

Agenda

Sacramento Suburban Water District Regular Board Meeting

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Monday, December 18, 2017
6:30 p.m.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

All or portions of this meeting will be conducted by teleconference in accordance with Government Code section 54953(b). The teleconference locations for the meeting are as follows: (1) District boardroom at the above address, and (2) Hotel Hokhara Grand, Pardi Bazarr, Pokhara 33700, Nepal, Skype User Id kevint10000. Each teleconference location is accessible to the public, and members of the public may address the Board of Directors from any teleconference location.

Call to Order

Pledge of Allegiance

Roll Call

Election of District Officers

1. Election of District Officers

Announcements

Public Comment

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

Consent Items

The Board will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Board member, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.

2. Minutes of the November 20, 2017 Regular Board Meeting
Recommendation: Approve subject minutes.
3. Minutes of the December 4, 2017 Special Board Meeting
Recommendation: Approve subject minutes.
4. Minutes of the December 11, 2017 Special Board Meeting
Recommendation: Approve subject minutes.
5. Claims Processing Policy (PL - Adm 007)
Recommendation: Adopt subject policy.
6. Capital Asset Policy (PL – Fin 002)
Recommendation: Adopt subject policy.

Public Hearings

7. Public Hearing on Initial Study and Proposed Mitigated Negative Declaration for Well 78 - Butano/Cottage Production Well and Pumping Plant Project
Hold a public hearing on Initial Study and Proposed Mitigated Negative Declaration for Well 78 Butano/Cottage Project. Receive staff presentation, open public hearing, receive public comment on the Initial Study and Proposed Mitigated Negative Declaration for Well 78 Butano/Cottage Project, close public hearing, respond as appropriate to public comments and accept the Initial Study and Proposed Mitigated Negative Declaration for Well 78 Butano/Cottage Project.

Items for Discussion and Action

8. Potential Adoption of an Initial Study/Mitigated Negative Declaration for the Well 78 - Butano/Cottage Production Well and Pumping Station
Recommendation: Accept the report as presented as final.
9. Committee and Liaison Appointments for 2018
The Board President will consider committee and liaison appointments for 2018.
10. New Website Overview
Presentation by Annette O'Leary on the District's new website.

11. A Day in the Life of the IT Department
Presentation by Matt Winans of the IT Department.
12. Debt Management
Presentation by Dan Bills of the Finance Department.
13. General Manager's Out of State Travel Requests
Consider approving out of state travel request.
14. New Other Post Employment Benefit (OPEB) Valuation
Receive written staff report and direct staff as appropriate.

Information Items

15. Chromium 6 Court Complaint Update
16. 2017 Budget Reallocations
17. Final 2018 Budget
18. Regional Water Authority Elections
19. Demonstration Gardens Featured in the Fall 2017 AWWA Source Magazine
20. Legislative and Regulatory Update
21. Upcoming Water Industry Events
22. Upcoming Policy Review
 - a. Employee Standards of Conduct and Discipline Policy (PL – HR 011)
23. District Activity Report
 - a. Water Operations and Exceptions Report
 - b. Water Conservation and Regional Water Efficiency Program Report
 - c. Customer Service Report
 - d. Community Outreach Report

24. Engineering Report
 - a. Major Capital Improvement Projects
 - b. County and City Projects/Coordination
 - c. Development Projects
 - d. Planning Studies
 - e. Other
25. General Manager's Report
 - a. McClellan Business Park Successor Agreement Update
 - b. Long Term Warren Act Contract Update
 - c. Cal WaterFix Update
 - d. Grant of Easement and Right of Way at 3521 Arden Way
 - e. Grant of Variance to Public Utility Easement
26. Financial Report
 - a. Financial Statements – November 2017
 - b. Cash Expenditures – November 2017
 - c. Credit Card Expenditures – November 2017
 - d. District Reserve Balances – November 2017
 - e. Information Required by Bond Agreement

Committee Reports

27. a. Facilities and Operations Committee (Director Schild)
No report.
- b. Finance and Audit Committee (Director Thomas)
Draft Minutes from the December 5, 2017 Meeting.

- c. Water Quality Committee (Director Wichert)
Agenda for the December 18, 2017 Meeting.
- d. Government Affairs Committee (Director Locke)
No report.
- e. Ad Hoc Water Banking and Transfer Committee (Director Schild)
No report.
- f. Ad Hoc Selection Committee (Director Wichert)
No report.
- g. Ad Hoc Process Committee (Director Wichert)
No report.
- h. Ad Hoc Compensation Committee (Director Schild)
No report.

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

- 28. a. Regional Water Authority (Director Thomas)
No report.

Regional Water Authority Executive Committee (General Manager Roscoe)
Agenda for the December 6, 2017 Meeting.
- b. Sacramento Groundwater Authority (Director Schild)
Agenda for the December 14, 2017 Meeting.
- c. Water Caucus Meeting
No report.
- d. Water Forum Successor Effort (General Manager Roscoe)
Agenda for the December 14, 2017 Meeting.
- e. Other Reports

Miscellaneous Correspondence and General Information

- 29. Correspondence received by the District

Director’s Comments/Staff Statements and Requests

The Board and District staff may ask questions for clarification, and make brief announcements and comments, and Board members may request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

Closed Session (Closed Session Items are not opened to the public)

- 30. Conference with legal counsel--existing litigation; Government Code sections 54954.5(c) and 54956.9 (d)(1); *In re Municipal Bond Insurance Litigation*, San Francisco Superior Court Case No. JCCP 4555 (Sacramento Suburban Water District, et al.) – proposed settlement with MBIA and Jason Kissane.
- 31. Conference to provide District’s labor negotiator, Robert Wichert, with direction concerning changes to existing General Manager’s compensation and benefits and proposed compensation and benefits for new General Manager; Government Code sections 54954.5(f) and 54957.6.
- 32. Public employee appointment involving the position of General Manager; Government Code sections 54954.5(e) and 54957(b)(1).

Open Session

- 33. General Manager Employment Agreement – Robert Roscoe
Consider approving revisions to the current General Manager’s Employment Agreement.
- 34. General Manager Employment Agreement – Dan York
Consider approving a new General Manager’s Employment Agreement with Mr. Dan York

Adjournment

Upcoming Meetings

Monday, January 22, 2018 at 6:00 p.m., Regular Board Meeting

I certify that the foregoing agenda for the December 18, 2017 meeting of the Sacramento Suburban Water District Board of Directors was posted by December 14, 2017 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District



Agenda Item: 1

Date: December 12, 2017

Subject: Election of District Officers

Staff Contact: Heather Hernandez-Fort, Executive Assistant to the General Manager

According to the Rules for Proceedings of the Board of Directors (PL - BOD 002), annually at the first regular meeting in December the Board may select a president and/or vice president to serve for the coming year. Below is an excerpt from PL - BOD 002 that outlines the selection of officers and the duties of the president.

Rule 1 – Selection of Officers

The President and Vice-President of the Board will be elected by the members of the Board for a one year term. The election will be held at the first regular meeting in December of each year or at any earlier special meeting called for the purpose of swearing in new members and organizing the Board. (See Water Code section 30520 and Elections Code section 10554.) The remaining provisions of this paragraph will be considered discretionary guidelines for the Board to follow in selecting its President and Vice-President, and will not be binding on the Board. The Board will normally follow a rotation for the election of President and Vice-President under which the Vice President will normally be elected President at the conclusion of the President's one year term. If the membership on the Board of the President is terminated before the expiration of his or her one year term of office, the Vice-President will automatically become the President for the balance of that term.

In the event of a contested election, the following is the recommended procedure for nominating and selecting the Board President or Vice President: (1) the then-presiding President should open nominations and ask if there are there any nominations for the contested office; (2) any Director then may make a nomination -- e.g., "I nominate Director X" -- no second is required for a nomination, although sometimes one or more Directors will second a nomination to indicate endorsement (a Director may nominate himself or herself, but nominations cannot be accepted from members of the public); (3) a Director may decline a nomination; (4) when it appears that no one else wishes to make a nomination, the President should ask if there are additional nominations -- if there is no response, the President then should declare that the nominations for the office are closed and state the names of the nominees (it is unnecessary to have a motion to close the nominations); (5) after nominations have been closed, nominations may be reopened only by a motion, second and majority vote to reopen them; (6) after nominations have been closed and before the vote, the public should be provided an opportunity

to comment on the agenda item; (7) the President then should call for votes on the nominees by a roll call vote on each nominee, and each Director should cast his or her yea or nay vote on each nominee, e.g., “For the first nominee for President, Director X, please state your vote by yea or nay;” (8) nominees should be voted on in the order in which they are nominated and the process should continue until there is a majority approval of one of the nominees; and (9) as soon as one of the nominees receives a majority vote, the President should declare that person elected to the office and no vote is taken on any remaining nominees.

The Board will by majority vote appoint a Secretary and Treasurer, who will serve at the pleasure of the Board. (See Water Code sections 30540-30543.)

Rule 2 – Duties of President of Board

The President of the Board of Directors will be its presiding officer. (See Water Code section 30520.) The President's duties will include, but not be limited to, the following: acting as the liaison between the General Manager and the Board, calling special meetings of the Board, presiding over meetings of the Board, establishing and appointing committees of the Board, and appointing representatives of the District to associations of which the District is a member or in which it has a significant interest. The Board will appoint representatives of the District to joint powers authorities of which the District is a member. In the President's absence, the Vice-President of the Board will perform such duties. If both the President and Vice-President are absent from a noticed public meeting, the remaining three Board members will choose one of their number to preside.

The newly elected Board President is anticipated to consider committee and liaison appointments at the December regular Board meeting. See Agenda item 9.

Staff recommends that the Board by majority vote re-appoint Mr. Dan Bills as District Treasurer, and appoint the incumbent in the position of General Manager as District Secretary.

ITEM 2

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, November 20, 2017

Call to Order

President Wichert called the meeting to order at 6:30 p.m.

Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

Roll Call

Directors Present: Dave Jones, Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Robert Roscoe, Assistant General Manager Dan York, Finance Director Dan Bills, Heather Hernandez-Fort, Dana Dean, Jim Arenz, David Morrow and Matt Underwood.

Public Present: William Eubanks, Avery Wiseman, Jim DeHart and Ryan Gunstream.

Announcements

General Manager Robert Roscoe (GM Roscoe) announced:

- The ACWA Conference meeting with the Bureau of Reclamation – President Wichert appointed both Director Thomas and Director Locke to attend;
- The RWA Holiday Social invitation at the dais;
- At the December regular Board meeting, that the Board would select a new President, Vice President and Committee Appointments and reminded the Board that if anyone was interested in any committees, to being to think about that, and that Dan York should replace himself as the RWA representative, and;
- That David Morrow was the District's new Senior Engineer.

Public Comment

None.

Consent Items

1. **Minutes of the October 16, 2017 Regular Board Meeting**
2. **Training and Career Development Policy (PL - HR 004)**

Director Schild moved to approve the consent calendar; Director Locke seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and Action

3. Workplace Dishonesty Policy (PL - Adm 006)

GM Roscoe presented the staff report.

William Eubanks (Mr. Eubanks) explained his understanding of the policy.

Director Locke moved to accept Director Schild’s first two edits, but to keep the original way the Policy was written for section 200.10 – 8; Director Thomas seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

4. Addendum to the Initial Study/Mitigated Negative Declaration for the Well N6A – Palm Project

Dana Dean (Mr. Dean) presented the staff report.

Director Thomas suggested to build four walls around the site instead of just the one.

Staff explained that the one wall was a sound wall and three additional walls would be costly to construct.

Director Thomas moved to approve the staff recommendation; Director Schild seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

5. Association of California Water Agencies (ACWA) Officer Elections, Changes to the Bylaws, and Designate the Voting Representative

GM Roscoe presented the staff report.

President Wichert inquired if Director Thomas was interested.

Director Thomas stated that he was.

President Wichert appointed Director Thomas to be the voting delegate at the ACWA Fall Conference.

President Wichert moved that the District vote for Brent Hasteley for ACWA Board President, Steven LaMar for ACWA Vice President and to support the proposed changes in the bylaws unless something unthawed happened at the conference; Director Jones seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Director Schild noted that he was not attending so that the President needed to appoint a representative for JPIA for the Board meeting.

Director Thomas moved to appoint Assistant General Manager Dan York (AGM York) as the JPIA Representative; Director Schild seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

6. 2018 Budget and 2019 Forecast – Third Draft & Reserve Policy (PL – Fin 004)

Dan Bills presented the staff report.

Mr. Eubanks commented that he disagreed with the findings that the CPI Index was the best measure of inflation.

Avery Wiseman (Mr. Wiseman) commented that Mr. Bills was arguing for income for the staff, and he wanted the Board to consider cost to the ratepayers regarding the CIP Index.

President Wichert inquired if staff could do the study on the Antelope Demonstration Garden and save the \$70,000 with hiring a consultant.

Director Locke suggested to have the Facilities and Operations Committee (F&O Committee) review the status of the Antelope Garden and provide a recommendation to the full Board.

President Wichert requested for staff to do a study on the Antelope Demonstration Garden.

Mr. Eubanks commented that he believed that the Antelope Garden was a continual maintenance issue and he recommended doing away with it.

President Wichert moved to remove the \$70,000 for the Antelope Garden consultant study completely out of budget; Director Thomas seconded.

Director Locke expressed that the District had already made an investment into the educational value of the garden, he suggested that if the money was not going to be used toward that garden, to consider using it to partner with another special district on a project similar to the Howe Park Demonstration Garden.

Director Schild commented that if staff came up with an idea to do an additional educational garden like the Howe Park Demonstration Garden, for staff to bring the idea to the Board for consideration of additional funding at that time.

Director Jones suggested to keep the money in the budget for additional projects.

Director Locke added that he believed the \$70,000 was in the budget for educational garden use, which he agreed to commit funding to. He added that the F&O Committee should review the status of the Antelope Garden.

The motion passed by a 3/2 vote.

AYES:	Schild, Thomas and Wichert.	ABSTAINED:	
NOES:	Jones and Locke.	RECUSED:	
ABSENT:			

Director Schild moved to remove the \$200,000 allotted for property acquisitions from the budget; President Wichert seconded.

Mr. Bills stated that having that money in the budget allowed staff to negotiate if a site became available, noting that the property cannot be purchased without Board approval, but it allowed conversation.

Director Schild commented that if staff found a piece of land that they were interested in, they should bring it to the Board for approval.

Director Jones noted that the size of the lot that the staff would be looking for does not become available often, he noted that he supported keeping the \$200,000 in the budget.

Mr. Eubanks spoke in support of Director Jones' comments.

Director Thomas noted that staff should look at the property asset management plan and review for potential treatment on groundwater.

Director Locke noted that he didn't see the advantage to taking that money out of the budget and that it would just limit the General Manager's abilities to negotiate swiftly.

Director Jones echoed Director Locke noting that the well asset plan was calling for a reduction of the smaller wells, and having the money in the budget would allow the ability to move on a property faster.

The motion passed by a 3/2 vote.

AYES:	Schild, Thomas and Wichert.	ABSTAINED:	
NOES:	Jones and Locke.	RECUSED:	
ABSENT:			

President Wichert complimented staff for the good relationship that staff had with City of Sacramento resulting in the lowering of the price of water.

President Wichert moved to approve the budget as amended; Director Jones seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

President Wichert requested to see the revised version of the budget at the next regular Board meeting.

Information Items

- 7. **Chromium 6 Court Complaint Update**
A written report was provided. AGM York presented the report.
- 8. **Water Rate Increase History of Surrounding Purveyors – 3/4” Connection**
A written report was provided.

Mr. Eubanks requested clarification.

- 9. **McClellan Business Park Successor Agreement Update**
A written report was provided. AGM York presented the staff report.

AGM York stated that the F&O Committee Meeting which was scheduled for Monday, December 11, 2017 at 3:30 p.m. would be rescheduled.

Mr. Eubanks urged the board to cancel the existing contract with McClellan Business Park.

AGM York expressed that the District still had a commitment to installing backflow devices.

GM Roscoe clarified that this was just a minor setback and discussion continue.

- 10. **Fixed Network Meter Reading Report**
A written report was provided, Matt Underwood (Mr. Underwood) presented the staff report.

President Wichert directed staff to bring this item to the next F&O Committee meeting.

11. **Drive-By Legacy Meter Reading Report**

A written report was provided, Mr. Underwood presented the staff report.

President Wichert directed staff to bring this item to the next F&O Committee meeting.

12. **5073 Shell Street Water Main Leak**

A written report was provided, Matt Underwood presented the staff report.

13. **Environmental Review for Well 78 – Butano/Cottage Project**

A written report was provided.

Mr. Eubanks withdrew his comment.

14. **Biannual Groundwater Elevations Report**

A written report was provided. Mr. Underwood provided the staff report.

15. **Long Term Warren Act Contract Update**

A written report was provided, AGM York provided the staff report.

16. **New Other Post Employment Benefit (OPEB) Valuation**

A written report was provided. Mr. Bills provided a summary of the staff report.

President Wichert requested to bring this item to Finance and Audit Committee to see what they recommend.

17. **Legislative and Regulatory Update**

A written report was provided.

Director Schild inquired about the status of lead in public schools.

AGM York stated that the law was passed for water purveyors to test schools.

18. **Upcoming Water Industry Events**

A written report was provided.

19. **District Activity Report**

A written report was provided.

a. *Water Operations and Exceptions Report*

A written report was provided.

b. *Water Conservation and Regional Water Efficiency Program Report*

A written report was provided.

c. *Customer Service Report*

A written report was provided.

- d. *Community Outreach Report*
A written report was provided.

20. **Engineering Report**

A written report was provided.

- a. *Major Capital Improvement Projects*
A written report was provided.
- b. *County and City Projects/Coordination*
A written report was provided.
- c. *Developer Projects*
A written report was provided.
- d. *Planning Studies*
A written report was provided.
- e. *Other*
A written report was provided.

21. **General Manager's Report**

A written report was provided.

- a. *Grant of Easement and Right of Way at 2928 and 2930 Eastern Avenue*
A written report was provided.
- b. *Cal WaterFix Update*
A written report was provided.
- c. *Del Paso Manor Water District*
A written report was provided.

Mr. Eubanks inquired how the District got involved in talks with Del Paso Manor Water District (DPM).

GM Roscoe explained that the General Manager at DPM requested the meeting for a discussion on particular grant requirements.

Mr. Wiseman provided his opinion of why the Districts met.

22. **Financial Report**

A written report was provided.

- a. *Financial Statements – October 2017*
A written report was provided.

- b. *Cash Expenditures – October 2017*
A written report was provided.
- c. *Credit Card Expenditures – October 2017*
A written report was provided.
- d. *District Reserve Balances – October 2017*
A written report was provided.
- e. *Information Required by Bond Agreement*
A written report was provided.

23. Upcoming Policy Review

- a. *Claims Processing Policy (PL – Adm 007)*
A written report was provided. Directors' comments were due by December 4, 2017.
- b. *Capital Asset Policy (PL – Fin 002)*
A written report was provided. Directors' comments were due by December 4, 2017.

Committee Reports

- 24. a. Facilities and Operations Committee (Director Schild)
No report.
- b. Finance and Audit Committee (Director Thomas)
No report.
- c. Water Quality Committee (Director Wichert)
Minutes from the October 16, 2017 Meeting were provided.

Mr. Eubanks withdrew his comment.
- d. Government Affairs Committee (Director Locke)
No report.
- e. Ad Hoc Water Banking and Transfer Committee (Director Schild)
No report.
- f. Ad Hoc Selection Committee (Director Wichert)
No report.
- g. Ad Hoc Process Committee (Director Wichert)
No report.

