11+ Year Expected Return
Global Equity	40%	40%	5.25%	5.71%
Fixed Income	39%	43%	1.79%	2.40%
Treasury Inflation Protected Securities	10%	5%	1.00%	2.25%
Real Estate Investment Trusts	8%	8%	3.25%	7.88%
Commodities	3%	4%	0.34%	4.95%
	<u>100%</u>	<u>100%</u>		

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Discount Rate: The discount rate used to measure the total OPEB liability was 6.5% at both June 30, 2018 and 2019. The projection of cash flows used to determine the discount rate assumed that Commission's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in Net OPEB Liability: The change in the net OPEB liability for the plan is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 972,984	\$ 213,821	\$ 759,163
Changes in the year:			
Service cost	25,419		25,419
Interest	63,871		63,871
Expected Investment Income		16,699	(16,699)
Contributions - employer		117,861	(117,861)
Administrative expenses		(138)	138
Benefit payments	(31,543)	(31,543)	
Change in assumption	32,744		32,744
Plan experience	(120,085)		(120,085)
Investment experience		4,140	(4,140)
Net changes	<u>(29,594)</u>	<u>107,019</u>	<u>(136,613)</u>
Balance at June 30, 2018 (measurement date June 30, 2017)	<u>\$ 943,390</u>	<u>\$ 320,840</u>	<u>\$ 622,550</u>

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 943,390	\$ 320,840	\$ 622,550
Changes in the year:			
Service cost	32,907		32,907
Interest	61,941		61,941
Expected Investment Income		23,441	(23,441)
Contributions - employer		126,948	(126,948)
Administrative expenses		(196)	196
Other expenses		(425)	425
Benefit payments	(46,732)	(46,732)	-
Investment experience		(1,995)	1,995
Net changes	<u>48,116</u>	<u>101,041</u>	<u>(52,925)</u>
Balance at June 30, 2019 (measurement date June 30, 2018)	<u>\$ 991,506</u>	<u>\$ 421,881</u>	<u>\$ 569,625</u>

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates: The following presents the net OPEB liability of the Commission, as well as what the Commission’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

Current Discount Rate	2018	2019
1% Decrease	5.50%	5.50%
Net OPEB liability	\$ 739,978	\$ 693,389
Current Discount Rate	6.50%	6.50%
Net OPEB liability	\$ 622,550	\$ 569,625
1% Increase	7.50%	7.50%
Net OPEB liability	\$ 525,184	\$ 467,248

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the Commission, as well as what the Commission’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

Current Healthcare Cost Trend Rates	2018	2019
1% Decrease		
Net OPEB liability	\$ 515,717	\$ 448,578
Current Discount Rate		
Net OPEB liability	\$ 622,550	\$ 569,625
1% Increase		
Net OPEB liability	\$ 758,850	\$ 725,875

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERBT financial report at [www.calpers.ca.gov](http://www.calpers.ca.gov).

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018 and 2019, the Commission recognized OPEB expense of

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (Continued)

\$58,325 and \$58,023, respectively. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2018		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumption	\$ 27,654		\$ 22,564	
OPEB contributions subsequent to measurement date	126,848		129,171	
Difference between expected and actual plan experience		\$ 101,419		\$ 82,753
Net differences between projected and actual earnings on plan investments		3,312		888
Total	<u>\$ 154,502</u>	<u>\$ 104,731</u>	<u>\$ 151,735</u>	<u>\$ 83,641</u>

The \$126,848 and \$129,171 reported as deferred outflows of resources at June 30, 2018 and 2019, respectively, related to contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Fiscal Year Ended	
	June 30,	
2019	\$ (14,404)	
2020	(14,404)	\$ (14,005)
2021	(14,404)	(14,005)
2022	(14,404)	(14,005)
2023	(13,576)	(13,177)
2024	(5,885)	(5,885)
Thereafter	-	-
	<u>\$ (77,077)</u>	<u>\$ (61,077)</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 6.43 years at June 30, 2018 and 2019.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE F – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Payable to the OPEB Plan: The Commission had no contributions outstanding to the Plan required for the years ended June 30, 2018 and 2019.

