

City of Palo Alto

MEMORANDUM

TO: Finance Committee

DATE: May 10, 2016

SUBJECT: Additional Information Pertaining to the Fiscal Year 2017 Proposed Operating Budget

This memorandum transmits additional information requested by the Finance Committee and/or provided at staff’s behest in regards to the Fiscal Year 2017 Proposed Operating Budget.

Community Services HSRAP Allocations (Finance Committee Budget Hearing May 5th; Agenda Item #5)
 At the May 5th Finance Committee meeting, the Committee inquired about Human Services Resource Allocation Process (HSRAP). Below are details about the programs funding history, funding cycle, and reserve funding.

HSRAP Funding Cycle

HSRAP funding is allocated to a limited number of approved organizations on a two-year cycle. The current grant cycle is from July 1, 2015 – June 30, 2017, therefore FY 2017 will be year two of the current cycle. Year two funding levels are not guaranteed, but have historically been allocated at the same level as the previous year, unless a CPI is approved or a funding reduction is proposed as part of a city-wide budget shortfall.

Total funding for FY 2016 is \$436,659 and 14 agencies are receiving funding. The total funding requested at the beginning of this current cycle was \$617,855. Only one agency’s request for \$500,000 (more than the total HSRAP funding available in FY 2016) was denied, as the request was to provide a similar service to one that Stanford law students are providing local agencies pro-bono at this time.

HSRAP Funding History

Please see below for HSRAP funding history for the last three HSRAP cycles (two years each – FY 2012 and FY 2013, FY 2014 and FY 2015, FY 2016 and FY 2017). Note that totals do not include funding for Avenidas and Palo Alto Community Child Care during that time in order to provide a more accurate comparison to the current funding amount.

Historical HSRAP Funding Levels

FY 2012	FY 2013	FY 2014	FY2015	FY2016	FY2017
\$292,558	\$300,737	\$348,163	\$425,594	\$436,659	\$448,013
	2.8%	15.8%	22.2%	2.6%	2.6%

During the Fiscal Year 2014 HSRAP allocation discussion, the Human Relations Commission (HRC) reported that in order to fund two more agencies it needed to recommend cutting all agencies 5% across the board (except for Avenidas & PACCC) to free up funding to allocate to the new agencies. The Finance Committee was not supportive of this approach and through a series of discussions with the Finance Committee and with the full City Council, an increase of 7.1% across the board (including Avenidas & PACCC), plus additional funding to include three new grantees was approved, resulting in a year-over-year increase of 15.8%.

During the Fiscal Year 2015 budget allocation discussion for the HSRAP program, the HRC brought to the attention of the Finance Committee the fact that HSRAP used to receive a regular CPI increase until 2003 when it was temporarily suspended (never to be reinstated) and that funding was further reduced in 2007 and 2009. By FY 2015 funding levels were virtually the same as FY 2005. The Council responded by instituting a 2.6% (CPI) increase across the board plus an additional \$68,000 to be awarded as part of an additional allocation process to address unmet and emergency needs. A \$50,000 HSRAP Reserve fund was also created, as discussed below.

For the Fiscal Year 2016 and Fiscal Year 2017 funding cycle, a 2.6 percent CPI was assessed over the FY 2015 allocation in each year of the cycle.

In regards to comparing whether Palo Alto is doing more or less than comparable cities, this is difficult to do as each city invests in a unique mix of human services, some with general fund dollars, some with Community Development Block Grant Funding, and some both. It should be noted that Palo Alto funds non-HSRAP general fund human services expenditures such as senior services, child care subsidies, mediation services, a special contract for outreach to the homeless in downtown Palo Alto and a special contract with the County of Santa Clara for case management and housing subsidies for homeless individuals.

HSRAP Reserve Fund

As discussed above, the City Council authorized the creation of a HSRAP Reserve Fund on June 16, 2014. The Reserve had an initial investment of \$50,000 with the option that future City Councils could add additional funding. It was stated that utilization of the Reserve Fund would be strictly under the auspices of the City Council in order to assist with any funding shortfalls for HSRAP in the future. Thus, Council could utilize the Reserve Fund rather than decrease funding for HSRAP. To date, the fund has not been utilized and no additional funding has been added to the reserve. Staff is recommending that Council consider expanding the use of the HSRAP Reserve Fund to also address the following:

- To provide one-time funding to current HSRAP grantees to address an emerging or emergency need that was not evident or at a level of crisis during the original funding period. (HSRAP year one or two)
- To provide one-time funding to a non-HSRAP nonprofit organization in the community to address an existing critical need for which normal funding is no longer available and for which a demonstrated human consequence will occur if funding is not obtained. (Non-HSRAP grantees)

If approved, a final and more detailed funding request process, including scope, criteria, and eligibility would be drafted by staff, with the assistance of the HRC, and submitted for review and approval by Council. Staff envisions a review and recommendation role for the HRC similar to their involvement in the HSRAP process. If approved, staff in the Community Service Department's Office of Human Services, would provide process oversight and management. In addition, if this expansion is approved, staff would

request an additional allocation through the FY 18 budget process to replenish the HSRAP Reserve Fund to a pre-designated minimum balance if any spending from the reserve occurred during FY 17.