- h. Ad Hoc Compensation Committee (Director Schild)
No report.

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

- 25. a. Regional Water Authority (Director Thomas)
Agenda from the November 9, 2017 Meeting was provided.

Director Schild provided an oral report about the meeting.

Regional Water Authority Executive Committee (General Manager Roscoe)
Agenda from the October 25, 2017 Meeting was provided.
- b. Sacramento Groundwater Authority (Director Schild)
No report.
- c. Water Caucus Meeting
No report.
- d. Water Forum Successor Effort (General Manager Roscoe)
No report.
- e. Other Reports
Director Schild reported on the McClellan Restoration Meeting that he attended on September 27, 2017; the Carmichael Founders Day event that he attended on September 30, 2017; the SGA meeting that he attended on October 12, 2017; and the meeting he had with the Assistant General Manager on October 24, 2017.

Director Jones provided an oral report regarding his meeting with the Assistant General Manager and General Manager on October 2, 2017; the SGA meeting that he attended on October 12, 2017; the SAWWA meeting that he attended on October 19, 2017; and the AWWA Conference that he attended October 23 through October 26, 2017.

Director Locke provided an oral report regarding the AWWA Conference that he attended October 23 through October 26, 2017

Director Thomas provided an oral report regarding the SGA meeting that he attended on October 12, 2017; his meeting with the Assistant General Manager on October 24, 2017; his meeting with the Finance Director on November 2, 2017 and his meeting with the Assistant General Manager on November 6, 2017.

Miscellaneous Correspondence and General Information

- 26. **Correspondence received by the District**
A written report was provided.

Director's Comments/Staff Statements and Requests

None.

Closed Session (Closed Session Items are not opened to the public)

The Board convened in closed session at 8:22 p.m. to discuss the following:

27. Conference to provide District's labor negotiator, Robert Wichert, with direction concerning changes to existing General Manager's compensation and benefits and proposed compensation and benefits for new General Manager; Government Code sections 54954.5(f) and 54957.6.
28. Public employee appointment involving the position of General Manager; Government Code sections 54954.5(e) and 54957(b)(1).

Return to Open Session

The Board convened in open session at 9:18 p.m. There was no reportable action.

Adjournment

President Wichert adjourned the meeting at 9:19 p.m.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

ITEM 3

Minutes

Sacramento Suburban Water District
Special Board Meeting – Closed Session
Monday, December 4, 2017

Call to Order

President Wichert called the meeting to order at 6:08 p.m.

Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

Roll Call

Directors Present: Dave Jones, Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Robert Roscoe and Heather Hernandez-Fort.

Public Present: None.

Announcements

None.

Closed Session (Closed Session Items are not opened to the public)

The Board convened in closed session at 6:09 p.m. to discuss the following:

1. Conference to provide District's labor negotiator, Robert Wichert, with direction concerning changes to existing General Manager's compensation and benefits and proposed compensation and benefits for new General Manager; Government Code sections 54954.5(f) and 54957.6.
2. Public employee appointment involving the position of General Manager; Government Code sections 54954.5(e) and 54957(b)(1).

Return to Open Session

The Board convened in open session at 7:13 p.m. There was no reportable action.

3. General Manager Employment Agreements
This item was tabled.

Adjournment

President Wichert adjourned the meeting at 7:14 p.m.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

ITEM 4

Minutes

Sacramento Suburban Water District
Special Board Meeting – Closed Session
Monday, December 11, 2017

Call to Order

President Wichert called the meeting to order at 5:02 p.m.

Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

Roll Call

Directors Present: Dave Jones, Craig Locke, Neil Schild and Robert Wichert.

Directors Absent: Kevin Thomas.

Staff Present: General Manager Robert Roscoe, Assistant General Manager Dan York and Heather Hernandez-Fort.

Public Present: None.

Announcements

Director Wichert announced that Director Thomas was going to be a little late to the meeting.

General Manager Robert Roscoe announced that Director Thomas requested to call into the December regular Board meeting, as he would be out of town.

Closed Session (Closed Session Items are not opened to the public)

The Board convened in closed session at 5:06 p.m. to discuss the following:

1. Conference to provide District's labor negotiator, Robert Wichert, with direction concerning changes to existing General Manager's compensation and benefits and proposed compensation and benefits for new General Manager; Government Code sections 54954.5(f) and 54957.6.
2. Public employee appointment involving the position of General Manager; Government Code sections 54954.5(e) and 54957(b)(1).

Director Thomas joined the meeting at 5:15 p.m.

Return to Open Session

The Board convened in open session at 6:29 p.m. There was no reportable action.

3. General Manager Employment Agreements

Adjournment

President Wichert adjourned the meeting at 6:30 p.m.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

DRAFT



Agenda Item: 5

Date: December 10, 2017

Subject: Claims Processing Policy (PL - Adm 007)

Staff Contact: Dan York, Assistant General Manager

Recommended Board Action:

Approve Policy PL – Adm 007, Claims Processing Policy, as shown on Exhibit 1, without any revisions.

Discussion:

As presented at the November 20, 2017 Board of Directors meeting, the Claims Processing Policy had its last biennial review in January 2016. The policy was presented along with a staff request for any comments from the Board by December 4, 2017. No comments were received by the comment deadline. The policy was not submitted to legal counsel for review.

Fiscal Impact:

None.

Strategic Plan Alignment:

Finance – 4.A: Monitor District operations through internal control procedures, documentation and such other processes necessary to insure effective financial performance.

This policy benefits District customers by ensuring any claims against the District are received, processed and investigated properly and in a timely manner to determine the validity and bring resolution to a claim. This assists in alleviating a potential to settle claims improperly and reduces the risk of litigation. If a claim is justifiable and approved, claimants are paid promptly.

EXHIBIT 1

Sacramento Suburban Water District

Claims Processing Policy

Adopted: December 21, 2009

Revised: December 19, 2011, January 27, 2014; January 25, 2016; December 18, 2017

100.00 Purpose of the Policy

The purpose of this policy is to establish a claims handling process that complies with the Government Claims Act, Government Code sections 810 and following and Ordinance 02-02 establishing local claims procedures for the Sacramento Suburban Water District (District). This process will be used by persons and entities that file claims seeking reimbursement from the District for damages to personal or real property, or for personal injuries alleged to be caused by District facilities or equipment, or its directors, officers, employees or agents.

200.00 Policy

Pursuant to authority granted by the Government Claims Act and the County Water District Law, the District must take action on each valid claim made by a person or entity against the District for damages to personal or real property, or personal injuries before the person or entity is permitted to file legal action on such claims. Under this Policy, the Board of Directors grants the General Manager, or his or her designee, the authority to review and to approve or reject a claim for property damage in an amount not exceeding \$10,000. In accordance with the policies of the District's risk pool, ACWA-JPIA, all claims involving bodily injury must be denied by the Board of Directors and referred to ACWA-JPIA for handling. The processing of all claims will be conducted in accordance with the Government Claims Act and Ordinance 02-02, including the time limits on claims processing and requirements for claims presentation. All claims exceeding \$10,000 in value will be presented for action to the Board of Directors at a regularly scheduled Board Meeting. District staff will present all documents received from a claimant, an investigation report, and a recommendation to approve or reject the claim. In the event that a claim against the District is rejected, District staff will send a letter to the claimant describing the Board of Directors' action on the claim and advising the claimant of his, her or its rights under the Government Claims Act with respect to any adverse action on the claim. Staff also will send a letter to and negotiate any necessary agreement with any claimant whose claim is approved in whole or in part.

300.00 Authority and Responsibility

The General Manager, or designee, has the authority to approve or reject a personal or real property claim up to a value of \$10,000. The Operations Manager has the responsibility to receive claim documentation and prepare an investigation report with recommendation for action to the General Manager or Board. The General Manager shall adopt and implement appropriate procedures to carry out this Policy and report to the District Board of Directors at its next regular meeting on each claim in the amount of \$10,000 or less that is processed by staff under this policy.

400.00 Tender of Claims to Risk Pool or Insurer

Upon receipt of any claim, District staff will provide notice of the claim and all relevant documents to ACWA-JPIA or to any other risk pool or insurer from which the District may obtain any insurance coverage or indemnity for claims from time to time.

500.00 Policy Review

This Policy shall be reviewed at least biennially.



Agenda Item: 6

Date: December 5, 2017

Subject: Capital Asset Policy (PL - Fin 002)

Staff Contact: Daniel A. Bills, Finance Director

Recommended Board Action:

Approve the updated Capital Asset Policy (PL - Fin 002) as attached.

Discussion:

The Capital Asset Policy was last reviewed in January 2016. The Auditors have reviewed the Policy, Director Jones provided comments and staff is recommending minor edits in various sections as follows:

Section 100.10, 200.00 and 200.20 – Language added to help clarify the \$5,000 minimum capitalization threshold.

Section 200.10 and 200.60 – Clarifying language added.

Fiscal Impact:

The Policy does not directly increase or decrease the District's net position.

Strategic Plan Alignment:

Finance - 4.A. Monitor District operations through internal control procedures, documentation and such other processes necessary to ensure effective financial performance.

This will benefit District customers as the annual budget approved by the Board will serve as the basis for operating the District.

Sacramento Suburban Water District

Capital Asset Policy

Adopted: November 17, 2003

Revised: September 17, 2007, February 25, 2008, February 22, 2010, August 20, 2012,
January 27, 2014, January 25, 2016; December XX, 2017

100.00 Purpose of the Policy

The purpose of this policy is to establish guidance in identifying, capitalizing, depreciating, and accounting for District capital assets.

100.10 Definitions

A capital asset is defined under this Policy as an asset owned by the District that – 1) is acquired for use in District operations, 2) is long-term in nature (i.e., useful life exceeds 2 years), and 3) is subject to depreciation, and 4) has a minimum value of \$5,000 (see section 200.20).

200.00 Policy

It is the policy of the District that the following types of assets will be considered Capital Assets of the District. If an asset does not meet the capitalization requirements listed in this policy, then it is to be expensed in the year acquired.

200.05 Capital Assets

The District operations program will be maintained at a level that assures system reliability and efficiency. A well thought out maintenance program will extend the life of the water production and distribution system and in turn reduce infrastructure costs in the long-term.

- A. Funding to Meet Regulations and Standards - The District will adequately fund costs to meet current industry standards and regulations (e.g. Safe Drinking Water Act, etc.) in the annual budgeting process.
- B. Capital Improvement Plan - The District, as part of its routine planning process, will develop a 5-year Water System Master Plan and update it. Further, the District will update its Asset Management Plans.
- C. Adopted Capital Plan - The District will undertake all capital improvements approved by the Board annually at budget adoption according to the District's Asset Management Plans.
- D. Types of Capital Projects - The District's capital improvement program will consider mandated capital, growth related capital and renewal and replacement capital.

- E. Financing of Growth-Related Projects - The financing of growth-related capital projects may be funded from any of the available funding resources of the District. However, to better meet the District's needs, the use of long-term debt to finance growth-related projects will be minimized. When necessary, long-term debt will be issued to allow the District to better match the financing of these facilities to the timing of the customers as they connect to the system.

200.10 Capital Asset Categories

Capital assets shall be segregated into the following categories:

- A. Land and
- A. Land Improvements with a limited life, such as driveways, walks, fences, landscaping, and parking areas.
- B. Buildings and Building Improvements, such as HVAC equipment, interior remodeling features, and landscaping.
- C. Hydrants, pressure modulating facilities, Valves and related appurtenances.
- D. Transmission and Distribution pipelines.
- E. Water Storage Facilities.
- F. Groundwater Wells, Flow Meters, Etc.
- G. Pumps, Motors and Water Treatment Facilities
- H. Water Meters and Appurtenances.
- I. Machinery and Equipment, such as generators, compressors, jackhammers, tools, trimmers, etc.
- J. Fleet Equipment, such as cars, trucks, trailers and backhoes.
- K. Office Equipment such as furniture and fixtures.
- L. Computer Systems, Purchased Software and Telephones.
- M. Intangible Assets, such as easements and internally generated computer software.
- N. SCADA, including location and mapping features.

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200.20 Capitalization Thresholds

Capital assets eligible for capitalization, must have:

- 1) an estimated useful life of at least two years from the date of acquisition
- 2) and a minimum value of \$5,000, and:
- ~~3) Once Furniture, fixtures and office equipment, computers are fully depreciated, they will be removed from the capitalization valuation in the Districts financial system as the residual value will be minimal and the amounts immaterial to continue to track; and~~
- 4) ~~3) Such criteria shall be applied to individual assets and not to groups of assets.~~

200.30 Valuation of Capital Assets

The value assigned to capital assets shall be determined as follows:

200.32 Purchased Capital Assets

The capitalized value of purchased Capital assets shall be determined using the original cost of the asset. Specific costs eligible for capitalization are identified under section 200.40. If the original cost of an asset is not available or cannot be reasonably determined, an estimated current cost may be utilized.

200.34 District-Constructed Capital Assets

District-constructed water system infrastructure assets intended to be used in District operations or internally generated computer software are eligible for capitalization. The capitalized value of such assets shall be determined using direct costs and material costs associated with the construction up until the time the asset is complete and ready for use.

200.36 Donated Capital Assets

The capitalized value of donated assets shall be determined using the fair market value at the time of donation. If the fair market value of the asset is not available or cannot be reasonably determined, an estimated cost may be determined using the best available information. The value of donated intangible assets shall be accounted for separate from donated tangible capital assets.

200.40 Capitalizable Costs

Costs eligible for capitalization under this policy are:

For land:

- Purchase price or appraised value, whichever is more readily determinable;
- Closing costs, such as title fees, attorneys fees, environmental assessments, appraisals, taxes and recording fees;
- Costs necessary to get the land ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures;
- Assumptions of liens, encumbrances or mortgages;

For purchased assets other than land:

- Purchase price, including all taxes
- Freight, handling and in-transit insurance charges
- Assembling and installation charges
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Applicable purchase discounts or rebates

For District-constructed assets:

- Direct labor costs (to include wages and benefits);
- Direct materials cost;
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Insurance premiums and related costs incurred during construction;
- Costs necessary to get the site ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures;

- Costs for intangible assets as determined in accordance with Governmental Accounting Standards Board, Statement No. 51 “Accounting and Financial Reporting for Intangible Assets.”

For donated Capital assets:

- Fair Market or Appraised Value at date of donation;
- Installation costs;
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Other normal or necessary costs required to place the asset in its intended location and condition for use.

200.50 Capitalization of Costs Subsequent to Acquisition

Additional costs incurred after a capital asset is placed in use shall be accounted for as follows:

200.52 Additions

An “Addition” is defined as an expenditure that either significantly extends the useful life or productivity of the existing capital asset or creates a new capital asset. All “Additions” to existing capital assets should be capitalized as long as the asset meets the criteria of section 200.20 above.

200.54 Improvements and Replacements

“Improvements and Replacements” are defined as expenditures that involve substituting a similar capital asset, or portion thereof, for an existing one. All “Improvements and Replacements” to existing capital assets should be capitalized as long as the asset meets the criteria of section 200.20 above. If the existing asset’s book value is determinable, then the existing asset should be removed from the books at the time the replacement is recorded. If the existing asset is not separately identifiable, then the replacement should still be capitalized as the existing asset’s book value is assumed to be negligible.

200.56 Rearrangement or Reinstallation

“Rearrangement or Reinstallation” costs are defined as expenditures that involve moving an existing asset to a new location or reinstalling a similar asset in place of an existing asset. All “Rearrangement or Reinstallation” costs should be expensed in the period incurred.

200.58 Repairs and Maintenance

“Repairs and Maintenance” costs are defined as expenditures that involve maintaining the asset in good or ordinary repair. All “Repairs and Maintenance” costs should be expensed in the period incurred.

200.60 Depreciation or Amortization of Capital Assets

Capital assets shall be depreciated or amortized on a straight-line basis beginning the first day of the month following acquisition in accordance with the following schedule:

Category	Depreciation/Amortization Period
Land	None
Land Improvements	15 Years
Buildings	40 Years
Building Improvements	10 Years
Hydrants, PRV Stations, Valves and similar assets	30 Years
Transmission and Distribution pipelines	80 Years
Storage Facilities (reservoirs)	40 Years
Pumping and Wells (wells, pumps, <u>flowmeters</u> , treatment facilities and related equipment)	25 years
Water Meters and Appurtenances	10-20 Years
Machinery and Equipment (generators, compressors, jackhammers, tools and equipment)	5-10 Years
Fleet Equipment (cars, trucks, backhoes, other mobile motorized equipment)	5-10 Years
Office Furniture and Fixtures	7 Years
Computer Equipment, Purchased Software and Telephones	4 Years
Intangible Assets, such as easements and internally generated computer software	Permanent Easements – None; Software – 4 Years

200.70 Physical Inventory of Capital Assets

A physical inventory of the following categories of capital assets shall be performed at least annually:

Inventory Items
Machinery and Equipment

Fleet Equipment
Office Furniture and Fixtures
Computer Equipment, Purchased Software and Telephones

The results of the physical inventory shall be reconciled with the District's asset inventory system. Differences will be reported, along with explanations, to the Board of Directors.

200.80 Disposal of Capital Assets

Capital assets that have become obsolete shall be disposed in accordance with District's Policy on "Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property (PL - Adm 003)."

300.00 Policy Review

This policy shall be reviewed at least biennially.



Agenda Item: 7

Date: December 5, 2017

Subject: Public Hearing on Initial Study and Proposed Mitigated Negative Declaration for Well 78 - Butano/Cottage Production Well and Pumping Plant Project

Staff Contact: Jim Arenz, Senior Project Manager

Recommended Board Action:

Conduct a public hearing on the subject environmental documents for the Well 78 - Butano/Cottage Production Well and Pumping Plant project.

Note: There is a separate agenda item (and staff report) asking the Board to adopt a Mitigated Negative Declaration for this project following the public hearing.

Discussion:

The District proposes to construct and install a municipal groundwater supply well and pump station on a parcel of vacant land in the District's South Service Area (SSA). Well 78 - Butano/Cottage would be located on the west side of Butano Drive just west of the intersection with Cottage Way in the Arden-Arcade area of Sacramento County, California. See the attached Exhibit 1 for a map showing the location of the proposed well. The well is being constructed for added reliability and replacement of aging infrastructure in the SSA.

Well 78 - Butano/Cottage is proposed to consist of an 18-inch groundwater well capable of producing approximately 1,500 gallons per minute (gpm). The project would include new connections to both the Sacramento County-owned storm drain and sanitary sewer. An approximately 700 square foot building would be constructed to house the motor control center, treatment equipment, and chlorination and fluoridation facilities. If elevated levels of iron/manganese are detected in the water, a treatment system would be installed. The iron/manganese treatment system would include components such as a horizontal multi-media pressure filter, ground-level backwash water holding tank, associated pipes and valves, and associated electrical switchgear. The treatment system would require the construction of an above-grade backwash storage tank with capacity to store approximately 60,000 gallons. This painted metal tank would be approximately 25 feet in diameter and up to 20 feet tall. In addition, the well may be equipped to operate as an aquifer storage and recovery well in the future. This improvement would involve the installation of a specialized valve and some small additional station piping, all within the area already disturbed. The projected schedule is to construct the production well in spring 2018, with overall project completion by approximately April 2019.

To comply with the California Environmental Quality Act, an Initial Study has been prepared by the District's consultant, Wood Rodgers, to evaluate the potential environmental impacts of the project and to propose mitigation for any significant impacts. An electronic copy of the Initial Study/Proposed Mitigated Negative Declaration is available for review on the District's website at www.sswd.org.