NOTE G – PENSION PLANS

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the Commission’s cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). The Board has the following cost-sharing Plans:

- Miscellaneous Plan
- PEPRAs Miscellaneous Plan

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRAs Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2018 and 2019, are summarized as follows:

Hire date	Miscellaneous	PEPRA
	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates - 2018	6.896%	6.75%
Required employer contribution rates - 2018	9.943%	7.00%
Required employee contribution rates - 2019	6.902%	6.75%
Required employer contribution rates - 2019	10.501%	7.363%

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE G –PENSION PLANS (Continued)

In addition to the contribution rates above, the Commission was also required to make payments of \$32,012 and \$42,436 toward its unfunded actuarial liability during the years ended June 30, 2018 and 2019, respectively.

The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2018 and 2019 the contributions recognized as part of pension expense were \$19,195 and \$176,973, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2018 and 2019, the Commission reported a net pension liability for its proportionate share of the net pension liability of \$823,777 and \$903,767, respectively.

The Commission's net pension liability is measured as the proportionate share of the net pension liability of the pool. The net pension liability as of June 30, 2018 and 2019 is measured as of June 30, 2018 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2018 rolled forward to June 30, 2018 and 2019 using standard update procedures. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportionate share of the net pension liability for the Plans as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2017	0.021157%
Proportion - June 30, 2018	<u>0.021858%</u>
Change - Increase (Decrease)	0.000701%
Proportion - June 30, 2019	<u>0.022569%</u>
Change - Increase (Decrease)	0.000711%



SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE G –PENSION PLANS (Continued)

For the years ended June 30, 2018 and 2019, the Commission recorded pension expense of \$19,195 and \$94,619, respectively. At June 30, 2018 and 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	June 30, 2018		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 31,607	\$ (10,756)	\$ 62,770	\$ (4,863)
Changes in assumptions	93,913	(23,016)	43,096	(15,277)
Net differences between projected and actual earnings on plan investments	4,073			(15,801)
Adjustment due to differences in proportions	20,421	(1,969)	25,545	(875)
Difference between actual vs. allocated contributions		(52,727)		(47,678)
Total	\$ 150,014	\$ (88,468)	\$ 131,411	\$ (84,494)

The net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	2018	2019
2019	\$ 64,516	
2020	32,691	\$ 50,490
2021	(28,251)	(12,775)
2022	(7,410)	6,009
2023		3,193
	\$ 61,546	\$ 46,917

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE G –PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for the Plan were determined using the following actuarial assumptions:

	June 30, 2018	June 30, 2019
Valuation Date	June 30, 2017	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	Varies by entry age and service	Varies by entry age and service
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds
Post-retirement increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 and 2018 valuations were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The current rate of 7.15% for both fiscal years 2017/18 and 2018/19 reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS used the amortization and smoothing periods adopted by the Board in 2013. For the Plan, the crossover test was performed for a miscellaneous agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE G –PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class for each of the Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2018			2019		
	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Liquidity	1.00%	-	(0.92%)	1.00%	-	(0.92%)
Total	<u>100.00%</u>			<u>100.00%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Commission's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate at June 30, 2018 and 2019:

	2018	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 1,293,778	\$ 1,391,423
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 823,777	\$ 903,767
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 435,799	\$ 501,242

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE H – INSURANCE

The Commission is a member of the Golden State Risk Management Authority (GSRMA). The GSRMA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code Sections 6500 et. seq. The purpose of the GSRMA is to provide a full risk management program for California local governments. GSRMA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The Commission pays an annual premium to GSRMA for general liability, property, management liability, and workers compensation insurance coverage. The Commission’s annual premium is based on its pro-rata share of charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the GSRMA.

The Commission’s deductible and coverage are as follows:

<u>Coverage</u>	<u>Commercial</u>	<u>GSRMA</u>	<u>Deductible</u>
General liability/Automobile	\$1,000,000	\$250,000	None
Crime	10,000,000	25,000	\$2,500
Workers compensation	Statutory	300,000	None
Property	25,000,000	5,000 to 25,000	250 to 25,000

NOTE I – COMMISSION SUNSET PROVISION

The Commission is formed by executing an Agreement with member agencies. Current member agencies include the County of Sacramento and the cities of Sacramento, Folsom, Galt, Citrus Heights, Rancho Cordova and Elk Grove.

Under Chapter 5.50.112, sub-part No. 9 of Sacramento County Code entitled “Agreement of Formation,” the Agreement shall terminate and the Commission shall be deemed dissolved on December 31, 2024. However, the Commission may make a recommendation to the member agencies regarding the continuation or early dissolution prior to December 31, 2024.

NOTE J – REVENUE DISTRIBUTIONS TO MEMBER AGENCIES

Under Sacramento County Code, Section 5.50.112, sub-part No. 6 and the Commission’s by-law, the Commission is required to distribute no less than 20% of franchise fees revenues received to its member agencies no later than the first day of October of each year. The Commission pays the franchise fees revenues to its member agencies in the same proportion as the ratios which the population of the unincorporated area of the County and incorporated area of the cities bear to the total population of the Sacramento community, as disclosed by the Federal Decennial Census. Distributions made to the member agencies for fiscal years 2017-18 and 2018-19 totaled \$11,339,881 and \$10,153,666, respectively.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE K – COMMITMENTS AND CONTINGENCIES

Channel Licensees Annual Funding & Performance Agreements: The Commission has on-going agreements with four independent community channel licensees including Access Sacramento, Capital Public Radio, KVIE, and Sacramento Educational Cable Consortium to provide funding for their operations and capital facilities expenditures. Payments made to these grantees for fiscal years 2017-18 and 2018-19 totaled \$1,254,256 and \$1,289,855, respectively.

The Commission is not obligated to pay the amount agreed on to channel licensee unless the Commission receives sufficient franchise and/or license and/or PEG fees to make such payment. In the event the Commission receives some, but not all, of the fees necessary to fund all funding agreements, each licensee shall receive its pro rata share of the available funds based on the percentage each individual licensee's approved dollar amount under its funding agreement bears to the total dollar amount of all funding agreements.

BESTNet Network Phase III Construction: The Commission Board approved the First Addendum to the BESTNet Network Phase II Construction Maintenance Agreement in March, 2011, to provide connection of identified elementary school sites (Phase III) to the network. The First Addendum is to provide up to a total of \$3 million for BESTNet Network Phase III over a five-year period to be completed July 1, 2016, to be funded out of the PEG Fund budget.

Due to construction delays and contract disagreements, Phase III has not been completed. As a result the Commission Board approved the Third Addendum to the BESTNet Network Phase II Construction and Maintenance Agreement in August, 2018. In lieu of providing funding for the connection of additional elementary schools, the Third Addendum allows the Commission to contribute unexpended carryover or new funds to the Sacramento Educational Cable Consortium, or its members, for E-rate services. The Commission has expended \$3,214,000 through June 30, 2019 and has allocated \$701,000 in its fiscal year 2019/20 budget to complete Phase III years 6 and 7.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE L – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net assets. The adjustments as of June 30, 2018 and 2019 are as follows:

	<u>2018</u>	<u>2019</u>
Fund Balance - Total Governmental Funds	\$ 8,413,849	\$ 9,427,240
<p>When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Commission as a whole.</p>		
Cost of capital assets	515,756	490,340
Accumulated depreciation	(470,744)	(414,462)
<p>Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds</p>		
	588,636	1,083,619
<p>Certain pension and OPEB adjustments due to differences in proportions are reported as deferred outflows of resources on the statement of net position.</p>		
	304,616	283,146
<p>Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>		
Compensated absences	(69,571)	(73,508)
Liability for other post-employment benefits	(622,550)	(569,625)
Pension liability	(823,777)	(903,767)
<p>Employee pension differences to be recognized in the futures as pension and OPEB expense are reported as deferred inflows of resources on the statement of net position.</p>		
	<u>(193,199)</u>	<u>(168,135)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,643,016</u>	<u>\$ 9,154,848</u>