The Initial Study concluded that the proposed project would not have significant impacts on the environment, and is supported by the following findings:

1. The Proposed Project would have no impacts on: agriculture, biological resources, cultural resources, mineral resources, population and housing, and recreation.
2. The Proposed Project would have less-than-significant impacts on: aesthetic resources, air quality, geology and soils, greenhouse gas emissions, hazards and hazardous materials, hydrology and water quality, land use and planning, noise, public services, transportation and traffic, and utilities and service systems.
3. The Proposed Project would have no significant impacts.

The Applicant has included a number of measures in the proposed project to avoid or minimize potential impacts.

See Exhibit 2 attached to this report for "Measures Included in the Proposed Project to Minimize Impacts."

At the November 20, 2017, regular meeting, the Sacramento Suburban Water District Board of Directors authorized a Public Hearing on December 18, 2017, to receive comments on the Initial Study/Proposed Mitigated Negative Declaration for the Well 78 - Butano/Cottage Production Well and Pumping Plant project. The public hearing notice was mailed to 30 property owners surrounding the well site, posted on the District's website, and posted at the well site itself. The public review period began on November 20, 2017, and ended on December 8, 2017. To date, no public comments have been received.

Fiscal Impact:

No additional cost. The presentation, preparation and filing of the Initial Study/Mitigated Negative Declaration are included in Wood Rodgers' contract for design and construction management for the Well 78 - Butano/Cottage Well project.

Strategic Plan Alignment:

Water Supply – 1.A. Protect public health and the environment through compliance with all applicable federal, state and local regulations.

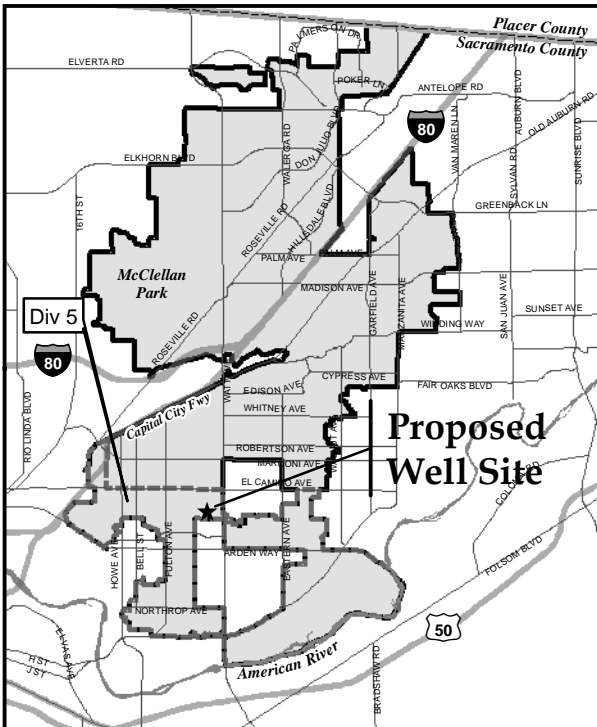
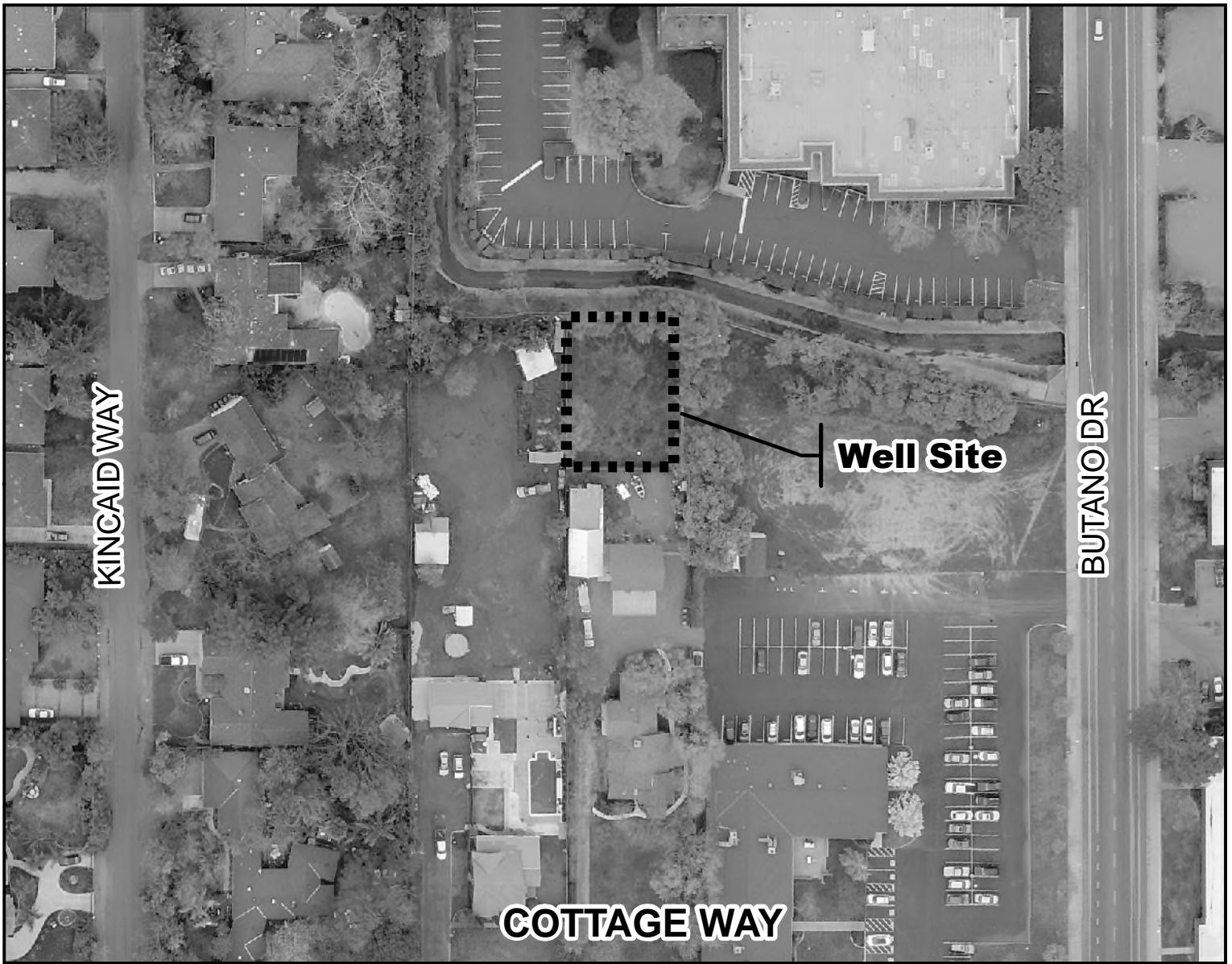
The new facility will be constructed in compliance with current State Water Resources Control Board – Division of Drinking Water, County of Sacramento Health Department, and American Water Works Association guidelines and standards.

Water Supply – 1.B. Provide for the future needs of the District through prudent planning that will help ensure sufficient capacity to serve all customers.

The production well will provide additional water supply for future use and enhance the current system supplies and pressures.

Facilities and Operations – 2.B. Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure.

The proposed project will improve water source reliability and replace existing production well infrastructure that has outlived its useful life.



MAP NOT TO SCALE

Portion of Sacramento Suburban Water District

EXHIBIT 1



**Butano/Cottage
Well 78 Site
Location Map**

(Voting Division 5)



Base Data: Sacramento County Gis Base Map
 Projection: CA State Plane 2, NAD83
 Scale: NTS
 Prepared by: DAV, SSWD
 Sacramento, CA. November 2017
 Well_78_Loc.mxd

THIS MAP SHOWS THE LOCATION OF THE PROJECT SITE AND THE APPROXIMATE SIZE OF THE WELL LOT

Exhibit 2

MEASURES INCLUDED IN THE PROPOSED PROJECT TO MINIMIZE IMPACTS

The Well 78 - Butano/Cottage site is located in an area that has existing facilities and will be designed to fit in to the existing theme of the area.

Aesthetics

- To minimize the potential of contributing to light pollution, the exterior lighting at the Well 78 - Butano/Cottage site will be designed to point towards the ground and to minimize the leakage of light off-site.
- The building, station piping, and treatment equipment (if required) would be painted a color that would allow it to blend in with the surrounding area. The project site would be surrounded by fencing and/or wall on four sides of the property.

Air Quality

Because the construction of the Proposed Project has the potential to create dust emissions, SSWD will require the construction contractor to implement the following measures:

- Cover or maintain at least two feet of free board space on haul trucks transporting soil, sand, or other loose material on the site. Any haul trucks that would be traveling along freeways or major roadways should be covered;
- Keep the street clean and free of loose soil; and
- Maintain all construction equipment in proper working condition according to manufacturer's specifications. The equipment must be checked by a certified mechanic and be determined to be running in proper condition before it is operated.

Cultural Resources

- If previously unidentified cultural resources are encountered during earth-moving activities, construction activities in their vicinity will be halted immediately and the appropriate authorities notified. Authorities should include the County Coroner if suspected human remains are discovered and a qualified archaeologist if prehistoric or historic-period artifacts are found.

Hydrology and Water Quality

To minimize the introduction of sediment to the storm water system during construction, SSWD will implement standard erosion management measures, including the following Sacramento County's storm water best management practices (BMPs):

- The use of straw wattles and/or silt fences onsite to prevent the flow of sediment off the site, and
- The use of sediment traps or gravel bags at drainage inlets to prevent sediment from entering the storm water system.

Geology and Soils

- Permanent erosion control measures and BMPs will be implemented during and after construction. The SSWD will file a Notice of Intent to comply with the conditions of the State Water Resources Control Board, National Pollutant Discharge Elimination System, General Construction Permit. Given the extent of proposed disturbance is less than 1 acre, the project will not require preparation of a Storm Water Pollution Prevention Plan for the project site.
- A geotechnical study has been recently completed for the Proposed Project. The recommendations from the geotechnical study will be incorporated into the design to rectify any soil characteristics adverse to the stability of the building.

Noise

Because of the proximity of the Well 78 - Butano/Cottage site to several sensitive noise receptors, and because the well drilling portion of construction could operate 24 hours a day for multiple days over a six-week construction period, SSWD will require implementation of the following measures to mitigate noise effects:

- During the well drilling and construction portion of the project, equipment will be required to be rated for residential use. Night time activities will be limited to only time sensitive and critical tasks that require 24-hour-per-day operations.
- A key design component to eliminate operational noise at the site includes use of a submersible pump and motor for the well or a vertical hollow shaft above grade motor equipped with a sound dampening enclosure.
- During the construction of the pump station, building, and other ancillary facilities SSWD will work with the nearby churches to make sure the construction schedule takes into account the church service schedules as much as possible.

Transportation

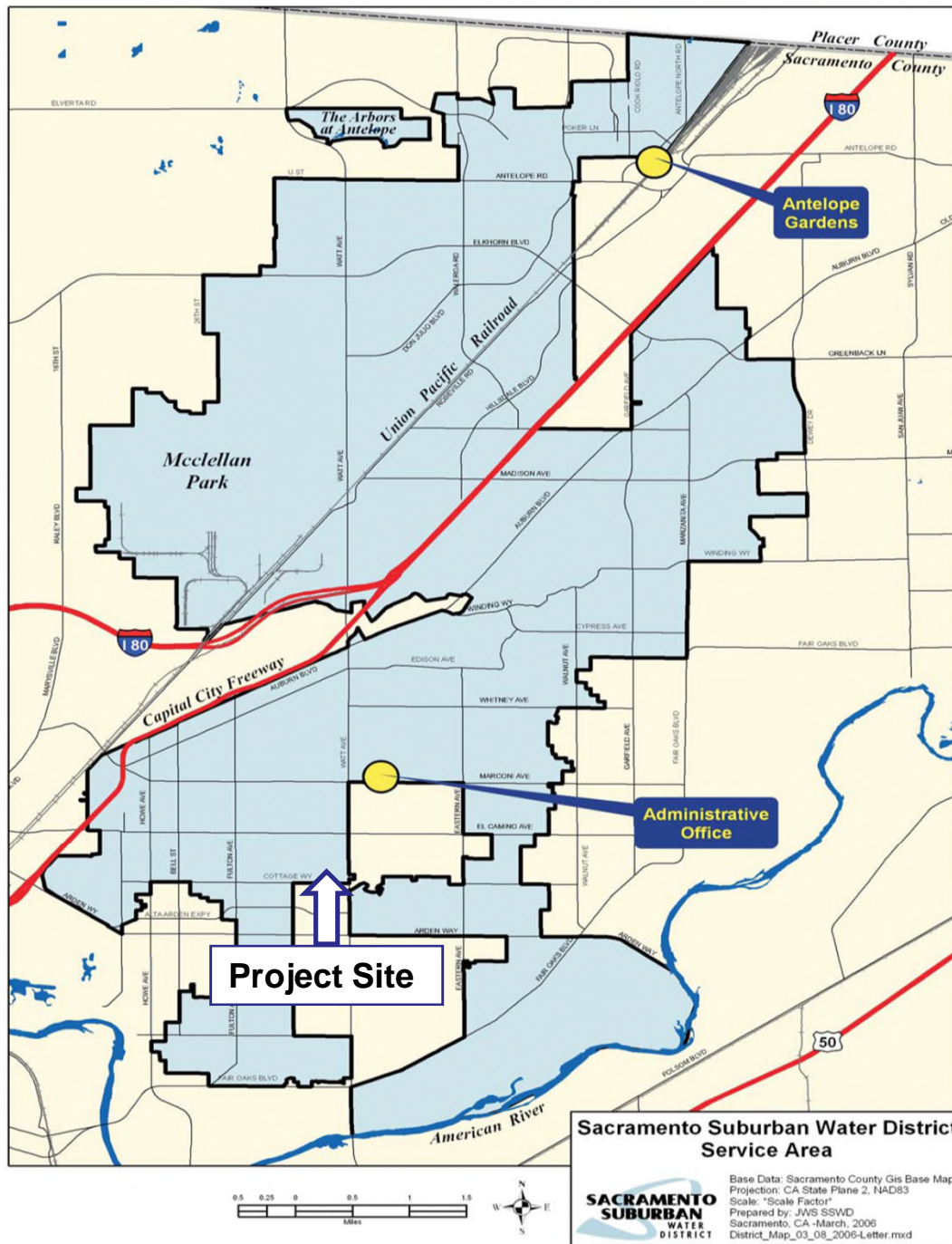
SSWD will prepare a transportation management plan to maintain the safe operation of all vehicle modes along Butano Drive during the period of construction of the well, pump station, and building. This plan will contain the following provisions:

- Avoid blocking traffic on Butano Drive and at its intersection with Cottage Way;
- Allow for continuous pedestrian traffic along the west side of Butano Drive, including access to the church parking lot; and
- Coordinate with the Country Club Manor Senior Living to avoid impacting access to facility.

Initial Study / Mitigated Negative Declaration

for the

**Well 78 – Butano/Cottage
Production Well and Pumping
Plant**







Well 78 – Butano/Cottage Production Well and Pumping Station Site



Well 78 – Butano/Cottage Production Well and Pumping Station Site

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The CEQA Initial Study addresses the environmental impacts associated with the construction of the production well and pumping plant.



Cooper's hawk



California Live Oak



American River

SUMMARY OF FINDINGS

1. **No Impact:**, agricultural resources, biological resources, cultural resources, mineral resources, population and housing, and recreation
2. **Less than Significant Impacts:** aesthetic resources, air quality, geology and soils, greenhouses gases, hazards and hazardous materials, hydrology and water quality, land use and planning, noise, public services, transportation and traffic, and utilities and service systems
3. **The Proposed Project would have no significant impacts.**

SUMMARY

The project, with mitigation measures, would ***NOT*** have a significant effect on the environment.

SUGGESTED DISTRICT DETERMINATION

- I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- I find that although the proposed project COULD have a significant effect on the environment, there will NOT be a significant effect in this case because revisions have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- I find that the proposed project COULD have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.



Agenda Item: 8

Date: December 5, 2017

Subject: Potential Adoption of an Initial Study/Mitigated Negative Declaration for the Well 78 – Butano/Cottage Production Well and Pumping Station

Staff Contact: Jim Arenz, Senior Project Manager

Recommended Board Action:

Adopt an Initial Study/Mitigated Negative Declaration for the Well 78 – Butano/Cottage Production Well and Pumping Station Project and authorize the General Manager to execute a Notice of Determination to be filed at the County Clerk Recorder’s Office and the State Clearinghouse.

Discussion:

Based on the findings in the Initial Study, as prepared by Wood Rodgers, and after conducting a Public Hearing to receive any further public comments on the proposed project, a Mitigated Negative Declaration is proposed for this project to meet the District’s obligation under the California Environmental Quality Act. It is recommended that the Board adopt the Initial Study/Mitigated Negative Declaration for this project.

If having been approved by the Board of Directors and executed by the General Manager, a Notice of Determination would then be filed at the County Clerk Recorder’s Office and at the State Clearinghouse. A copy of the Notice of Determination is attached as Exhibit 1.

Fiscal Impact:

No additional cost. The presentation, preparation and filing of the Initial Study/Mitigated Negative Declaration are included in Wood Rodgers’ contract for design and construction management for the project.

Strategic Plan Alignment:

Water Supply – 1.A. Protect public health and the environment through compliance with all applicable federal, state and local regulations.

The new facility will be constructed in compliance with current State Water Resources Control Board, Division of Drinking Water, County of Sacramento Health Department, and American Water Works Association guidelines and standards.

Water Supply – 1.B. Provide for the future needs of the District through prudent planning that will help ensure sufficient capacity to serve all customers.

The production well will provide additional water supply for future use and enhance the current system supplies and pressures.

Facilities and Operations – 2.B. Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure.

The proposed project will improve water source reliability and replace existing production well infrastructure that has outlived its useful life.



Agenda Item: 9

Date: December 11, 2017

Subject: Committee and Liaison Appointments for 2018

Staff Contact: Robert Roscoe, General Manager

Recommended Board Action:

The Board President makes appointments to Board standing and ad hoc committees and assigns Board member liaisons to outside organizations.

Discussion:

The Board President appoints Directors to various committees. Typically, there is an annual review of committee assignments.

Included with this report is the most recent list of the 2017 Committee and Liaison Assignments indicating the appointments for the past year (Exhibit 1).

Note that some assignments are to establish the District's voting representative with outside entities and others are to assign liaison interests for the purposes of establishing compensable attendance per District policies on Director Compensation.

Fiscal Impact:

Payment to Directors will be made in accordance to District policy. Total annual payments are expected to be within budgeted amounts.

Strategic Plan Alignment:

Leadership – 5.B. Engage in a role with professional water industry groups to provide proficiency in technical and policy matters.

Representation at meetings can forward the District's position and increase knowledge of other professional groups' activities.

Sacramento Suburban Water District 2017 Committee and Liaison Assignments

Committees (date of last appointment)

Water Quality Committee (01/23/17) Bob Wichert, Chair
(Standing: no regularly assigned meeting time) Dave Jones
..... Staff Contact: Dan York

Facilities and Operations Committee (01/23/17) Neil Schild, Chair
(Standing: no regularly assigned meeting time) Dave Jones
..... Staff Contact: Dan York

Finance and Audit Committee (01/23/17) Kevin Thomas, Chair
(Standing: no regularly assigned meeting time) Neil Schild
..... Staff Contact: Dan Bills

Ad Hoc General Manager Performance Review Committee (01/23/17)..... Craig Locke, Chair
(no regularly assigned meeting time)..... Kevin Thomas

Ad Hoc Water Banking and Transfer Committee (01/23/17)..... Neil Schild, Chair
(no regularly assigned meeting time)..... Craig Locke
..... Staff Contact: Rob Roscoe

Government Affairs Committee (01/23/17)..... Craig Locke, Chair
(no regularly assigned meeting time/quarterly) Kevin Thomas
..... Staff Contact: Rob Roscoe

Ad Hoc Compensation Committee (03/27/17) Neil Schild, Chair
..... Dave Jones

Ad Hoc Selection Committee (03/27/17)..... Bob Wichert, Chair
..... Kevin Thomas

Ad Hoc Process Committee (03/27/17) Bob Wichert, Chair
..... Craig Locke

Liaison Assignments (date of last appointment)

ACWA/JPIA (01/23/17) Director Position: Neil Schild
..... Staff Position: Rob Roscoe

ACWA/JPIA Workers Compensation Committee (01/23/17)..... Neil Schild

ACWA Federal Affairs Committee (09/26/17) Neil Schild

ACWA General Election Voting Delegate (01/23/17) Neil Schild

ACWA Groundwater Committee (09/26/17)..... Dave Jones

..... Neil Schild

.....	Kevin Thomas
.....	Craig Locke
.....	Dan York
.....	Robert Roscoe
ACWA Local Government & Outreach Committees (09/26/17)	Craig Locke
ACWA Water Management Committee (09/26/17)	Dave Jones
.....	Craig Locke
ACWA Water Quality Committee (09/26/17)	Bob Wichert
.....	Dave Jones
ACWA Energy Committee (09/26/17)	Kevin Thomas
ACWA Communications Committee (09/26/17)	Kevin Thomas
California Special Districts Association (01/23/17)	Kevin Thomas
.....	Dave Jones
CSDA Transparency and Formation Expert Feedback Teams (01/23/17)	Kevin Thomas
CSDA Fiscal and Education Committees (01/23/17)	Dave Jones
LAFCo Special District Advisory Committee (01/23/17)	Bob Wichert
Regional Water Authority (01/23/17)	Kevin Thomas
.....	Robert Roscoe
.....	Neil Schild, Alternate
.....	Bob Wichert, Alternate
.....	Craig Locke, Alternate
.....	Dave Jones, Alternate
Regional Water Authority Executive Committee (01/23/17)	Staff Rep: Rob Roscoe
Sacramento Groundwater Authority (01/23/17)	Neil Schild, Board Rep.
.....	Rob Roscoe, Staff Rep.
.....	Kevin Thomas, Alternate
.....	Bob Wichert, Alternate
.....	Craig Locke, Alternate
.....	Dave Jones, Alternate
Sacramento Water Forum Successor Effort (01/23/17)	Staff Rep: Robert Roscoe
.....	Neil Schild
.....	Craig Locke, Alternate
.....	Kevin Thomas, Alternate
.....	Bob Wichert, Alternate
.....	Dave Jones, Alternate



Agenda Item: 10

Date: December 11, 2017

Subject: New Website Overview

Staff Contact: Annette O’Leary, Administrative Services Manager

A demonstration of some of the features of the new website will be presented to the Board of Directors and public.



Agenda Item: 11

Date: December 12, 2017

Subject: A Day in the Life of the IT Department

Staff Contact: Matt Winans, Information Technology Manager

The IT Department is primarily responsible for the management of all District information technologies. Specifically,

IT governance: Implementation of policy and procedures for District staff use of IT systems, architecture, and networks. The governance of master data including IT security and data assurance,

Infrastructure: Hardware and software components and all other equipment necessary to keep the IT systems functioning properly,

Functionality: Creating and maintaining operational applications; developing, securing, and storing electronic data that belongs to the District and assisting in the use of software and data management to all departments of the District.

To provide insight into the systems and applications that the IT department maintains on a daily basis, a PowerPoint presentation showing some of the systems, tasks and duties assigned to this department has been prepared. See attached.

SSWD IT Department

“We Do IT”

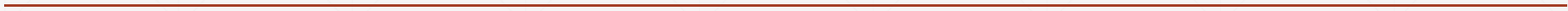
**Board Meeting
December 18, 2017**

Who's IT



Matt Winans, IT Manager
Joined the District in 2004
Plays as much golf as possible with 2 hole in ones
Sets up a haunted house each year for the local trick-or-treaters

Ken Gebert, GIS/IT Technician
Joined the District in 2007
Dedicated beer connoisseur – trying to taste all the non IPA's in the region
Greyhound enthusiast – currently two half pints and two growlers



Information Technology in 2004

- 2004 There were five network servers and two enterprise applications
 - File Server – Where shared files were stored
 - Email Server – Microsoft Exchange
 - Application server – Customer Billing System (Comet)
 - Domain controllers (2) – Network user management
 - Managing less than 10 GB of data
- 30 Desktop computers
- Analog/PBX phone system
- Ink jet printers on every desktop (various models)
- Multiple brands of workstations throughout the District
- No firewall, outdated network switches
- Orion meter reading system
- AutoCAD/GIS for map displays and engineering drawings
- SCADA in a Standalone environment (not managed by IT)



Software and Enterprise Systems Today

- 5 –Microsoft SQL DB Servers
 - 47 databases using ~906 GB of data
 - Accounting System
 - Manages ~\$20m O&M budget, \$1.2m OCB budget, \$20m CIP budget and over 6700 fixed assets with 50k general ledger transactions annually
 - Customer Information System
 - ~40k customers, 47k connections, and 4,600 backflow devices
 - GIS
 - Over 152k assets and related attribute data
 - Maintenance Management System
 - Average 35k workorders, service requests, and inspections per year
 - Document Management System
 - ~910k documents utilizing 348 GB of data storage
 - SCADA
 - Collects and manages over 1,680 data points
 - USA Locate
 - Manages ~20k locates per year
 - Email
 - 104 mailboxes; ~996,208 messages
 - Fixed Network System (AMI)
 - ~5.3 million stored meter reads
 - Data Backup
 - ~3.4 TB of data backed up on a regular basis
 - Microsoft Office Suite 2016
 - Support 75 licensed copies including Word, Excel, PowerPoint, Access, and Outlook
-

Other Software Systems

- Fleet Management – Manages vehicles and equipment maintenance
 - Video Surveillance – Cameras at Walnut, Marconi, and Antelope facilities
 - Mobile VPN – Allows remote connection for laptops, tablets and smartphones
 - AVL - Vehicle tracking
 - IVR – Phone based customer account access and payment system
 - TrueCIP – Web based customer account access and payment system
 - PDC – Well run data collection and reporting
 - Smartphone Management – Administers apps and security on smartphones
 - Water Modeling – Allows for engineering to analyze pressure and flow
 - GPS – acquiring lat/long GPS coordinates with real-time correction for centimeter grade accuracy.
 - Drive by Meter System (AMR) – Used to collect and process meter reads.
 - Inventory Management – barcode scanning issues, receipts, and returns
-

Current Hardware Environment

- 25 - Physical servers
- 15 – VMware Virtual Servers
- 2 – iSCSI 12 TB Storage Arrays
- 1 – Firewall
- 8 – Network Switches
- 52 – Laptops/Tablets
- 36 – Desktops
- 60 – Smartphones
- 40 – 4G/GPS Truck Modems
- 7 – Multifunctional Mopiers and a large format printer/scanner/copier
- VOIP Phone Server
- 35 – VOIP Handsets
- 60 – UPS devices
- 6 – Wireless access points
- 4 – Leica high accuracy GPS receivers



Infrastructure Software and Utilities

- Virtual server management
 - Remote desktop
 - Antivirus/malware
 - Windows
 - Windows server
 - Spam filter
 - Network management
 - Printer management
-

IT Tasks

- User/Group account creation and modifications
 - Email setup and support
 - Desktop support and trouble shooting issues (hardware/software)
 - System backups and restores
 - Smartphone setup and support
 - Truck modem support
 - Supervise and manage staff, vendors, and consultants
 - Implementing new technology
 - Technology coordination
 - Integration management and planning
 - Perform system upgrades and maintenance (hardware/software/infrastructure)
 - End user training and mentoring
 - License management and procurement
 - Manage data quality
 - End user data request (report development)
 - IT Security
 - Strategic planning and budgeting
 - Professional development
 - Phone system setup and support
-

Questions



Agenda Item: 12

Date: December 7, 2017

Subject: Debt Management

Staff Contact: Daniel A. Bills, Finance Director

Discussion:

As the District's Debt Service Payments will be decreasing by \$1.7 million per annum starting in 2023, and as there are various risk management strategies the District can employ to manage its debt portfolio, staff desires to discuss upcoming debt strategy opportunities with the Board.

No recommendations or approvals are presented or requested at this time.



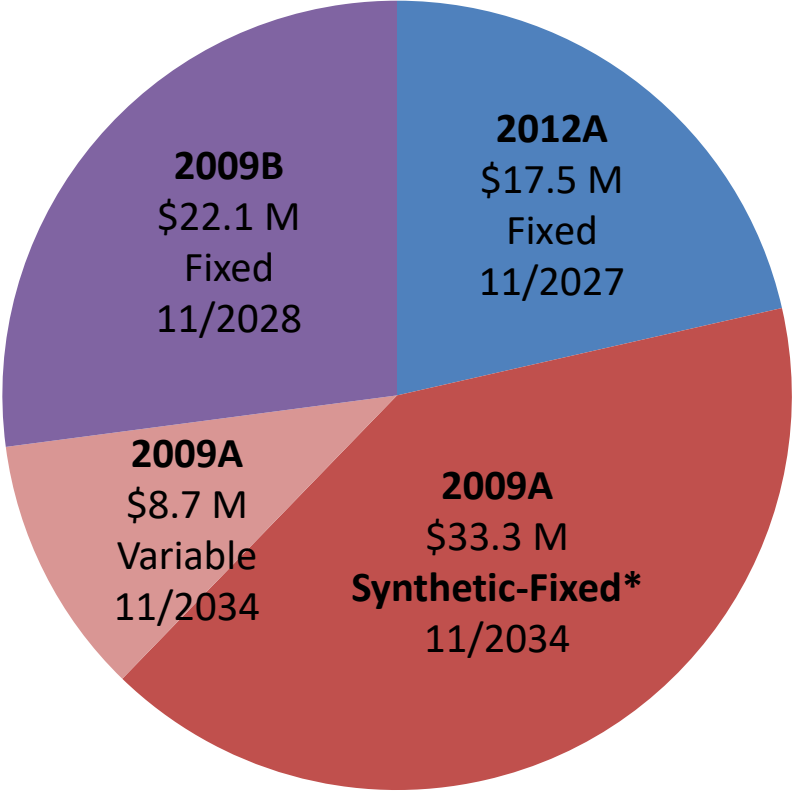
District Debt Portfolio

Board Meeting

December 18, 2017

DISTRICT DEBT TODAY

Total Debt - \$81.6 M



* Interest Rate Swap

- Notional: \$33.3 M
- Termination: 11/2034
- Market Value: **(\$6.4 M)**
- **LOC – 2009A:**
- Expires 06/30/23
- Fee 48 bps/annum
- \$204,400/year

Current Rates

- **2009 B – Refunding COP:**
 - True Interest Cost – 4.54%
 - Original Issue - \$36.2 million; DSRF - \$3.5 million
- **2012 A – Refunding Revenue Bond:**
 - True Interest Cost – 3.66%
 - Original Issue - \$29.2 million
- **2009 A – Synthetic Fixed:**
 - Current Interest Rate:
 - Market Rate 0.960%
 - LOC 0.450%
 - Remarketing Fee 0.125%
 - Variable Rate 1.535%
 - SWAP 2.333%
 - Synthetic-Fixed 3.868%

LETTER OF CREDIT (LOC)

WHAT:

Credit and Liquidity support from a bank guaranteeing a buyer for the security

WHY:

Fixed rate municipal bonds often trade poorly as they are relatively illiquid and the investor base is small

SWAP

WHAT:

In a typical swap, two parties agree to exchange different forms of interest rates for a defined period

Typically, one party pays fixed and the other pays floating

WHY:

Savings: Provide substantially better economic results than those available in the conventional bond market

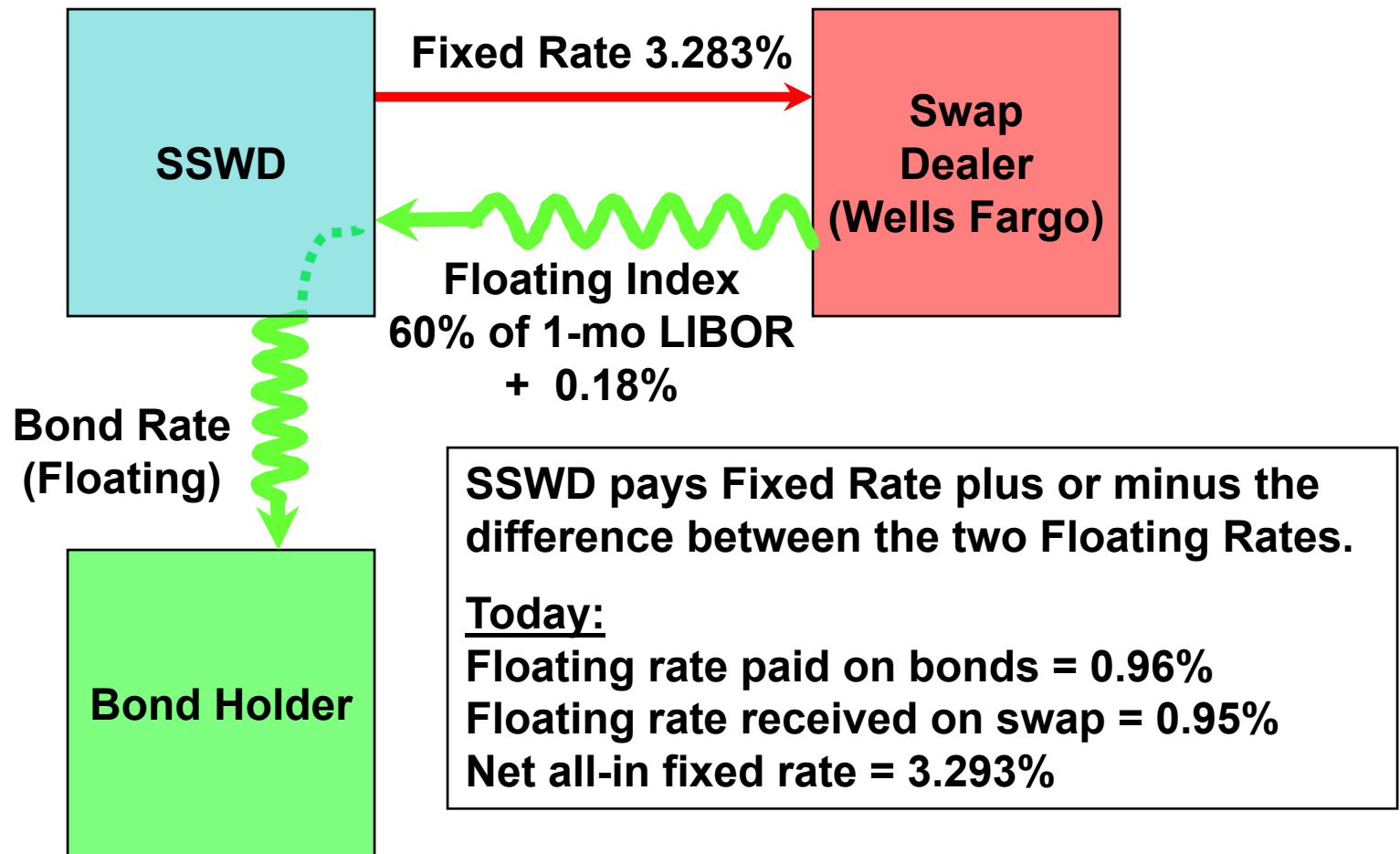
Hedging: Convert floating rate exposure, with unknown cost, to fixed rate exposure

Speed: Take advantage of market opportunities more swiftly than in public bond markets

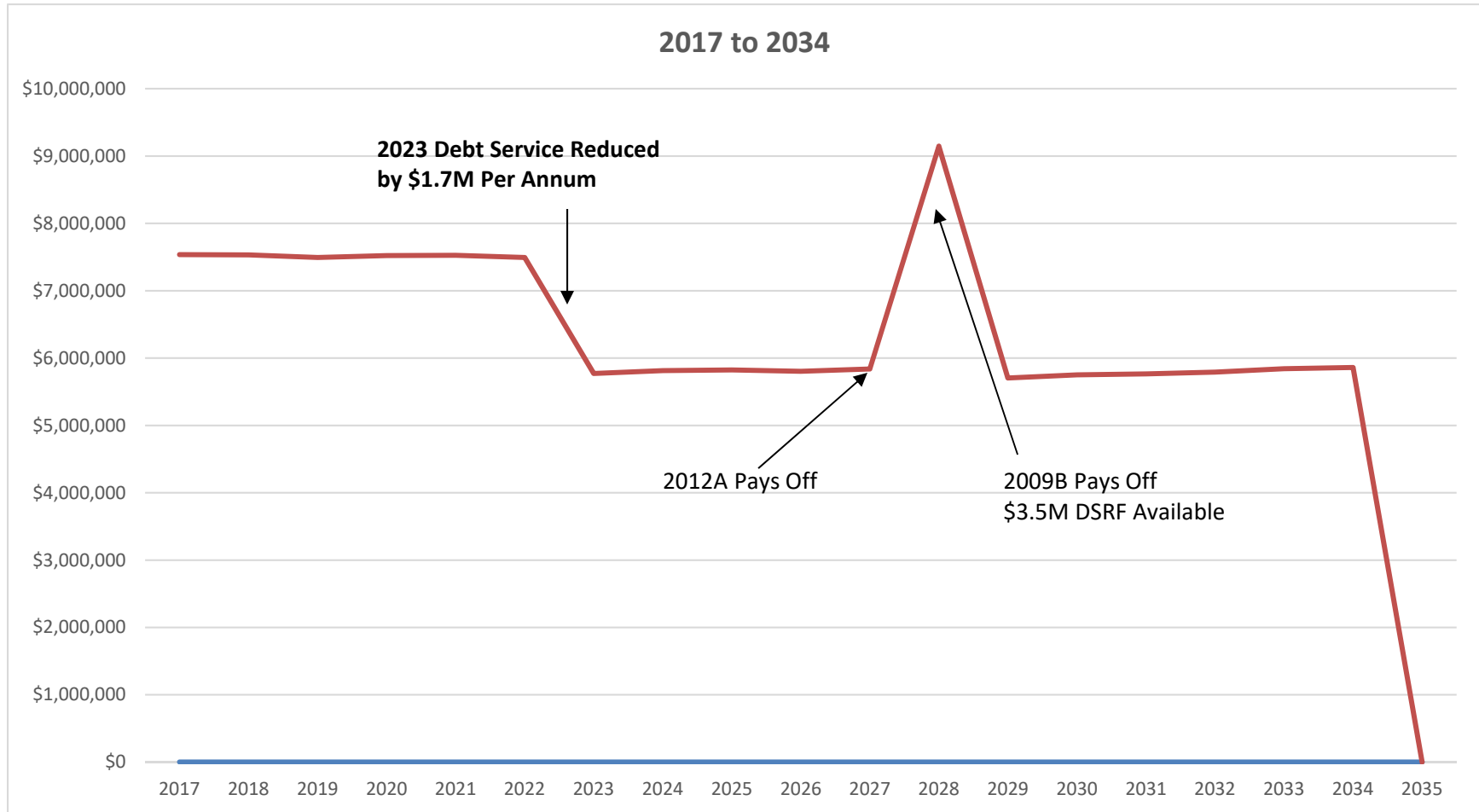
SSWD EXECUTED ORIGINAL SWAP (April 2005) DUE TO:

- Fixed rate bond rate (all-in): 4.30%
- Swap rate: 3.283% (+/- floating rate differential)