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE L – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments for the fiscal years ended June 30, 2018 and 2019 are as follows:

	<u>2018</u>	<u>2019</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 269,825	\$ 1,013,391
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets when completed is allocated over their estimated useful lives as depreciation expense.		
Cost of assets capitalized	19,322	74,407
Depreciation expense	(41,407)	(43,541)
In the Government-wide Statement of Activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from sales increase financial resources.		
Loss on disposal of assets	(2,908)	
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities		
Unavailable revenue	588,636	420,367
Some expenses reported in the Government-wide Statement of Activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.		
Change in compensated absences	(11,366)	(3,937)
Change in other post-employment benefits liability	136,613	52,925
Change in net pension liability	10,261	(79,990)
Change in deferred outflows	(7,078)	(21,470)
Change in deferred inflows	<u>(90,368)</u>	<u>25,064</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 871,530</u>	<u>\$ 1,437,216</u>

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

NOTE M – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

NOTE N – CHANGES IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2018, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement required the District to recognize in its financial statements the net OPEB liability, deferred outflows of resources and deferred inflows of resources for the District's OPEB plan. Due to implementation of this Statement, the OPEB liability increased by \$544,684, deferred outflows of resources increased by \$117,861 and net position decreased by \$426,823 as of July 1, 2017.



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REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2019 and 2018

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)  
Last 10 Years**

	June 30,					
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.022569%	0.021858%	0.021157%	0.020401%	0.0191066%	0.0198%
Proportionate share of the net pension liability	\$ 903,767	\$ 823,777	\$ 834,038	\$ 708,706	\$ 523,066	\$ 490,432
Covered - employee payroll	\$ 413,866	\$ 371,314	\$ 341,959	\$ 324,079	\$ 273,759	\$ 299,923
Proportionate share of the net pension liability as a percentage of covered payroll	218.37%	221.85%	243.90%	218.68%	191.07%	163.52%
Plan fiduciary net position as a percentage of the total pension liability	75.07%	76.29%	75.53%	76.84%	82.10%	83.03%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.50% in 2014 to 7.65% in 2015 and to 7.15% in 2017.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2014. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)  
Last 10 Years**

	June 30,					
	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 82,354	\$ 65,998	\$ 56,118	\$ 48,414	\$ 33,426	\$ 32,918
Contributions in relation to the actuarially determined contributions	(82,354)	(65,998)	(56,118)	(48,414)	(33,426)	(32,918)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 413,866	\$ 371,314	\$ 341,959	\$ 324,079	\$ 273,759	\$ 299,923
Contributions as a percentage of covered payroll	19.90%	17.77%	16.41%	14.94%	12.21%	10.98%

Notes to Schedule:

	2016	2015	2014	2013	2012	2011
Valuation date June 30:						
Methods and assumptions used to determine contribution rates:						
Actuarial cost method						Entry age normal
Amortization method						Level percentage of payroll, closed
Remaining amortization period						Varies, not more than 30 years
Asset valuation method	Market Value	Market Value	Market Value	Market Value		5-year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases						Varies based on entry age and service
Investment rate of return net of pension plan investment expense, including inflation	7.375%	7.50%	7.5%	7.50%	7.50%	7.50%

Changes in assumptions: For 2019 the discount rate to determine projected employer contributions was changed from 7.50% to 7.375%.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2014. No information was available prior to this date.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2019 and 2018

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)**

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution - employer fiscal year	\$ 82,600	\$ 80,126
Contributions in relation to the actuarially determined contributions	<u>(129,171)</u>	<u>(126,948)</u>
Contribution deficiency (excess)	<u>\$ (46,571)</u>	<u>\$ (46,822)</u>
Covered-employee payroll - employer fiscal year	\$ 400,639	\$ 364,511
Contributions as a percentage of covered-employee payroll	32.24%	34.83%

**Notes to Schedule:**

Valuation date	July 1, 2015	July 1, 2015
----------------	--------------	--------------