SSWD's SWAP

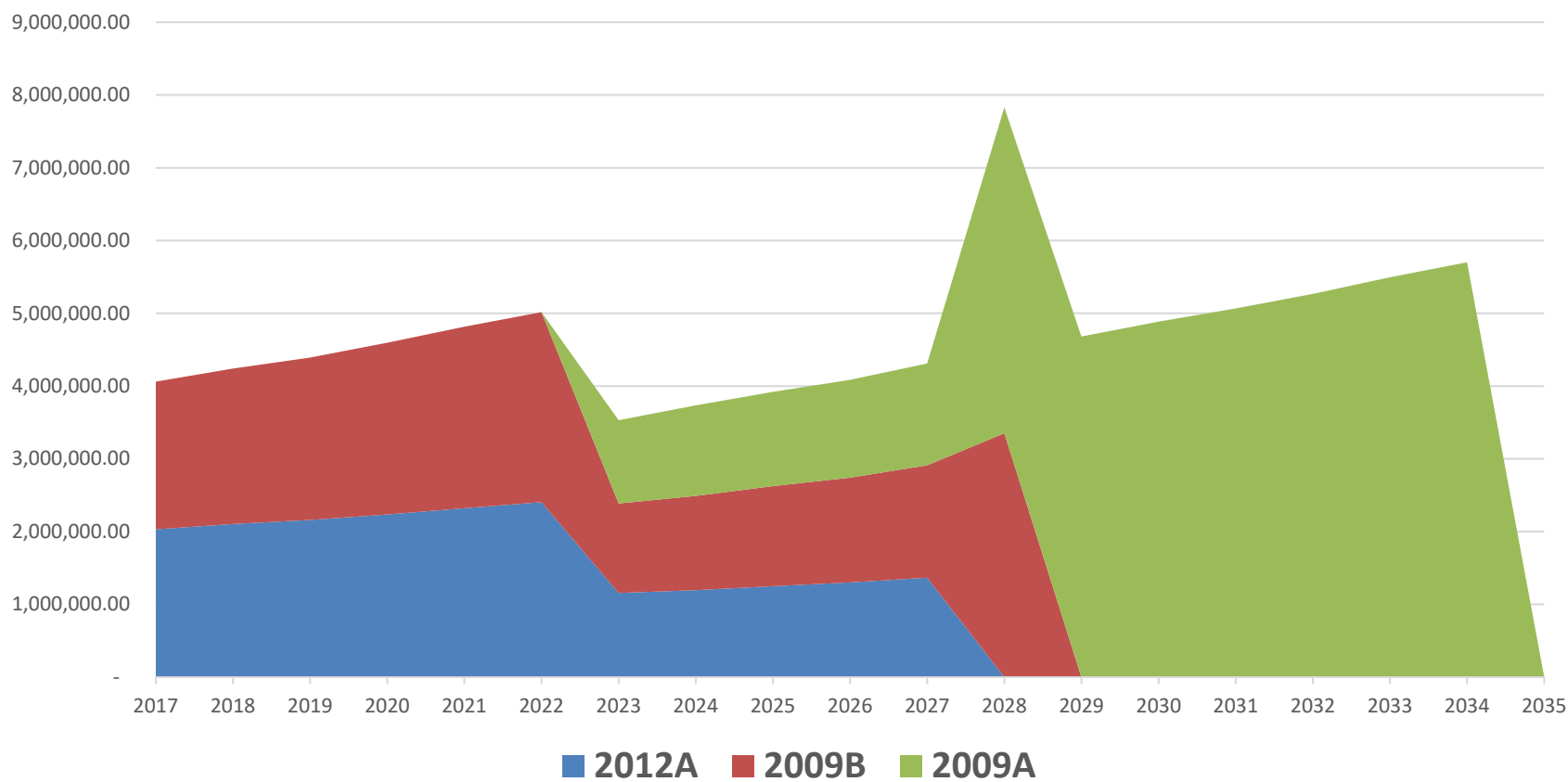


DEBT SERVICE SCHEDULE



DEBT AMORTIZATION

PRINCIPAL PAYMENTS



DEBT MANAGEMENT OPTIONS

- **CIP FUNDING CONSIDERATIONS:**

- Consider Debt only for New CIP Projects
- PAYGO Financing - “To minimize dependency on debt financing for capital projects, annual renewal and replacement capital projects will be adequately funded from rates.” Debt Management Policy; PL-FIN 011
- 2023 Debt Service Reduction - \$1.7 Million per Annum
- Potential Strategies:
 - Extend Certain 2021/2022 Projects to 2023
 - Increase CIP Budget \$1.7 million per Annum starting 2023
 - Customer Refund (Note: \$1.7 million ~ 4% decrease)

DEBT MANAGEMENT OPTIONS

- **REFUNDING OPTIONS:**

- Tax Exempt Status

- Fixed Rate – Refund at 10 Years
- Variable Rate – Refund any Week

- Reduce Interest Payment Costs

- Refund Fixed Rate Debt in 2019 and 2022
- Interest Expense Reduced by “Walking Down the Yield Curve”

- Reduce Principal Payments; Increase Interest

- Lower Principal Payments by Extending Term

QUESTIONS/COMMENTS

?



Agenda Item: 13

Date: December 11, 2017

Subject: General Manager's Out of State Travel Requests

Staff Contact: Dan York, Assistant General Manager

Recommended Board Action:

Approve the General Manager's out of state travel to attend the following conferences in 2018:

- Sacramento Metropolitan Chamber of Commerce's Capitol to Capitol trip
- American Water Works Association Annual Conference & Exposition

Discussion:

The Sacramento Metropolitan Chamber of Commerce's Capitol to Capitol Conference is in Washington, D.C., April 14 through April 18, 2018. Early registration for this conference is in January, 2018. Additionally, the American Water Works Association Annual Conference & Exposition, June 11-14, 2018 in Las Vegas, Nevada. Both Conferences take place out of state therefore Board approval is required for each conference.

Staff is requesting Board approval to allow the acting General Manager at the time of the conferences, to attend each conference.

Fiscal Impact:

Within budgeted amounts for staff travel and conferences.

Strategic Plan Alignment:

Leadership – 5.A. Engage in legislative affairs on issues affecting the District.

Leadership – 5.B. Engage in a role with professional water industry groups to provide proficiency in technical and policy matters.

Leadership – 5.C. Participate in regional, statewide and national water management partnerships.

By staff attending conferences related to the water industry, District customers will benefit as there is a potential to form new relationships, networking opportunities, discover new solutions to water industry issues, attend workshops that showcase new technologies, workflow, and processes.



Agenda Item: 14

Date: December 7, 2017

Subject: New Other Post Employment Benefit (OPEB) Actuarial Valuation

Staff Contact: Daniel A. Bills, Finance Director

Recommendation:

As recommended by the Finance and Audit Committee, accept the Actuarial Study of Retiree Health Liabilities as of July 1, 2017 (Exhibit 1), and consistent with prior Board direction, approve the use of CERBT's Asset Allocation Strategy No. 1 with a 7.28% expected long-term rate of return and a standard deviation of 11.74%; fully fund the 2018 ARC as determined by the actuarial valuation and as approved in the 2018 budget. Because the contribution is fully funded at the beginning of the year, the District will seek reimbursement from CERBT for all direct medical, dental and vision payments made during the year on behalf of current retirees on a quarterly basis.

Discussion:

As presented to the Board in November and as discussed with the Finance and Audit Committee on December 5, as a participant in the California Employers' Retiree Benefit Trust (CERBT)* the District is required to perform an updated actuarial valuation every two years. For 2017, the District contracted with a CERBT approved actuary – Total Compensation Systems - to perform the valuation at a cost of \$4,000.00. Attached as Exhibit 1 is the 2017 actuarial report for the Board's information and as Exhibit 2 inception-to-date results of the Trust.

The current valuation recommends a \$557,200 Annual Required Contribution Amount, or ARC, beginning in 2018. (Note: In the 2018 budget the Board approved \$560,000.) The previous valuation recommended an annual ARC of roughly \$470,000 in 2016 and 2017. The increase is due to a change in the estimated number of retirees requiring dependent care coverage.

*CERBT is the Trust selected by the District for all retiree medical, dental and vision premium payments.

Sacramento Suburban Water District
Actuarial Study of
Retiree Health Liabilities
As of July 1, 2017

Prepared by:
Total Compensation Systems, Inc.

Date: August 27, 2017

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**Sacramento Suburban Water District
Actuarial Study of Retiree Health Liabilities**

PART I: EXECUTIVE SUMMARY

A. Introduction

Sacramento Suburban Water District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of July 1, 2017 (the valuation date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending December 31, 2017. If the report will first be used for a different fiscal year, the numbers will need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree's cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under Governmental Accounting Standards Board (GASB) Standards 25/27.

This actuarial study is intended to serve the following purposes:

- To provide information to enable Sacramento Suburban Water District to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable Sacramento Suburban Water District to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 43 and 45 related to "other postemployment benefits" (OPEB's).

Because this report was prepared in compliance with GASB 43 and 45, as appropriate, Sacramento Suburban Water District should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 43 and 45 compliance.

This actuarial report includes several estimates for Sacramento Suburban Water District's retiree health program. In addition to the tables included in this report, we also performed cash flow adequacy tests as required under Actuarial Standard of Practice 6 (ASOP 6). Our cash flow adequacy testing covers a twenty-year period. We would be happy to make this cash flow adequacy test available to Sacramento Suburban Water District in spreadsheet format upon request.

We calculated the following estimates separately for active employees and retirees. We estimated the following:

- the total liability created. (The actuarial present value of total projected benefits or APVTPB)
- the ten year "pay-as-you-go" cost to provide these benefits.
- the "actuarial accrued liability (AAL)." (The AAL is the portion of the APVTPB

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attributable to employees' service prior to the valuation date.)

- the amount necessary to amortize the UAAL over a period of 8 years.
- the annual contribution required to fund retiree benefits over the working lifetime of eligible employees (the "normal cost").
- The Annual Required Contribution (ARC) which is the basis of calculating the annual OPEB cost and net OPEB obligation under GASB 43 and 45.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Normal costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

B. General Findings

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2017 to be \$308,062 (see Section IV.A.). The "pay-as-you-go" cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2017 (the normal cost) is \$191,174. This normal cost would increase each year based on covered payroll. Had Sacramento Suburban Water District begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be \$7,295,798. This amount is called the "actuarial accrued liability" (AAL). The remaining unamortized balance of the initial unfunded AAL (UAAL) is \$1,950,130. This leaves a "residual" AAL of \$5,345,668.

Sacramento Suburban Water District has established a GASB 43 trust for future OPEB benefits. The actuarial value of plan assets at June 30, 2017 was \$4,726,714. This leaves a residual unfunded actuarial accrued liability (UAAL) of \$618,954. We calculated the annual cost to amortize the residual unfunded actuarial accrued liability using a 6.5% discount rate. We used an open 8 year amortization period. The current year cost to amortize the residual unfunded actuarial accrued liability is \$90,607.

Combining the normal cost with both the initial and residual UAAL amortization costs produces an annual required contribution (ARC) of \$557,202. The ARC is used as the basis for determining expenses and liabilities under GASB 43/45. The ARC is used in lieu of (rather than in addition to) the "pay-as-you-go" cost.

We based all of the above estimates on employees as of June, 2017. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

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<i>All employee</i>	
Benefit types provided	Medical, dental and vision
Duration of Benefits	Lifetime
Required Service	10 years*
Minimum Age	Retirement age under CalPERS
Dependent Coverage	All eligible
District Contribution %	California Government Code Section 22893**
District Cap	Per Section 22893 or, if higher the lowest cost HMO or lowest cost PPO plan

*CalPERS retirement for those hired prior to 1/1/03

**100% at CalPERS retirement if hired prior to 1/1/03

D. Recommendations

It is outside the scope of this report to make specific recommendations of actions Sacramento Suburban Water District should take to manage the liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Sacramento Suburban Water District's practices, it is possible that Sacramento Suburban Water District is already complying with some or all of our recommendations.

- We recommend that Sacramento Suburban Water District inventory all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Sacramento Suburban Water District should determine whether the benefit is material and subject to GASB 43 and/or 45.
- We recommend that Sacramento Suburban Water District conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 43/45.
- We recommend that the District communicate the magnitude of these costs to employees and include employees in discussions of options to control the costs.
- Under GASB 45, it is important to isolate the cost of retiree health benefits. Sacramento Suburban Water District should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – *even on a retiree-pay-all basis* – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Sacramento Suburban Water District should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.
- Sacramento Suburban Water District should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB

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benefits, etc.

- Several assumptions were made in estimating costs and liabilities under Sacramento Suburban Water District's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, Sacramento Suburban Water District should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Sacramento Suburban Water District to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

Respectfully submitted,



Geoffrey L. Kischuk, FSA, MAAA, FCA
Consultant
Total Compensation Systems, Inc.
(805) 496-1700

PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Standards 43 and 45 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees).

B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

Under most actuarial cost methods, there are two components of actuarial cost - a “normal cost” and amortization of something called the “unfunded actuarial accrued liability.” Both accounting standards and actuarial standards usually address these two components separately (though alternative terminology is sometimes used).

The normal cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. This report will not discuss differences between actuarial cost methods or their application. Instead, following is a description of a commonly used, generally accepted actuarial cost method permitted under GASB 43 and 45. This actuarial cost method is called the “entry age normal” method.

Under the entry age normal cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the normal cost. Under GASB 43 and 45, normal cost can be expressed either as a level dollar amount or a level percentage of payroll.

The normal cost is determined using several key assumptions:

- The current *cost of retiree health benefits* (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the normal cost.
- The “*trend*” rate at which retiree health benefits are expected to increase over time. A higher trend rate increases the normal cost. A “cap” on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing normal costs.
- *Mortality rates* varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce normal costs, the mortality assumption is not likely to vary from employer to employer.
- *Employment termination rates* have the same effect as mortality inasmuch as higher termination rates reduce normal costs. Employment termination can vary considerably between public agencies.
- The *service requirement* reflects years of service required to earn full or partial retiree benefits.

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While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase normal costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.
- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.
- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets. For example, employer funds earning money market rates in the county treasury are likely to earn far less than an irrevocable trust containing a diversified asset portfolio including stocks, bonds, etc. A higher discount rate can dramatically lower normal costs. GASB 43 and 45 require the interest assumption to reflect likely *long term* investment return.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. The actuary selects the assumptions which - taken together - will yield reasonable results. It's not necessary (or even possible) to predict individual assumptions with complete accuracy.

If all actuarial assumptions are exactly met and an employer expensed the normal cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the actuarial accrued liability or AAL. The excess of AAL over the **actuarial value of plan assets** is called the *unfunded* actuarial accrued liability (or UAAL). Under GASB 43 and 45, in order for assets to count toward offsetting the AAL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The actuarial accrued liability (AAL) can arise in several ways. At inception of GASB 43 and 45, there is usually a substantial UAAL. Some portion of this amount can be established as the "transition obligation" subject to certain constraints. UAAL can also increase as the result of operation of a retiree health plan - e.g., as a result of plan changes or changes in actuarial assumptions. Finally, AAL can arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 43 and 45, employers have several options on how the UAAL can be amortized as follows:

- The employer can select an amortization period of 1 to 30 years. (For certain situations that result in a reduction of the AAL, the amortization period must be at least 10 years.)
- The employer may apply the same amortization period to the total combined UAAL or can apply different periods to different components of the UAAL.
- The employer may elect a "closed" or "open" amortization period.
- The employer may choose to amortize on a level dollar or level percentage of payroll method.

PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefits (APVPB) separately for each employee. We determined eligibility for retiree benefits based on information supplied by Sacramento Suburban Water District. We then selected assumptions for the factors discussed in the above Section that, based on plan experience and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex and length of service.

We summarized actuarial assumptions used for this study in Appendix C.

B. Medicare

The extent of Medicare coverage can affect projections of retiree health costs. The method of coordinating Medicare benefits with the retiree health plan's benefits can have a substantial impact on retiree health costs. We will be happy to provide more information about Medicare integration methods if requested.

C. Liability for Retiree Benefits.

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Sacramento Suburban Water District uses contribution caps, the influence of the trend factor is further reduced.

We multiplied each year's projected cost by the probability that premium will be paid; i.e. based on the probability that the employee is living, has not terminated employment and has retired. The probability that premium will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's premium cost and the probability that premium will be paid equals the expected cost for that year. We discounted the expected cost for each year to the valuation date July 1, 2017 at 6.5% interest.

Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any current retirees, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPB for all employees to get the actuarial present value of total projected benefits (APVTPB). The APVTPB is the estimated present value of all future retiree health benefits for all **current** employees and retirees. The APVTPB is the amount on July 1, 2017 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.

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Actuarial Present Value of Total Projected Benefits at July 1, 2017

<i>All Participants</i>	
Active: Pre-65	\$2,154,839
Post-65	\$3,154,110
Subtotal	\$5,308,949
Retiree: Pre-65	\$354,369
Post-65	\$3,092,435
Subtotal	\$3,446,804
Grand Total	\$8,755,753
Subtotal Pre-65	\$2,509,208
Subtotal Post-65	\$6,246,545

The APVTPB should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVTPB is used to develop expense and liability figures. To do so, the APVTFB is divided into two parts: the portions attributable to service rendered prior to the valuation date (the past service liability or actuarial accrued liability under GASB 43 and 45) and to service after the valuation date but prior to retirement (the future service liability).

The past service and future service liabilities are each funded in a different way. We will start with the future service liability which is funded by the normal cost.

D. Cost to Prefund Retiree Benefits

1. Normal Cost

The average hire age for eligible employees is 34. To accrue the liability by retirement, the District would accrue the retiree liability over a period of about 28 years (assuming an average retirement age of 62). We applied an "entry age normal" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated normal cost.

Normal Cost Year Beginning July 1, 2017

<i>All Participants</i>	
# of Employees	61
Per Capita Normal Cost	
Pre-65 Benefit	\$1,264
Post-65 Benefit	\$1,870
First Year Normal Cost	
Pre-65 Benefit	\$77,104
Post-65 Benefit	\$114,070
Total	\$191,174

Accruing retiree health benefit costs using normal costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. This normal cost would increase each year based on covered payroll.

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2. Amortization of Unfunded Actuarial Accrued Liability (UAAL)

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the normal cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the actuarial accrued liability (AAL). We calculated the AAL as the APVTPB minus the present value of future normal costs.

The initial UAAL was amortized using level percent, closed 18 year amortization. The District can amortize the remaining or residual UAAL over many years. The table below shows the annual amount necessary to amortize the UAAL over a period of 8 years at 6.5% interest. (Thirty years is the longest amortization period allowable under GASB 43 and 45.) GASB 43 and 45 allow amortizing the UAAL using either payments that stay the same as a dollar amount, or payments that are a flat percentage of covered payroll over time. The figures below reflect level percent, open 8 year amortization.

Actuarial Accrued Liability as of July 1, 2017

	<i>All Participants</i>
Active: Pre-65	\$1,566,012
Post-65	\$2,282,982
Subtotal	\$3,848,994
Retiree: Pre-65	\$354,369
Post-65	\$3,092,435
Subtotal	\$3,446,804
Subtot Pre-65	\$1,920,381
Subtot Post-65	\$5,375,417
Grand Total	\$7,295,798
Unamortized Initial UAAL	\$1,950,130
Plan assets at 6/30/17	\$4,726,714
Residual UAAL	\$618,954
Residual UAAL Amortization at 6.5% over 8 Years	\$90,607

3. Annual Required Contributions (ARC)

If the District determines retiree health plan expenses in accordance with GASB 43 and 45, costs include both normal cost and one or more components of UAAL amortization costs. The sum of normal cost and UAAL amortization costs is called the Annual Required Contribution (ARC) and is shown below.