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 years closed
Asset valuation method	Market Value
Inflation	2.75%
Healthcare cost trend rates	7.50% in 2017, step down .5% per year to 4.5% by 2023
Salary increases	3.25%
Investment rate of return	6.50%
Retirement age	From 50 to 75
Mortality	2014 CalPERS Experience Study; Improvement using MW Scale 2014

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2019 and 2018

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)**

	2019	2018
Total OPEB liability:		
Service cost	\$ 32,907	\$ 25,419
Interest	61,941	63,871
Differences between expected and actual experience	-	(120,085)
Changes in assumptions	-	32,744
Benefit payments	(46,732)	(31,543)
Net change in total OPEB liability	48,116	(29,594)
Total OPEB liability - beginning	943,390	972,984
Total OPEB liability - ending (a)	<u>\$ 991,506</u>	<u>\$ 943,390</u>
Plan fiduciary net position:		
Contributions - employer	\$ 126,948	\$ 117,861
Net investment income	21,446	20,839
Benefit payments	(46,732)	(31,543)
Administrative expenses	(196)	(138)
Other expense	(425)	
Net change in plan fiduciary net position	101,041	107,019
Plan fiduciary net position - beginning	320,840	213,821
Plan fiduciary net position - ending (b)	<u>\$ 421,881</u>	<u>\$ 320,840</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 569,625</u>	<u>\$ 622,550</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>42.55%</u>	<u>34.01%</u>
Covered-employee payroll - measurement period	<u>\$ 364,511</u>	<u>\$ 341,896</u>
Net OPEB liability as percentage of covered-employee payroll	<u>156.27%</u>	<u>182.09%</u>
Notes to schedule:		
Valuation date	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2018	June 30, 2017

Benefit changes. None.

Changes in assumptions. None.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

## COMPLIANCE REPORT



550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Sacramento Metropolitan Cable Television Commission  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sacramento Metropolitan Cable Television Commission (the Commission), as of and for the years ended 2018 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 7, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

To the Board of Directors  
Sacramento Metropolitan Cable Television Commission

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richardson & Company, LLP*

December 7, 2020



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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.sacmetroable.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. 8

**DATE:** March 4, 2021  
**TO:** Chair and Board of Directors  
**FROM:** Robert A. Davison, Executive Director  
**SUBJECT:** CHAIR AND VICE-CHAIR ELECTION FOR THE REMAINDER OF FISCAL YEAR 2020-21

---

**RECOMMENDATION:**

It is recommended the Board elect a Chair and a Vice-Chair, if necessary for the remainder of Fiscal Year 2020-21.

**BACKGROUND/DISCUSSION:**

The Commission's By-Laws state the Board of Directors shall annually elect its Chairperson (at its annual June Budget Hearing/meeting). Traditionally, assumption of duties and responsibilities of the new Chair occurs with the new fiscal year. In the absence of the Chair, the Vice-Chair shall preside at said meetings and shall perform all the duties of the Chair.

**DISCUSSION:**

With the retirement of Chair Steven Detrick from the City of Elk Grove's City Council in December 2020, the Cable Commission does not have a Chair for the remainder of Fiscal Year 2020-21. As Matt Hedges was elected Vice-Chair in Fiscal Year 2020-21, he is currently performing the duties of the Chair, until a Chair is elected.

**RECOMMENDATION:**

At this time, it is recommended the Board elect a Chair for the Commission Board for the remainder of Fiscal Year 2020-21. The Board can elect Vice-Chair Matt Hedges as Chair for the remainder of the year and elect a Vice-Chair; or elect a Chair and have Matt Hedges remain the Vice-Chair for the remaining fiscal year. Per the By-Laws, the Board can elect a new Chair and Vice Chair for Fiscal Year 2021-22 at its June 3, 2021, Quarterly Board Meeting/Annual Budget Hearing.