Annual Required Contribution (ARC) Year Beginning July 1, 2017

	<i>Total</i>
Normal Cost	\$191,174
Initial UAAL Amortization	\$275,421
Residual UAAL Amortization	\$90,607
ARC	\$557,202

The normal cost remains as long as there are active employees who may some day qualify for District-paid

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retiree health benefits. This normal cost would increase each year based on covered payroll.

4. Other Components of Annual OPEB Cost (AOC)

Expense and liability amounts may include more components of cost than the normal cost plus amortization of the UAAL. This applies to employers that don't fully fund the Annual Required Contribution (ARC) through an irrevocable trust.

- The annual OPEB cost (AOC) includes assumed interest on the net OPEB obligation (NOO). The annual OPEB cost also includes an amortization adjustment for the net OPEB obligation. (It should be noted that there is no NOO if the ARC is fully funded through a qualifying "plan".)
- The net OPEB obligation equals the accumulated differences between the (AOC) and qualifying "plan" contributions.

PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project ten year cash flow under the retiree health program. Because these cash flow estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certain** to be *in*accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District share of retiree health premiums.

<i>Year Beginning</i>	
<i>July 1</i>	<i>All Participants</i>
2017	\$308,062
2018	\$325,761
2019	\$346,562
2020	\$377,781
2021	\$402,512
2022	\$425,290
2023	\$453,791
2024	\$481,832
2025	\$523,242
2026	\$554,175

PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 43/45 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.

We recommend Sacramento Suburban Water District take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully. If the District has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the District should engage in discussions or perform analyses to determine the best estimate of the assumption in question.

PART VI: APPENDICES

APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation. Following is a brief summary of the impact of some of the more critical assumptions.

1. Where actuarial assumptions differ from expected experience, our estimates could be overstated or understated. One of the most critical assumptions is the medical trend rate. The District may want to commission further study to assess the sensitivity of liability estimates to our medical trend assumptions. For example, it may be helpful to know how liabilities would be affected by using a trend factor 1% higher than what was used in this study. There is an additional fee required to calculate the impact of alternative trend assumptions.
2. We used an "entry age normal" actuarial cost method to estimate the actuarial accrued liability and normal cost. GASB allows this as one of several permissible methods under GASB45. Using a different cost method could result in a somewhat different recognition pattern of costs and liabilities.

APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Sacramento Suburban Water District to understand that the appropriateness of all selected actuarial assumptions and methods are Sacramento Suburban Water District's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 43 and 45, applicable actuarial standards of practice, Sacramento Suburban Water District's actual historical experience, and TCS's judgment based on experience and training.

ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: Entry age normal. The allocation of OPEB cost is based on years of service. We used the level percentage of payroll method to allocate OPEB cost over years of service.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

AMORTIZATION METHODS: We used a level percent, closed 18 year amortization period for the initial UAAL. We used a level percent, open 8 year amortization period for any residual UAAL.

SUBSTANTIVE PLAN: As required under GASB 43 and 45, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Sacramento Suburban Water District regarding practices with respect to employer and employee contributions and other relevant factors.

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ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 6.5% per year. This is based on assumed long-term return on plan assets assuming 100% funding through CERBT. We used the “Building Block Method” as described in ASOP 27 Paragraph 3.6.2.

TREND: We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. This assumption applies only to the extent that either or both of the normal cost and/or UAAL amortization use the level percentage of payroll method. For purposes of applying the level percentage of payroll method, payroll increase must not assume any increases in staff or merit increases.

ACTUARIAL VALUE OF PLAN ASSETS (AVA): Because plan assets are primarily short term, we did not use a smoothing formula.

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NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35).

MORTALITY

<i>Employee Type</i>	<i>Mortality Tables</i>
Miscellaneous	2014 CalPERS Active Mortality for Miscellaneous Employees

RETIREMENT RATES

<i>Employee Type</i>	<i>Retirement Rate Tables</i>
All Participants	Hired < 9/25/06: 2009 CalPERS 3% @60 rates for Miscellaneous employees Hired 9/25/06 to 12/31/12: 2009 CalPERS 2@55 rates for Miscellaneous employees Hired after 12/31/12: 2009 CalPERS 2@60 rates for Miscellaneous employees adjusted to reflect a minimum retirement age of 52

VESTING RATES

<i>Employee Type</i>	<i>Vesting Rate Tables</i>
All Participants	Hired prior to 1/1/03 Hired after 12/31/02: 50% at 10 years of service + 5% per year to 100% at 20 years of service

COSTS FOR RETIREE COVERAGE

Actuarial Standard of Practice 6 (ASOP 6) provides that, as a general rule, retiree costs should be based on actual claim costs or age-adjusted premiums. This is true even for many medical plans that are commonly considered to be “community-rated.” However, ASOP 6 contains a provision – specifically section 3.7.7(c) – that allows use of unadjusted premiums in certain circumstances.

Because the section 3.7.7(c) exception is new, there is not a consensus among practicing actuaries regarding the specific circumstances under which a section 3.7.7(c) exception may be invoked. It is my opinion that the section 3.7.7(c)(4) exception allows use of unadjusted premium for PEMHCA agencies if certain conditions are met. Other actuaries have taken the position that ASOP 6 does not explicitly allow use of unadjusted premium for any agencies participating in the CalPERS medical plan.

Prior to the most recent ASOP 6 revision, there was general agreement that ASOP 6 allowed use of unadjusted premium as a retiree cost basis for PEMHCA agencies (under section 3.4.5 of the prior version of ASOP 6). Since there have been no changes to the CalPERS medical plan, use of unadjusted premium must still be viewed as appropriate actuarial practice to the extent that it was under the prior version of ASOP 6. That means that if the current ASOP 6 section 3.7.7(c)(4) exception is not deemed to ***explicitly*** allow use of unadjusted premium as a retiree cost basis for Sacramento Suburban Water District, then it would be allowable as a “deviation.” (Under GASB 45, there is no prohibition against using a “deviation.”)

While I am confident that ASOP 6 section 3.7.7(c)(4) will ultimately be found to explicitly allow use of unadjusted premium as a retiree cost basis for most PEMHCA agencies, I cannot be certain that this will be the case if and when this issue is fully reviewed. Therefore, I am including disclosure information required for a “deviation” so that the valuation will not need to be revised in the event section 3.7.7(c)(4) should be found not to explicitly allow use of unadjusted premium. Following is the disclosure information that is required should a deviation be necessary.

Use of ***age-adjusted*** premium for the CalPERS medical plan results in an overstatement of Sacramento Suburban Water District’s Annual Required Contribution (ARC) and Actuarial Accrued Liability (AAL) to the extent that Sacramento Suburban Water District continues to participate in the CalPERS medical plan AND that the rate structure of the CalPERS medical plan continues in its current form (i.e. with no rate distinction between active

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employees and retirees). In addition to the overstatement of OPEB costs and liabilities, Sacramento Suburban Water District's policy of funding OPEB obligations could lead to an inability of Sacramento Suburban Water District to recover overfunded assets. It is important to note that, should Sacramento Suburban Water District leave the CalPERS medical plan, the subsequent plan may not qualify to use unadjusted premium rates. In this event, leaving the CalPERS medical plan would be comparable to a significant change in plan terms and would likely require a new valuation.

Following are the criteria we applied to Sacramento Suburban Water District to determine that it is reasonable to assume that Sacramento Suburban Water District's future participation in PEMHCA is likely and that the CalPERS medical program as well as its premium structure are sustainable. (We also have an extensive white paper on this subject that provides a basis for our rationale entirely within the context of ASOP 6. We will make this white paper available upon request.)

The District participates in the CalPERS medical program. We have performed the required evaluation of the CalPERS medical program and we have determined that there is sufficient evidence to apply the 3.7.7(c)(4) exception. Following are details regarding the evaluation based on the criteria we have set:

- **Plan qualifies as a “pooled health plan.”** ASOP 6 defines a “pooled health plan” as one in which premiums are based at least in part on the claims experience of groups other than the one being valued.” Since CalPERS rates are the same for all employers in each region, rates are clearly based on the experience of many groups.
- **Rates not based to any extent on the agency’s claim experience.** As mentioned above, rates are the same for all participating employers regardless of claim experience or size.
- **Rates not based to any extent on the agency’s demographics.** As mentioned above, rates are the same for all participating employers regardless of demographics.
- **No refunds or charges based on the agency’s claim experience or demographics.** The terms of operation of the CalPERS program are set by statute and there is no provision for any refunds and charges that vary from employer to employer for any reason. The only charges are uniform administrative charges.
- **Plan in existence 20 or more years.** Enabling legislation to allow “contracting agencies” to participate in the CalPERS program was passed in 1967. The CalPERS medical plan has been successfully operating for almost 50 years. As far back as we can obtain records, the rating structure has been consistent, with the only difference having been a move to regional rating which is unrelated to age-adjusted rating.
- **No recent large increases or decreases in the number of participating plans or enrollment.** The CalPERS medical plan has shown remarkably stable enrollment. In the past 10 years, there has been small growth in the number of employers in most years – with the maximum being a little over 2% and a very small decrease in one year. Average year over year growth in the number of employers over the last 10 years has been about 0.75% per year. Groups have been consistently leaving the CalPERS medical plan while other groups have been joining with no disruption to its stability.

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- **Agency is not expecting to leave plan in foreseeable future.** The District does not plan to leave CalPERS at present.
- **No indication the plan will be discontinued.** We are unaware of anything that would cause the CalPERS medical plan to cease or to significantly change its operation in a way that would affect this determination.
- **The agency does not represent a large part of the pool.** The District is in the CalPERS Sacramento Area region. Based on the information we have, the District constitutes no more than 0.5% of the Sacramento Area pool. In our opinion, this is not enough for the District to have a measurable effect on the rates or viability of the Sacramento Area pool.

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

<i>Employee Type</i>	<i>Future Retirees Pre-65</i>	<i>Future Retirees Post-65</i>
All Participants	\$14,328	\$7,015

PARTICIPATION RATES

<i>Employee Type</i>	<i><65 Non-Medicare Participation %</i>	<i>65+ Medicare Participation %</i>
Miscellaneous	100%	100%

TURNOVER

<i>Employee Type</i>	<i>Turnover Rate Tables</i>
Miscellaneous	2009 CalPERS Turnover for Miscellaneous Employees

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

ELIGIBLE ACTIVE EMPLOYEES

<i>Age</i>	<i>All Participants</i>
Under 25	4
25-29	4
30-34	5
35-39	10
40-44	5
45-49	9
50-54	11
55-59	9
60-64	3
65 and older	1
Total	61

ELIGIBLE RETIREES

<i>Age</i>	<i>All Participants</i>
Under 50	0
50-54	0
55-59	2
60-64	6
65-69	9
70-74	6
75-79	6
80-84	2
85-89	2
90 and older	2
Total	35

APPENDIX E: CALCULATION OF GASB 43/45 ACCOUNTING ENTRIES

This report is to be used to calculate accounting entries rather than to provide the dollar amount of accounting entries. How the report is to be used to calculate accounting entries depends on several factors. Among them are:

- 1) The amount of prior accounting entries;
- 2) Whether individual components of the ARC are calculated as a level dollar amount or as a level percentage of payroll;
- 3) Whether the employer using a level percentage of payroll method elects to use for this purpose projected payroll, budgeted payroll or actual payroll;
- 4) Whether the employer chooses to adjust the numbers in the report to reflect the difference between the valuation date and the first fiscal year for which the numbers will be used.

To the extent the level percentage of payroll method is used, the employer should adjust the numbers in this report as appropriate to reflect the change in OPEB covered payroll. It should be noted that OPEB covered payroll should only reflect types of pay generating pension credits for plan participants. Please note that plan participants do not necessarily include all active employees eligible for health benefits for several reasons. Following are examples.

- 1) The number of hours worked or other eligibility criteria may differ for OPEB compared to active health benefits;
- 2) There may be active employees over the maximum age OPEB are paid through. For example, if an OPEB plan pays benefits only to Medicare age, any active employees currently over Medicare age are not plan participants;
- 3) Employees hired at an age where they will exceed the maximum age for benefits when the service requirement is met are also not plan participants.

Finally, GASB 43 and 45 require reporting covered payroll in RSI schedules regardless of whether any ARC component is based on the level percentage of payroll method. This report does not provide, nor should the actuary be relied on to report covered payroll.

GASB 45 Paragraph 26 specifies that the items presented as RSI "should be calculated in accordance with the parameters." The RSI items refer to Paragraph 25.c which includes annual covered payroll. Footnote 3 provides that when the ARC is based on covered payroll, the payroll measure may be the projected payroll, budgeted payroll or actual payroll. Footnote 3 further provides that comparisons between the ARC and contributions should be based on the same measure of covered payroll.

At the time the valuation is being done, the actuary may not know which payroll method will be used for reporting purposes. The actuary may not even know for which period the valuation will be used to determine the ARC. Furthermore, the actuary doesn't know if the client will make adjustments to the ARC in order to use it for the first year of the biennial or triennial period. (GASB 45 is silent on this.) Even if the actuary were to know all of these things, it would be a rare situation that would result in knowing the appropriate covered payroll number

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to report. For example, if the employer uses actual payroll, that number would not be known at the time the valuation is done.

As a result, we believe the proper approach is to report the ARC components as a dollar amount. It is the client's responsibility to turn this number into a percentage of payroll factor by using the dollar amount of the ARC (adjusted, if desired) as a numerator and then calculating the appropriate amount of the denominator based on the payroll determination method elected by the client for the appropriate fiscal year.

If we have been provided with payroll information, we are happy to use that information to help the employer develop an estimate of covered payroll for reporting purposes. However, the validity of the covered payroll remains the employer's responsibility even if TCS assists the employer in calculating it.

APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non-actuary* understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

Actuarial Accrued Liability: The amount of the actuarial present value of total projected benefits attributable to employees' past service based on the actuarial cost method used.

Actuarial Cost Method: A mathematical model for allocating OPEB costs by year of service.

Actuarial Present Value of Total Projected Benefits: The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation date.

Actuarial Value of Assets: Market-related value of assets which may include an unbiased formula for smoothing cyclical fluctuations in asset values.

Annual OPEB Cost: This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Annual Required Contribution plus interest on the Net OPEB obligation minus an adjustment to reflect the amortization of the net OPEB obligation.

Annual Required Contribution: The sum of the normal cost and an amount to amortize the unfunded actuarial accrued liability. This is the basis of the annual OPEB cost and net OPEB obligation.

Closed Amortization Period: An amortization approach where the original ending date for the amortization period remains the same. This would be similar to a conventional, 30-year mortgage, for example.

Discount Rate: Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower normal costs and actuarial accrued liability.

Implicit Rate Subsidy: The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees.

Mortality Rate: Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.

Net OPEB Obligation: The accumulated difference between the annual OPEB cost and amounts contributed to an irrevocable trust exclusively providing retiree OPEB benefits and protected from creditors.

Normal Cost: The dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.

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<u>OPEB Benefits:</u>	Other PostEmployment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.
<u>Open Amortization Period:</u>	Under an open amortization period, the remaining unamortized balance is subject to a new amortization schedule each valuation. This would be similar, for example, to a homeowner refinancing a mortgage with a new 30-year conventional mortgage every two or three years.
<u>Participation Rate:</u>	The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower normal cost and actuarial accrued liability. The participation rate often is related to retiree contributions.
<u>Retirement Rate:</u>	The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with vesting rates to reflect both age and length of service). The more likely employees are to retire early, the higher normal costs and actuarial accrued liability will be.
<u>Transition Obligation:</u>	The amount of the unfunded actuarial accrued liability at the time actuarial accrual begins in accordance with an applicable accounting standard.
<u>Trend Rate:</u>	The rate at which the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher normal costs and actuarial accrued liability.
<u>Turnover Rate:</u>	The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce normal costs and actuarial accrued liability.
<u>Unfunded Actuarial Accrued Liability:</u>	This is the excess of the actuarial accrued liability over assets irrevocably committed to provide retiree health benefits.
<u>Valuation Date:</u>	The date as of which the OPEB obligation is determined. Under GASB 43 and 45, the valuation date does not have to coincide with the statement date.
<u>Vesting Rate:</u>	The proportion of retiree benefits earned, based on length of service and, sometimes, age. (Vesting rates are often set in conjunction with retirement rates.) More rapid vesting increases normal costs and actuarial accrued liability.

CERBT Account Annual Update

Sacramento Suburban Water District

November 14, 2017

Discussion overview

- Employer summaries
 - OPEB cost report summary
 - CERBT account summary
 - Funded status
- Investment management
- Financial reporting
- Simple, focused administration
- CERBT experience data
- Questions and contact information

Employer summaries

OPEB cost report summary

2013 Valuation completed by Steve Itelson 2015 Valuation completed by Total Compensation Systems	7/1/2013		7/1/2015	
Actuarial Accrued Liability (AAL)	\$6,348,900		\$6,239,224	
Present Value of Benefits (PVB)	\$9,433,900		\$7,424,388	
Remaining Amortization Period	24 Years	Closed	10 Years	Closed
	FY 2015-16		FY 2016-17	
Annual Required Contribution (ARC)	\$459,542		\$472,179	
Normal Cost	\$160,857		\$165,281	
Amortization of Unfunded Actuarial Accrued Liability	\$298,685		\$306,899	
Pay-as-you-go	\$269,867		\$279,023	
Implicit Rate Subsidy	Not Applicable		Not Applicable	
Total Covered Lives (Active & Retiree)	87		91	
Asset Allocation Strategy Selection	Strategy 1		Strategy1	
Discount Rate	7.50%		7.00%	

Submission of Renewal OPEB Cost Report

- To comply with GASB 74, the CERBT requires that employers submit an OPEB cost report at least biennially.
- Documents Required for OPEB Cost Report Renewal:
 - Actuarial Valuation Report or AMM Report
 - Summary of Actuarial Information
 - Certification of Actuarial Information (Valuation), or Affirmation of OPEB Cost Analysis Report (AMM)
 - Certification of Funding Policy
- Please provide CERBT with renewal OPEB documents as soon as possible

OPEB data extracts

- For CalPERS Health Benefits contracted employers
 - Must be requested by completing two forms
- Within 30 days after receipt of request CERBT will provide
 - Participant data maintained by CalPERS
 - Excel workbook sent via password protected email
- Things to consider
 - May not include all of your OPEB participant data
 - Accuracy of data is responsibility of employer

CERBT account summary

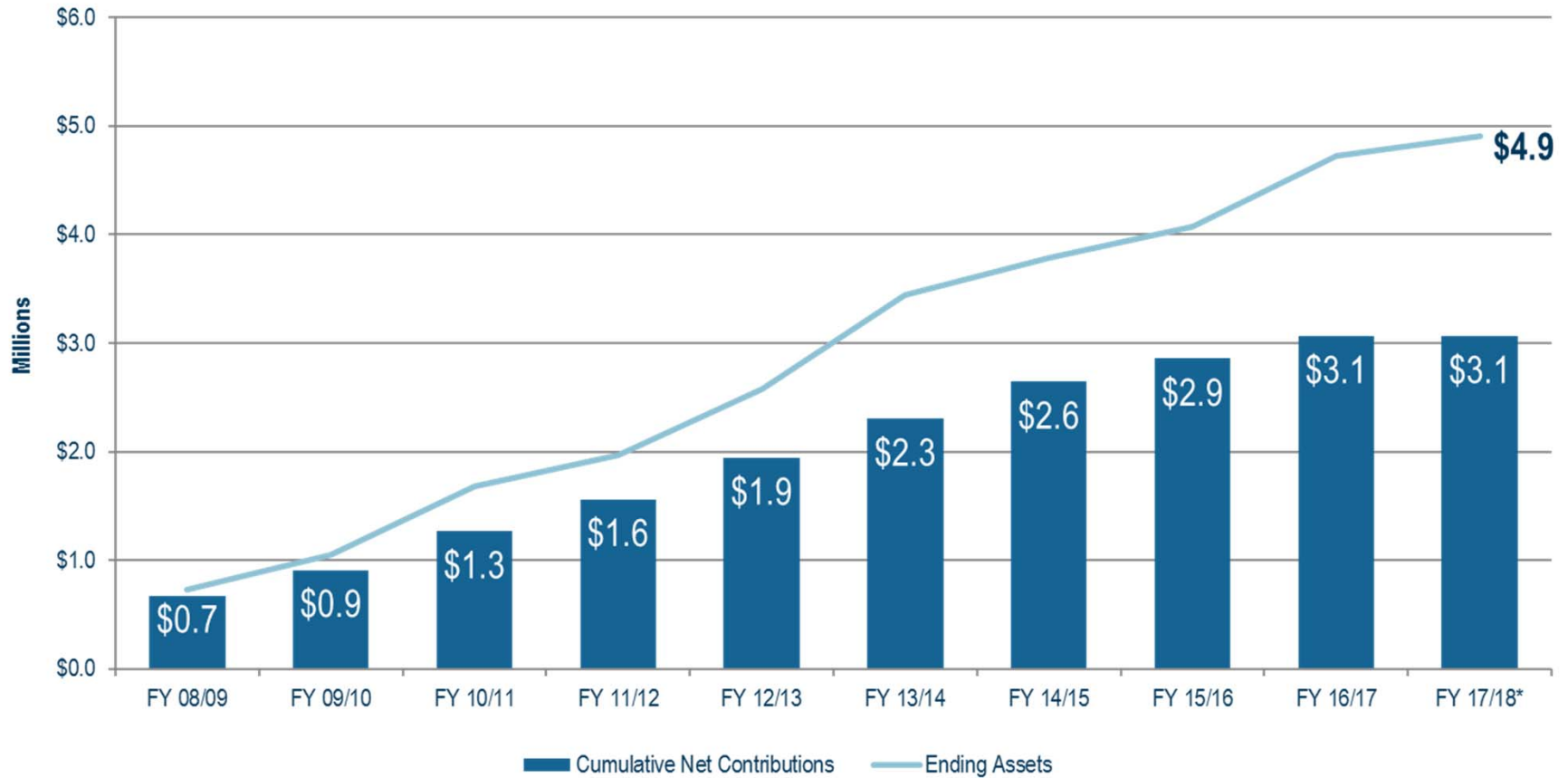
Account summary as of September 30, 2017

Initial contribution (12/19/2008)	\$248,419
Additional contributions	\$4,744,400
Disbursements	(\$1,928,194)
CERBT expenses	(\$24,236)
Investment earnings	\$1,864,129
Total assets	\$4,904,519
Average annualized internal rate of return (12/19/2008-9/30/2017)	8.86%

As of the District's most recent Annual Update through September 30, 2016, the Average Annualized Internal ROR was 8.44%

Agreement effective date: 12/10/2008
In PEMHCA: Yes

CERBT account summary by fiscal year



*FY 2017-18 is through September 30, 2017

Cash flow summary by fiscal year

FY	Contributions	Disbursements	Net Contributions
2008-09	\$726,419	(53,007.84)	\$673,411
2009-10	\$495,000	(256,173.19)	\$238,827
2010-11	\$511,000	(155,611.68)	\$355,388
2011-12	\$558,200	(262,802.15)	\$295,398
2012-13	\$576,300	(195,030.18)	\$381,270
2013-14	\$592,700	(233,194.08)	\$359,506
2014-15	\$591,000	(250,308.24)	\$340,692
2015-16	\$470,000	(258,551.15)	\$211,449
2016-17	\$472,200	(263,515.06)	\$208,685
2017-18*	\$0	(\$0)	\$0

*FY 2017-18 is through September 30, 2017.

Funded status comparison

Measurement Date	AAL	Market Value of Assets	Funded Ratio
7/1/2015	\$6,239,224	\$3,780,086	60.59%
6/30/2017	\$6,895,645*	\$4,726,714	68.55%

* Estimated AAL represents roll forward projections of AAL to fiscal year end

Investment management

CERBT asset allocation strategies

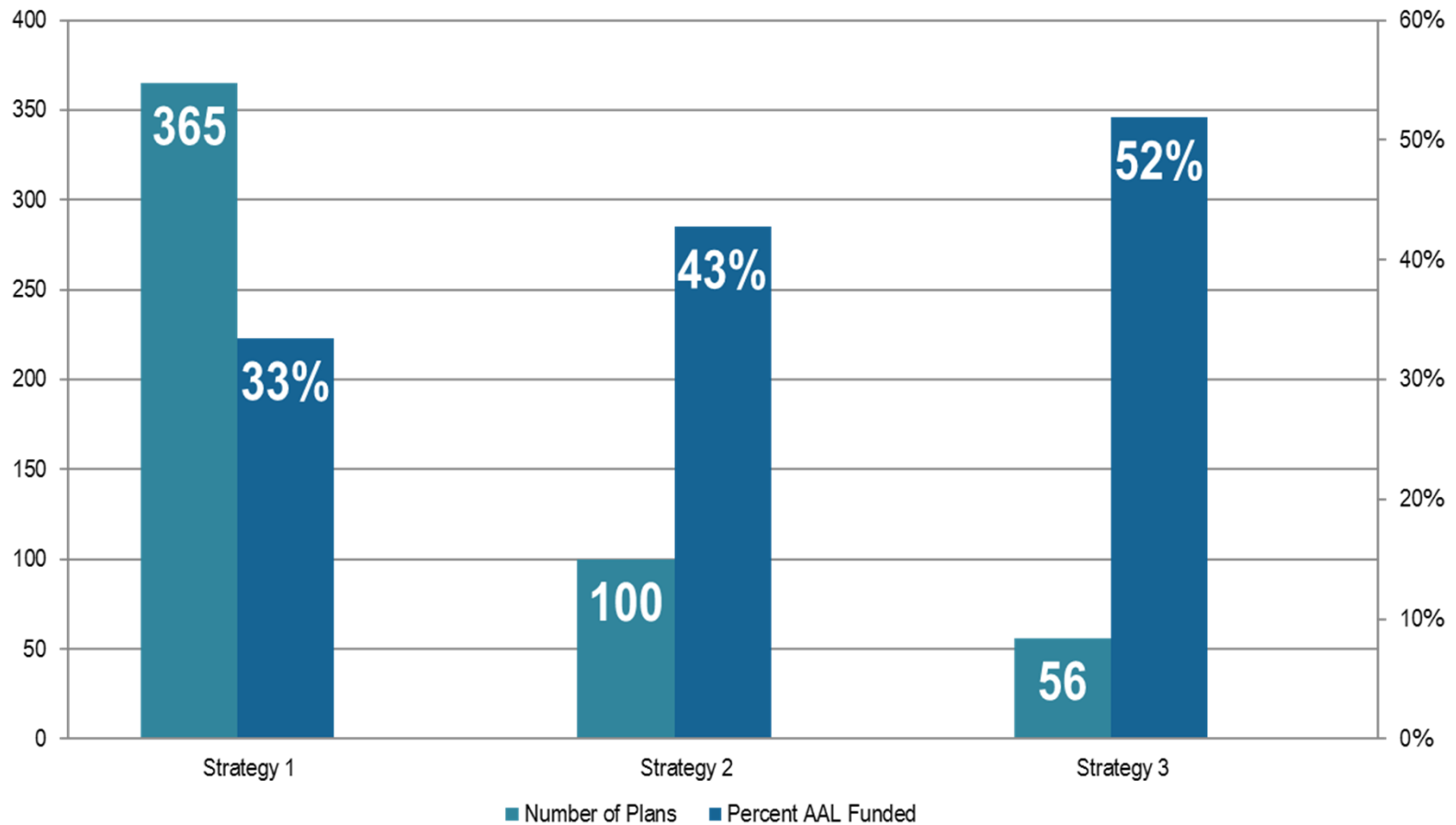
	Strategy 1	Strategy 2	Strategy 3
Expected Long Term Rate of Return <small>(General Inflation Rate Assumption of 2.75%)</small>	7.28%	6.73%	6.12%
Standard Deviation of Expected Returns	11.74%	9.32%	7.14%

- All CERBT asset allocation strategies share the same public market asset classes
 - Allocation strategies differ only to the extent to which they participate in each of the asset classes

CERBT asset class target allocations

Asset Classification	Investment Management	Strategy 1	Strategy 2	Strategy 3
Global Equity	Passive MSCI All Country World Index	57%	40%	24%
Fixed Income	Active Barclays Capital Long Liability Index	27%	39%	39%
Global Real Estate (REITs)	Passive FTSE EPRA/NAREIT Developed Liquid Index	8%	8%	8%
Treasury Inflation Protected Securities (TIPS)	Passive Barclays Capital Global Real: US TIPS Index	5%	10%	26%
Commodities	Active S&P GSCI Total Return Index	3%	3%	3%

Participation by Asset Allocation Strategy



* Certain agencies excluded

As of September 30, 2017

CERBT investment results – time weighted

Periods Ended September 30, 2017

<u>Fund</u>	<u>Assets</u>	<u>1 Month</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>ITD</u>
CERBT Strategy 1 (Inception June 1, 2007)	\$6,041,042,995	1.08%	3.78%	3.78%	10.80%	5.93%	7.69%	4.76%
Benchmark		1.04%	3.71%	3.71%	10.18%	5.44%	7.26%	4.29%
CERBT Strategy 2 (Inception October 1, 2011)	\$956,507,092	0.59%	3.05%	3.05%	7.51%	5.10%	6.27%	7.94%
Benchmark		0.54%	2.98%	2.98%	6.90%	4.66%	5.85%	7.62%
CERBT Strategy 3 (Inception January 1, 2012)	\$267,320,152	0.14%	2.34%	2.34%	4.39%	4.13%	4.74%	5.81%
Benchmark		0.10%	2.27%	2.27%	3.87%	3.72%	4.30%	5.44%

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's CERBT fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.

Financial reporting

Financial reporting

GASB 74 & 75 overview:

- Effective dates for implementation of GASB 75

Employer Fiscal Year End	Effective Dates
December	12/31/2018
March	03/31/2019
June	06/30/2018
September	09/30/2018

Financial reporting

- CERBT is the Plan
 - Provides audited and compliant GASB 74 report
 - Schedule of Changes in Fiduciary Net Position (FNP)

NFP Fiscal Year	Expected Availability
2015-16	November 2017
2016-17	February 2018
2017-18	November 2018

Financial reporting

GASB 74 & 75 overview:

- Employers will report the Net OPEB Liability on their financials
 - ARC no longer relevant for accounting purposes
- GASB 75 requires an audited Schedule of Change in Fiduciary Net Position from CERBT
- Significant increase in Note Disclosures and Required Supplementary Information

Financial reporting

GASB 74 & 75 overview:

- Measurement date detached from actuarial valuation date
- Amortization periods likely to be substantially shorter
- Late contribution accruals will not be allowed
- Triennial valuations will not be allowed

Simple, focused administration

Simple, focused administration - statements

- Quarterly account statements
 - Available online ~ two weeks post quarter close (except Q4)
 - Email notification will be sent once statements published
- Annual account statements
 - Available online ~ six weeks post fiscal year close
 - Email notification will be sent once statements published
 - Annual statement delivered in August is unaudited
 - CERBT will provide an audited, GASB 75 compliant, Schedule of Change in Fiduciary Net Position

CERBT total participation cost

- Total cost of CERBT participation is 10 basis points of assets under management
 - Consists of all administrative and investment management expenses including:
 - State Street Global Advisors (SSGA) (external investment management)
 - Includes imbedded external investment management fees (1.5 basis points)
 - Northeast Retirement Services (online record keeping)

CERBT fee rate breakdown

Source of Fees	CERBT FY 2017-2018
External investment management fees	2.03 basis points
External investment operating expenses to fund managers	1.50 basis points
Internal investment fees	0.67 basis points
Custodial services fees	0.19 basis points
Online record keeping fees	0.15 basis points
Program administration fees	5.46 basis points
Total (all inclusive):	10.00 basis points

CERBT total participation cost

- Total cost of CERBT participation is 10 basis points of assets under management
 - CERBT is a self-funded trust
 - CERBT does not profit
 - Employer account charged daily
 - Rate can be changed without prior notice and may be higher or lower in the future

CERBT fee rate history

Fiscal Year	Total Participation Cost
2007-2008	2.00 basis points
2008-2009	6.00 basis points
2009-2010	9.00 basis points
2010-2011	12.00 basis points
2011-2012	12.00 basis points
2012-2013	15.00 basis points
2013-2014	14.00 basis points
2014-2015	10.00 basis points
2015-2016	10.00 basis points
2016-2017	10.00 basis points
2017-2018	10.00 basis points

CERBT experience data

CERBT FY 2016-17 highlights

CERBT experienced a number of significant milestones

- Total CERBT contracts – 524
- Over \$1 billion in net contributions during the FY
- \$562 million in investment earnings
- Total assets under management grew by more than 30% ending the FY at \$6.8 billion
- Total covered lives increased 81.3% ending the FY at 729,315

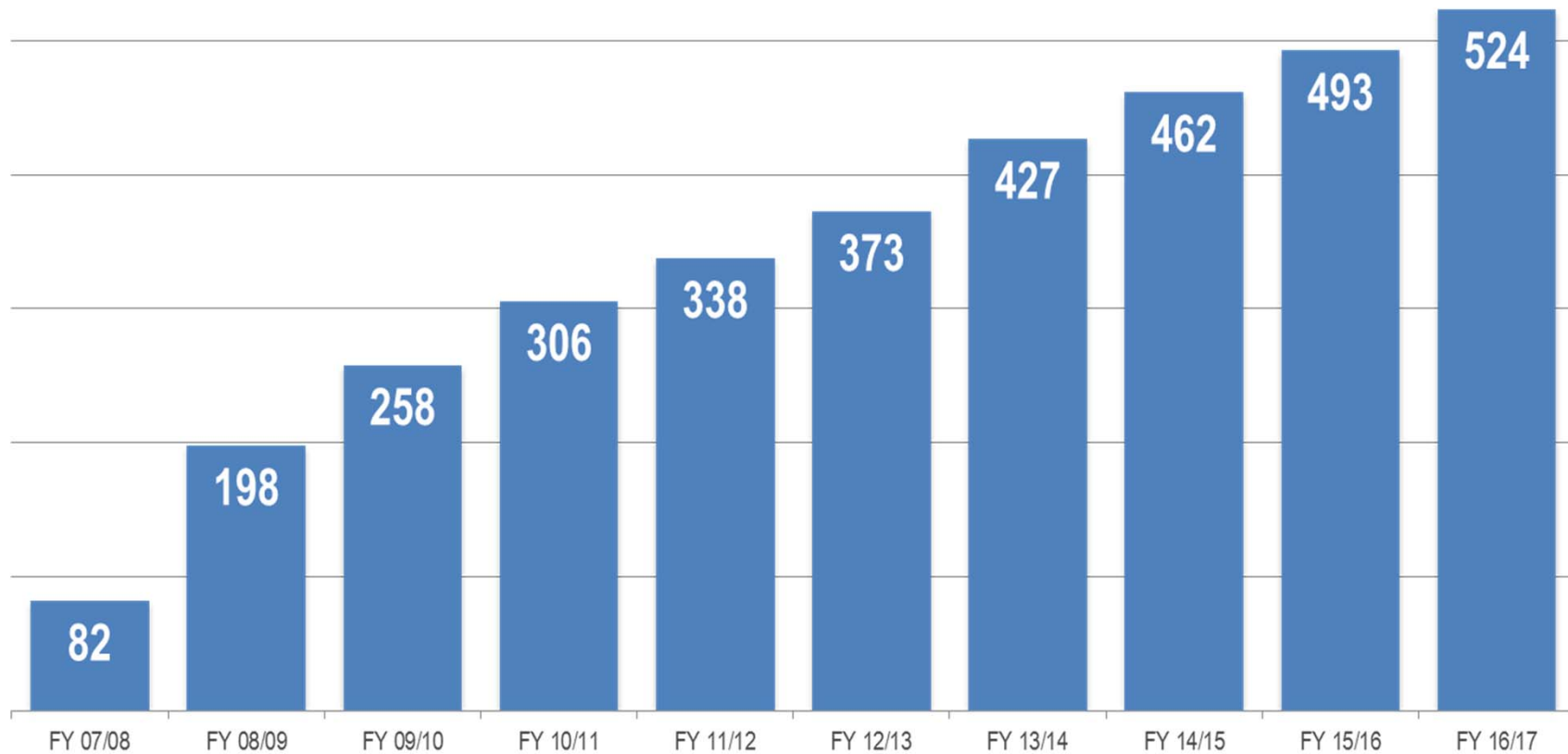
CERBT employers under contract

528 Total

- State of California
- 137 Cities or Towns
- 14 Counties
- 60 Schools
- 23 Courts
- 293 Special Districts and other Public Agencies
 - (90 Water, 33 Sanitation, 29 Fire, 22 Transportation)