Respectfully submitted,

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

Attachment:  
Chair/Vice-Chair History (April 1982 - June 2021)

**SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION**  
**CHAIR / VICE-CHAIR HISTORY**  
**(1982 - JUNE 2021)**

Date Nominated	CHAIR		VICE CHAIR	
	Jurisdiction	Name	Jurisdiction	Name
June 2020	Elk Grove	Steve Detrick	Sacramento	Matthew Hedges
June 2019	Elk Grove	Steve Detrick	Sacramento	Matthew Hedges
June 2018	Elk Grove	Steve Detrick	Sacramento	Matthew Hedges
July 2017	Elk Grove	Steve Detrick	Sacramento	Matthew Hedges
July 2016	Sac County	Ted Wolter	Sacramento	Isaac Gonzalez
July 2015	Sac County	Ted Wolter	Sacramento	Isaac Gonzalez
March 2015	Sac County	Ted Wolter	Sacramento	Isaac Gonzalez
June 2014	Sac County	Ted Wolter	Sacramento	Allen Warren
June 2013	Elk Grove	Steve Detrick	Sac County	Ted Wolter
June 2012	Citrus Heights	Mel Turner	Elk Grove	Steve Detrick
June 2011	Folsom*	Andy Morin	Citrus Heights	Mel Turner
March 2011	Folsom*	Andy Morin	Citrus Heights	Mel Turner
June 2010	Folsom*	Andy Morin	Citrus Heights	Steve Miller
June 2009	Sacramento	Robbie Waters	Folsom*	Andy Morin
February 2009	Sac County	Don Nottoli	Sacramento	Robbie Waters
June 2008	Elk Grove	Michael Leary	Citrus Heights	Steve Miller
June 2007	Elk Grove	Michael Leary	Sac County	Roberta MacGlashan
April 2006	Sacramento	Sandy Sheedy	Elk Grove	Michael Leary
April 2005	Sac County	Don Nottoli	Sacramento	Sandy Sheedy
April 2004	Sacramento	Robbie Waters	Sac County	Don Nottoli
March 2003	Sacramento	Robbie Waters	Sac County	Don Nottoli
February 2002	Sacramento	Robbie Waters	Sac County	Don Nottoli
March 2001	Sacramento	Robbie Waters	Sac County	Don Nottoli
March 2000	Citrus Heights	James Shelby	Sacramento	Robbie Waters
March 1999	Sac County	Illa Collin	Citrus Heights	James Shelby
March 1998	Sac County	Illa Collin	Sacramento	Robbie Waters
March 1997	Sacramento	Bonnie Pannell	Sac County	Illa Collin
March 1996	Galt**	Richard Pratt	Sacramento	Bonnie Pannell
January 1995	Sac County	Roger Dickinson	Galt**	Richard Pratt
April 1994	Sacramento	Josh Pane	Sac County	Roger Dickinson
April 1993	Sac County	Toby Johnson	Sacramento	Jimmie Yee
April 1992	Galt**	Orvell Fletcher	Sac County	Illa Collin
April 1991	Galt**	Orvell Fletcher	Sacramento	Terry Kastanis
May 1990	Sacramento	Lyla Ferris	Sac County	Grantland Johnson
Dec. 1989	Sac County	Jim Streng	Sacramento	Lyla Ferris
April 1989	Sacramento	Doug Pope	Sac County	Jim Streng
April 1988	Sac County	Toby Johnson	Galt**	Orvell Fletcher
April 1987	Sacramento	Terry Kastanis	Sac County	Toby Johnson
April 1986	Sac County	Illa Collin	Sacramento	Terry Kastanis
April 1985	Galt**	Orvell Fletcher	Sacramento	Lynn Robie
April 1984	Sacramento	Terry Kastanis	Sac County	Illa Collin
April 1982	Sac County	Bill Bryan	Sacramento	Terry Kastanis

\* Represented the cities of Folsom, Galt & Rancho Cordova (SMCTC member agencies under the 80,000 population threshold as of 2008).

\*\* Represented the cities of Galt and Folsom (SMCTC member agencies under the 80,000 population threshold as of 1988).