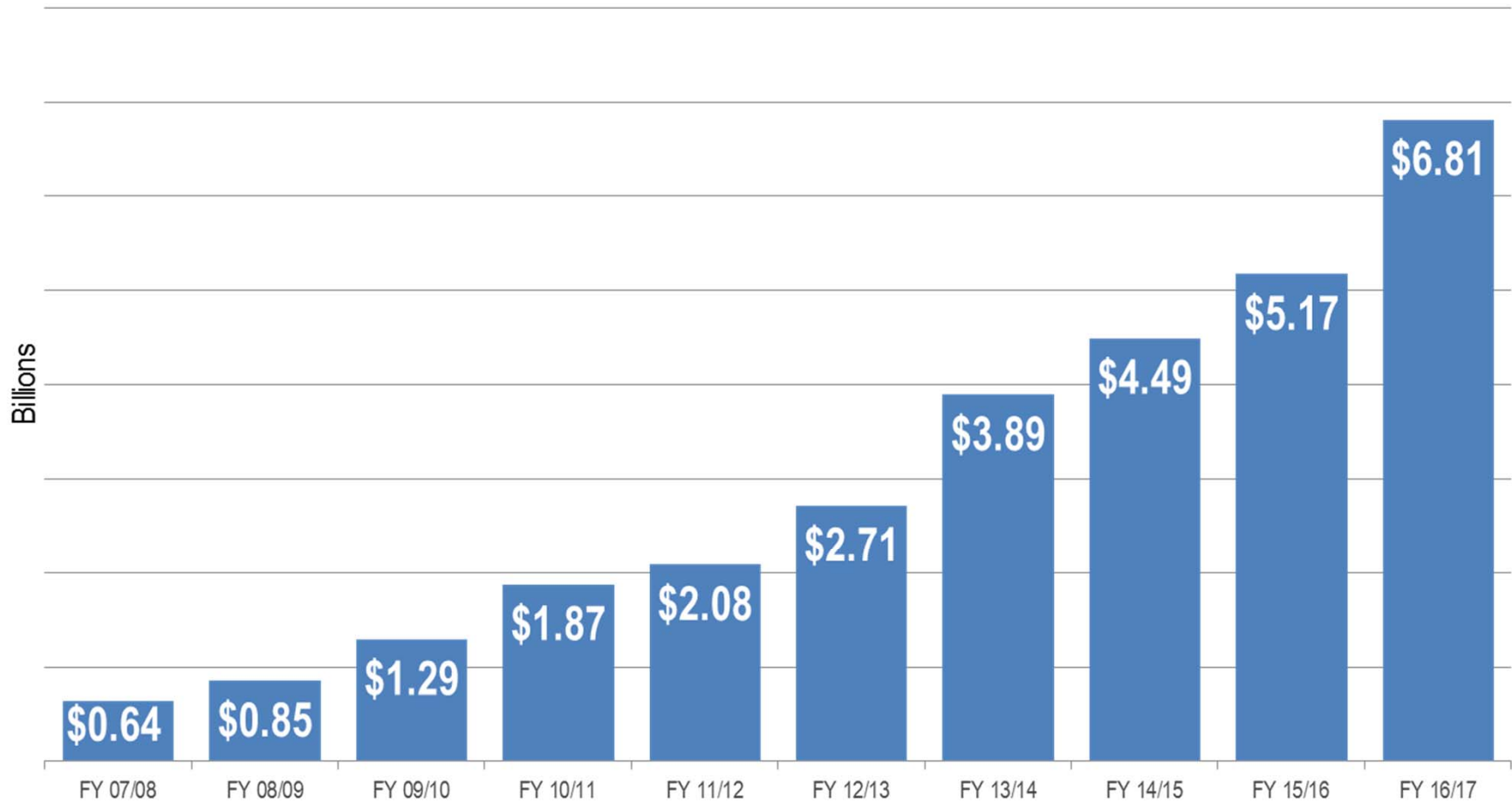
As of November 6, 2017

CERBT employers cumulative growth



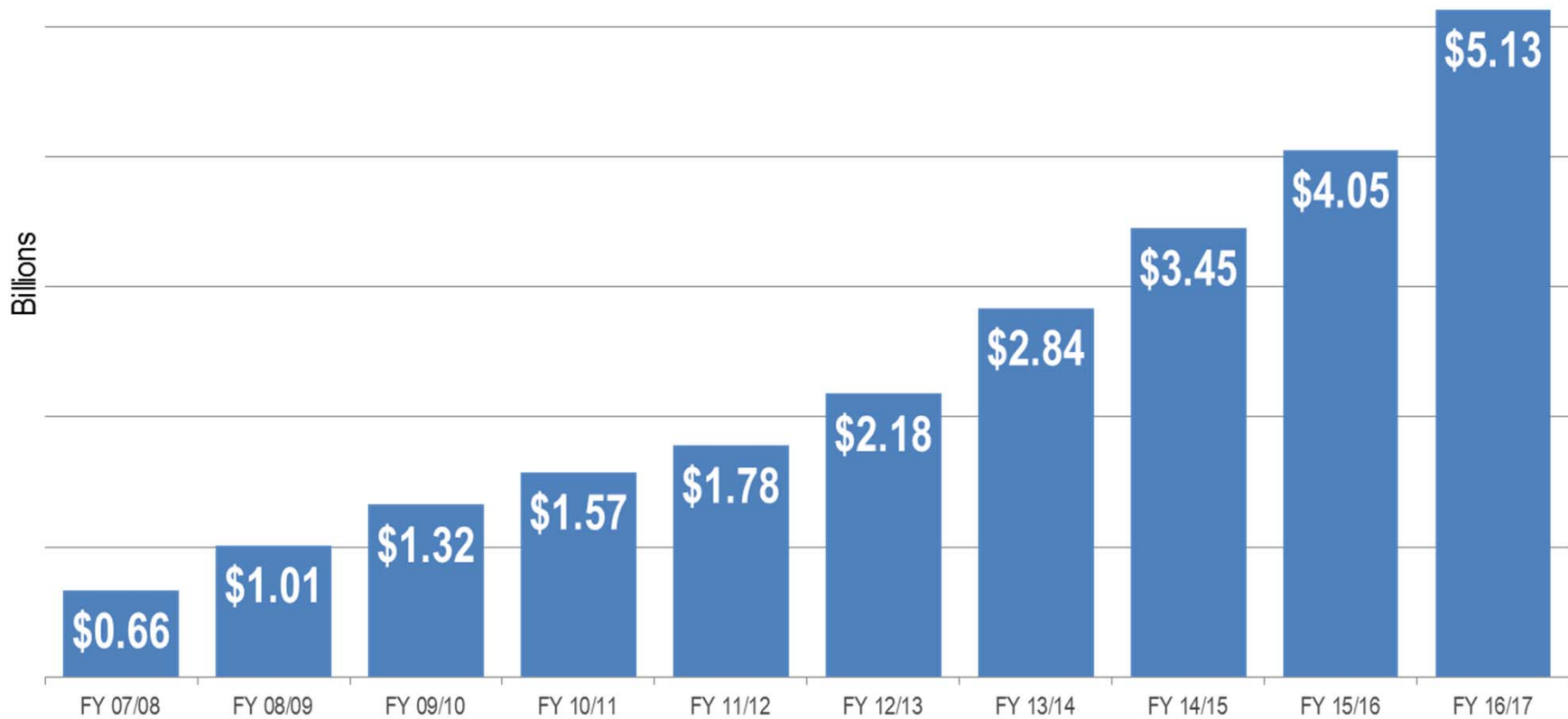
As of June 30, 2017

CERBT employer cumulative assets under management



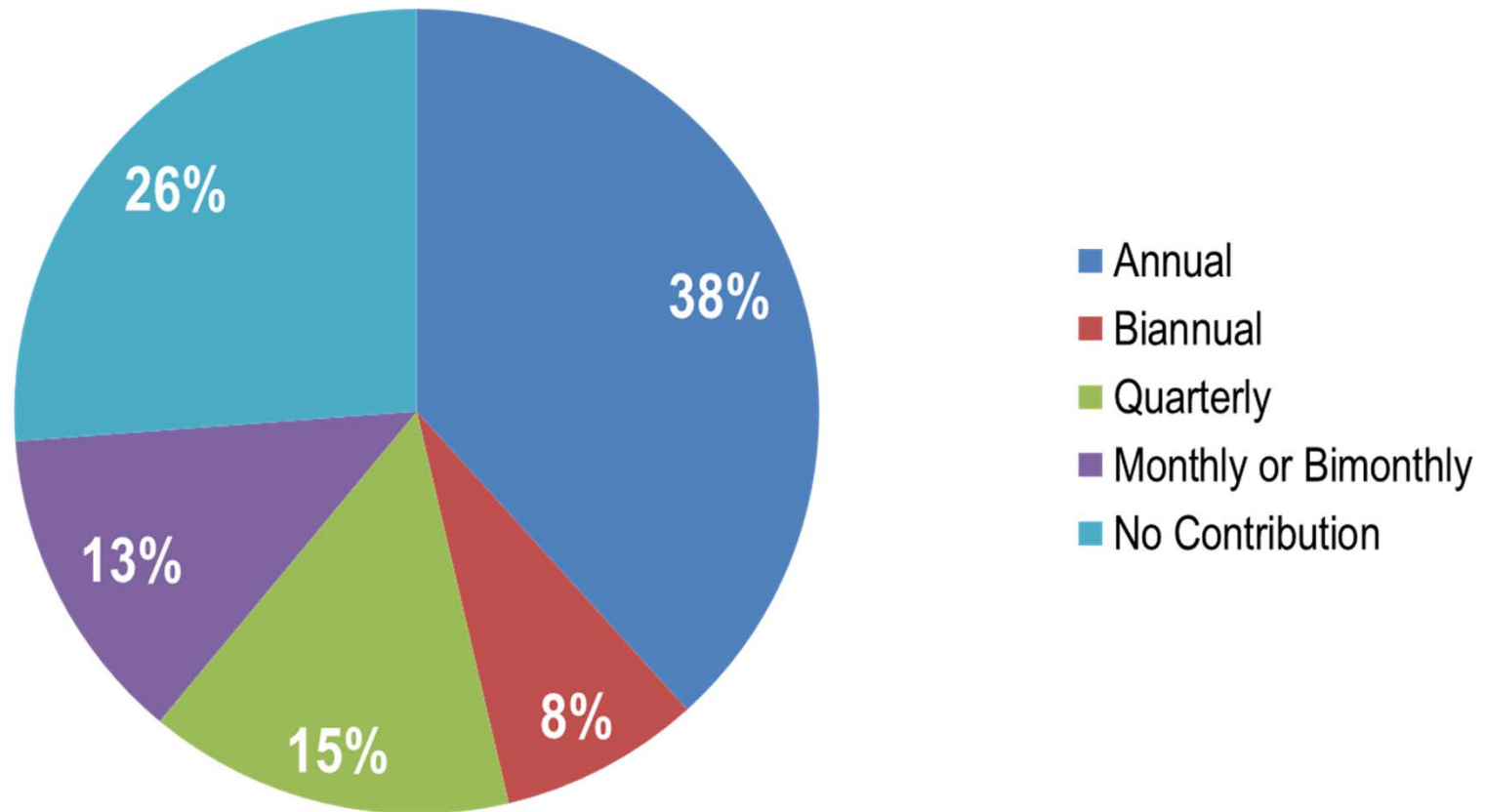
As of June 30, 2017

CERBT employer cumulative net contributions



As of June 30, 2017

CERBT contribution patterns



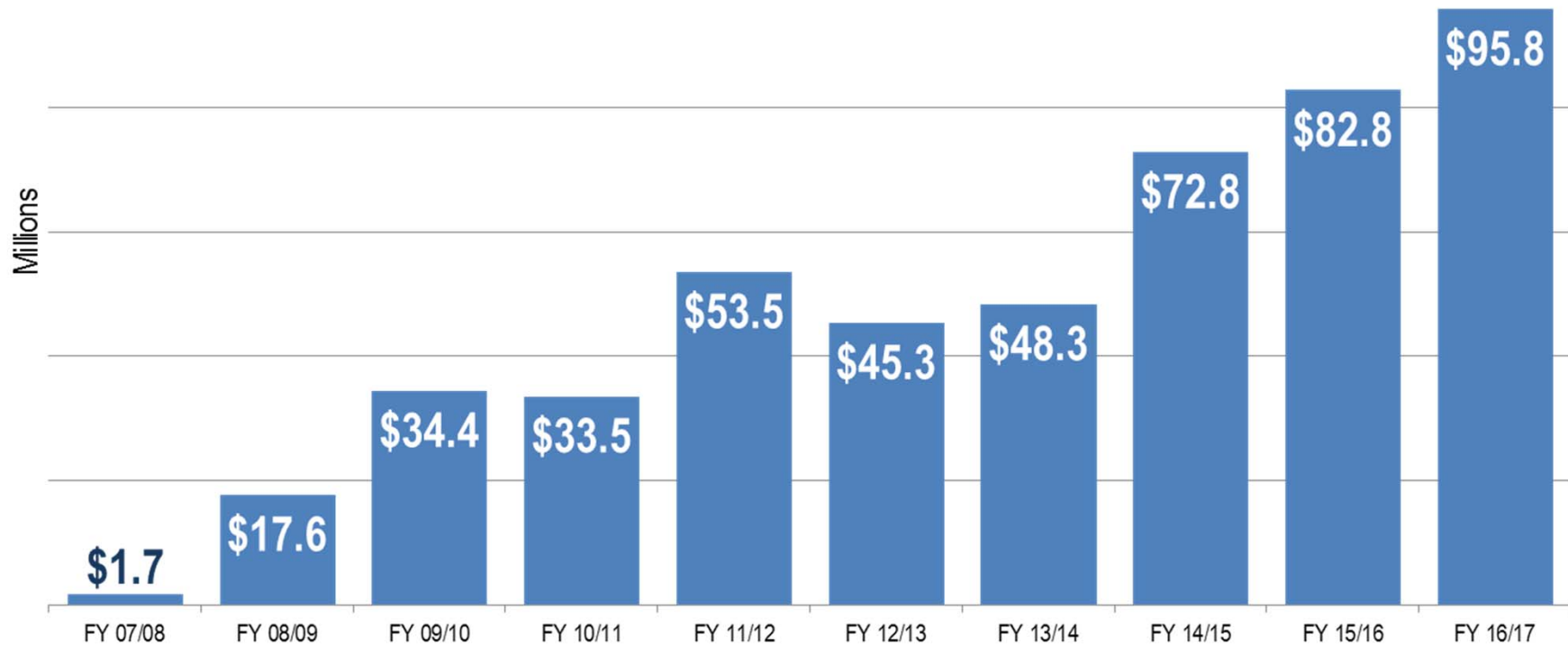
FY 2016-17 contribution patterns

Cost-sharing of OPEB

Conditions that may allow for employee sharing of employer OPEB costs in an IRC Section 115 trust fund

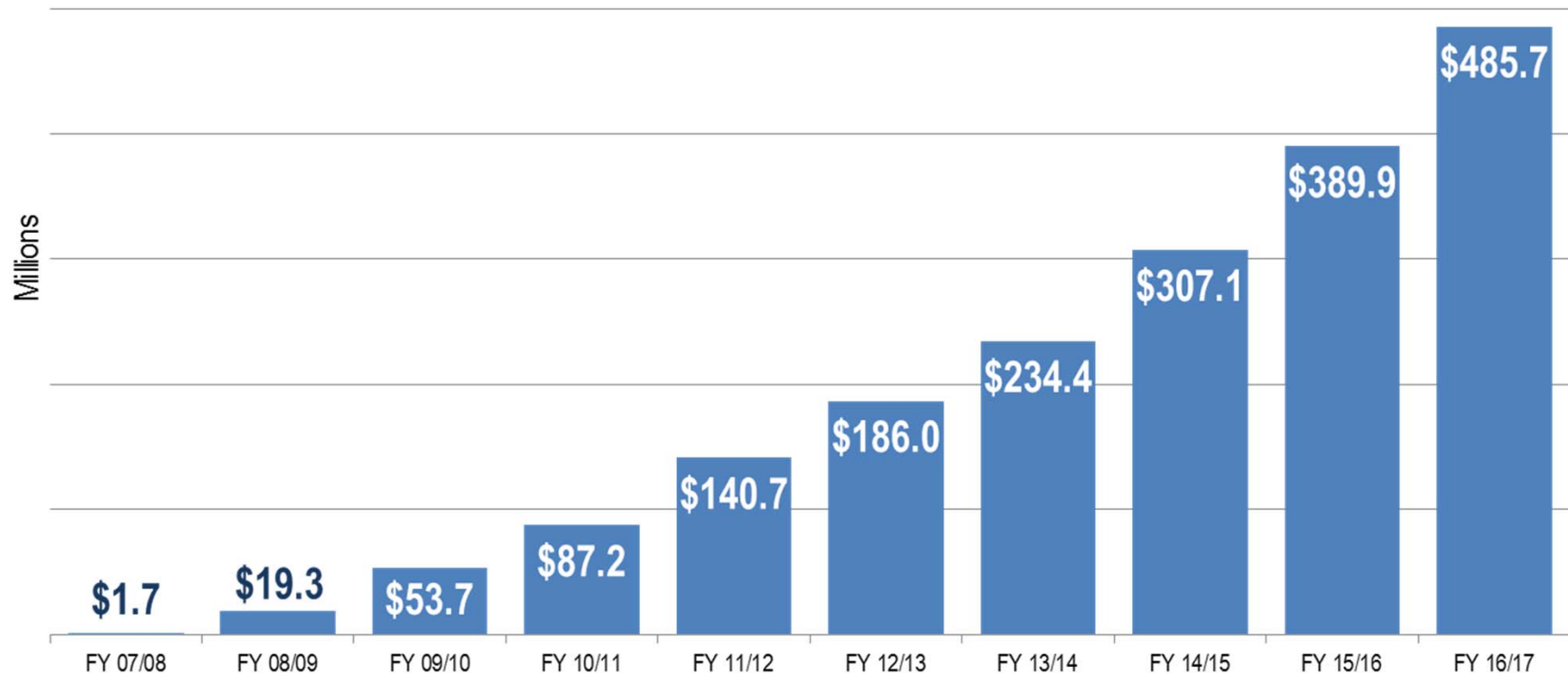
- Employee shared contributions must be mandatory and uniform
 - May vary by bargaining unit only
- No voluntary or elective contributions
- No one-time irrevocable elections
- Assets contributed to the CERBT belong to the employer
 - Employees, former employees, retirees and dependents have no reversion rights

CERBT disbursements by fiscal year



As of June 30, 2017

CERBT cumulative disbursements



As of June 30, 2017

CERBT disbursement frequency

28%

Percentage of employers requesting disbursements

72%

Percentage of employers not requesting disbursements

As of June 30, 2017

CERBT employer funding levels

Funding level	Actuarial Accrued Liability	Present Value of Benefits
0% - 25%	144	195
25% - 50%	151	175
50% - 75%	97	92
75% - 100%	69	41
> 100%	63	21

As of June 30, 2017

CERBT Accrued Liabilities and Market Value of Assets

Agency Type	AAL	MVA	Funded Level
Cities and Towns	\$5.9 Billion	\$1.4 Billion	24%
Counties	\$4.1 Billion	\$1.8 Billion	44%
Courts	\$393.2 Million	\$67.6 Million	17%
Fire	\$798.4 Million	\$179.0 Million	22%
Other Special Districts	\$1.6 Billion	\$996.7 Million	62%
Sanitation	\$480.8 Million	\$236.8 Million	49%
Schools	\$19.8 Billion	\$867.1 Million	4%
State of California	\$80.6 Billion	\$538.8 Million	1%
Water	\$1.7 Billion	\$711.2 Million	42%
All CERBT Agencies	\$115.4 Billion	\$6.8 Billion	6%

As of June 30, 2017

Questions? Where to get information?

Name	Title	E-mail	Desk	Mobile
John Swedensky	Assistant Division Chief	John.Swedensky@calpers.ca.gov	(916) 795-0835	(916) 715-7960
Colleen Cain-Herrback	Program Manager	Colleen.Cain-Herrback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Matt Goss	Outreach & Support Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Alisa Perry	Outreach & Support Analyst	Alisa.Perry@calpers.ca.gov	(916) 795-3360	(916) 705-9447
Karen Lookingbill	Outreach & Support Analyst	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219

Program e-mail addresses	CERBT Website
CERBT4U@calpers.ca.gov	www.calpers.ca.gov/cerbt
CERBTACCOUNT@calpers.ca.gov	

2017 OPEB Actuarial Valuation

Board Meeting
December 18, 2017



RESULTS (p. 8 & 9)

Present Value of Total Projected Benefits	\$8,755,753
Actuarial Accrued Liability	\$7,295,798
Plan Assets as of 6/30/17	\$4,726,214
2018 Annual Required Contribution	\$557,202



ACTUARY RECOMMENDATIONS (p. 12)

1. *Redo Valuation Every 2 years or whenever the plan changes or employer actions cause a material change in costs or liabilities, such as:*
 1. *Early retirement incentive program*
 2. *A new or amended plan is adopted*
 3. *Changes are made to retiree benefit provisions*
 4. *Employer or employee contributions change*

2. *“We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully.”*

ASSUMPTIONS (p. 15 - 20)

Actuarial Cost Method	Entry Age Normal
Amortization Method	18 Years Initial UAAL 8 Years UAAL
Substantive Plan	Written Plan plus Policies/Procedures
Inflation	2.75%
Discount Rate	6.5%
Trend	4.0%
Payroll Increase	2.75%



ASSUMPTIONS (cont.)

Actuarial Value of Plan Assets	Per CERBT as of 6/30/17
Mortality	Per PERS
Retirement Rates	Per PERS
Vesting Rates	Hired before 1/1/03 Hired after 1/1/03
Participation Rates	Per PERS
Turnover	Per PERS
Health Costs	PERS & District Experience