# 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. 9

**DATE:** March 4, 2021  
**TO:** Chair and Board of Directors  
**FROM:** Robert A. Davison, Executive Director  
**SUBJECT:** CALENDAR YEAR 2021 INVESTMENT POLICY FOR THE POOLED INVESTMENT FUND

---

**RECOMMENDATION:**

It is recommended the Board receive and file the County of Sacramento's Calendar Year 2021 Investment Policy for the Pooled Investment Fund.

**BACKGROUND/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 attached **Calendar Year 2021 Investment Policy for the Pooled Investment Fund** on December 8, 2020.

As stipulated on the enclosed County's Department of Finance memo (January 15, 2021), the Calendar Year 2021 Investment Policy allows for the purchase of government securities issued by, or backed by, the United States government that have the possibility of returning a zero or negative yield if held to maturity.

**RECOMMENDATION:**

As the Commission is a participant in the County's Pooled Investment Fund, the County recommends the Commission's Board receive and file the enclosed Calendar Year 2021 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

**Attachments:**

Sac County Department of Finance Memo  
CY 2021 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  
Revenue Recovery  
Tax Collection & Business Licensing  
Treasury

January 15, 2021

To: Pooled Investment Fund Participant Agency Board Chairs

Subject: **CALENDAR YEAR 2021 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 2021 investment policy on December 8, 2020.

The 2021 investment policy allows for the purchase of government securities issued by, or backed by, the United States government that have the possibility of returning a zero or negative yield if held to maturity.

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 2021 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](http://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
- Non-Pooled Investment Funds Portfolio Report

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,

A handwritten signature in black ink, appearing to read "Ben Lamera".

**Ben Lamera**  
Director of Finance

Enclosure



# **SACRAMENTO COUNTY**

## **Annual Investment Policy of the Pooled Investment Fund**

### **CALENDAR YEAR 2021**

*Approved by the  
Sacramento County Board of Supervisors*

December 8, 2020  
Resolution No. 2020-0783

# Table of Contents

I.	Authority.....	1
II.	Policy Statement.....	1
III.	Standard of Care.....	1
IV.	Investment Objectives.....	1
	A. Safety of Principal.....	1
	B. Liquidity.....	2
	C. Public Trust.....	2
	D. Maximum Rate of Return.....	2
V.	Pooled Investment Fund Investors.....	2
VI.	Implementation.....	2
VII.	Internal Controls.....	3
VIII.	Sacramento County Treasury Oversight Committee.....	4
IX.	Investment Parameters.....	4
	A. Investable Funds.....	4
	B. Authorized Investments.....	5
	C. Prohibited Investments.....	5
	D. Credit Requirements.....	5
	E. Maximum Maturities.....	7
	F. Maximum Concentrations.....	8
	G. Repurchase Agreements.....	8
	H. Community Reinvestment Act Program.....	9
	I. Criteria and Qualifications of Brokers/Dealers and Direct Issuers.....	9
	J. Investment Guidelines, Management Style and Strategy.....	10
	K. Approved Lists.....	10
	L. Calculation of Yield and Costs.....	10
X.	Reviewing, Monitoring and Reporting of the Portfolio.....	10
XI.	Withdrawal Requests for Pooled Fund Investors.....	10
XII.	Limits on Honoraria, Gifts and Gratuities.....	10
XIII.	Terms and Conditions for Outside Investors.....	11
	Appendix A – Comparison and Interpretation of Credit Ratings.....	12

SACRAMENTO COUNTY

**Annual Investment Policy  
of the Pooled Investment Fund**

CALENDAR YEAR 2021

**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 bank deposits, money market mutual funds, and LAIF, 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 except for securities issued by, or backed by, the United States government during a period of negative market interest rates. Prohibited investments 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**

<b>Maximum Amount</b>	<b>Minimum Requirements</b>
Up to the FDIC- or NCUSIF-insured limit for the term of the deposit	<b>Banks</b> — FDIC Insurance Coverage
	<b>Credit Unions</b> — NCUSIF Insurance Coverage <i>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.</i>
Over the FDIC- or NCUSIF-insured limit	<p>(Any 2 of 3 ratings)</p> <p>S&amp;P:           A-2</p> <p>Moody's:       P-2</p> <p>Fitch:           F-2</p> <p>Collateral is required</p> <p style="text-align: center;"><b>OR</b></p> <p>Through a private sector entity that assists in the placement of deposits to achieve FDIC insurance coverage of the full deposit and accrued interest.</p>

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:

U.S. Treasury and Agency Obligations .....	5 years
Washington Supranational Obligations <sup>1</sup> .....	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.

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<sup>1</sup> The International Bank for Reconstruction and Development, International Finance Corporation, and Inter-American Development Bank.

**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:

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 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)

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

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 on the

Approved Lists of the County that 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 that 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 that 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 that 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 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 \$500 for the period January 1, 2019, to December 31, 2020, and the State Fair Political Practices Commission will update this limit for inflation by January 2021. 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

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

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

# Appendix A

## Short Term / Commercial Paper Investment Grade Ratings

Rating Interpretation	Moody's	S&P	Fitch
<i>Superior Capacity</i>	P-1	A-1+/A-1	F1+/F1
<i>Strong Capacity</i>	P-2	A-2	F2
<i>Acceptable Capacity</i>	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

<b>Fitch Sovereign Risk Ratings</b>	
<i>Rating</i>	<i>Interpretation</i>
AAA	<b>Highest credit quality.</b> '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	<b>Very high credit quality.</b> '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	<b>High credit quality.</b> '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	<b>Good credit quality.</b> '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	<b>Speculative.</b> 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	<b>Highly speculative.</b> '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	<b>High default risk.</b> Default is a real possibility.
CC	<b>Very high levels of credit risk.</b> Default of some kind appears probable.
C	<b>Exceptionally high levels of credit risk.</b> Default appears imminent or inevitable.
D	<p><b>Default.</b> Indicates a default. Default generally is defined as one of the following:</p> <ul style="list-style-type: none"> <li>• Failure to make payment of principal and/or interest under the contractual terms of the rated obligation;</li> <li>• The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor; or</li> <li>• The coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.</li> </ul>



# SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

799 G Street, 4th Floor, Sacramento, CA 95814 • (916) 874-6661 • Fax: (916) 854-9666 • www.sacmetroable.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. 10

**DATE:** March 4, 2021  
**TO:** Chair and Board of Directors  
**FROM:** Robert A. Davison, Executive Director  
**SUBJECT:** GENERAL ADMINISTRATION REPORT

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## RECOMMENDATION:

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

1. FCC In-kind Proceeding
2. Metro Cable Technical Coordinator
3. Metro Cable Operations (during the Pandemic)
4. Member Agencies FY 2020-21 PEG Fee Funded Projects
5. Fiscal Year 2021-22 Call for Funding Process
6. Accounting Services Agreement
7. Atrium 916 Agreement

Respectfully submitted,

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



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AGENDA ITEM NO. 11

**DATE:** March 4, 2021  
**TO:** Chair and Board of Directors  
**FROM:** Robert A. Davison, Executive Director  
**SUBJECT:** CHANNEL LICENSEE REPORTS

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**RECOMMENDATION:**

It is recommended the Board receive and file reports and comments, if any, from the representatives of the following Channel Licensees:

- A) Access Sacramento
- B) Capital Public Radio
- C) KVIE, Inc.
- D) SacFaith TV
- E) Sacramento Educational Cable Consortium

Respectfully submitted,

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





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AGENDA ITEM NO. 12

**DATE:** March 4, 2021  
**TO:** Chair and Board of Directors  
**FROM:** Robert A. Davison, Executive Director  
**SUBJECT:** STATE FRANCHISEE REPORTS

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**RECOMMENDATION:**

It is recommended the Board receive and file reports and comments, if any, submitted from representatives of the following state franchisees:

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

Respectfully submitted,

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



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AGENDA ITEM NO. 13

**DATE:** March 4, 2021  
**TO:** Chair and Board of Directors  
**FROM:** Robert A. Davison, Executive Director  
**SUBJECT:** PUBLIC COMMENTS

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**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