Avenidas & Palo Alto Community Child Care (PACCC)

For clarification, Avenidas and PACCC are no longer part of the HSRAP process. They were removed, at their own request, starting with the FY16 budget year. They are now a direct service contractor with the City (term is July 1, 2015 – June 30, 2020) and their compensation was negotiated as part of the contract approval process. There is no CPI language in their contracts and an increase was not part of the motion when their contracts were approved. There is general contract language in the compensation section of their contracts that reads “The parties agree that the amount of compensation for the second through the fifth contract years may be adjusted up or down, depending on availability of funds.” They were given a 2.6% CPI as part of FY16 budget process because Council wanted to provide them parity with the HSRAP grantees. That CPI was also applied in the development of the Fiscal Year Proposed Operating Budget 2017 to continue to provide parity.

Community Services Staffing by Division (Finance Committee Budget Hearing May 5th; Agenda Item #5)

At the May 5th Finance Committee meeting, the Committee inquired about the net addition of 2.80 positions, when only 1.93 positions were detailed as part of the budget adjustments. Through the base budget process, an additional 0.87 FTE (0.77 FTE part-time, and 0.10 full-time) was added to the CSD Budget, resulting in a net increase of 2.80 positions from the Fiscal Year 2016 Adopted Operating Budget to the Fiscal Year 2017 Proposed Operating Budget. This increase is primarily a correction to the FY 2016 Adopted Budget, which allocated funding for temporary salaries without identifying the associated hourly FTE equivalent. Therefore, these transactions, which are identified as “Corrections” in the table below, did not impact funding levels, rather more accurately reflected the budgeted funding as temporary FTE. A reconciliation of all FTE changes are detailed in the table on the following page.

FTE Reconciliation for Community Services Department

Action	FTE Change
Base Budget FTE Changes	
Arts and Science Staffing Correction	0.49
Custodial Staffing Correction	0.96
Middle School Athletics Staffing Correction	0.28
Hourly Consolidation and Staffing Alignment	(0.57)
Project Manager (added through CMR 6401)	0.10
MakeX Reallocation from Library	0.48
Human Services Staffing Alignment	(0.02)
Youth Community Services Staffing Alignment	(0.85)
Base Budget Sub-Total:	0.87
Proposed Budget FTE Changes	
CSD Service Delivery Enhancements	0.68
Open Space Technicians	0.96
Bryant Street Garage Program Staffing	0.29
Proposed Budget Sub-Total:	1.93
Grand Total:	2.80

The positions by division chart that appears on page 212 of the Proposed Operating Budget represents these changes, as well as any staffing realignments made to move positions between divisions within the department. The change of 1.25 FTE in the Arts and Science Division from FY 2016 Adopted to FY 2017 Proposed represents the Children's Theater Correction, the CSD Service Delivery Enhancements, and net changes between divisions to consolidate and align staffing with service delivery in the department.

The FY 2016 Adopted Budget in this column is overstated by 0.1 FTE in the Open Space, Parks and Golf division due to the inadvertent inclusion of the 0.1 Project Manager position that was added as part of CMR 6401, as seen in the table above. This table will be corrected as part of the production of the Fiscal Year 2017 Adopted Operating Budget.

Retiree Healthcare Actuarial Analysis

(Finance Committee Budget Hearing May 10th; Agenda Item #3)

Consistent with past practice, the City contracts with Bartel Associates, LLC ("Bartel") for an annual actuarial valuation of the retiree healthcare plan. Attached is the City of Palo Alto Retiree Healthcare Plan June 30, 2015 BASB 45 Actuarial Valuation Results (Attachment – A). This document provides details regarding the benefit summary, participant statistics, actuarial assumptions, results of the analysis, and much more detail as outlined in the Table of Contents on the first page of the attachment. Mr. Bartel will provide a brief presentation to review the highlights of this report at the May 10th Finance Committee meeting followed by a summary of the implications on the FY 2017 Proposed Budget provided by staff.

Storm Drain Oversight Committee Findings

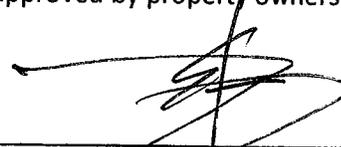
(Finance Committee Budget Hearing May 12th; Agenda Item #3.c)

The following materials are provided to inform the Finance Committee's review of the Storm Drainage Fund Fiscal Year 2017 Proposed Budget on Thursday, May 12th item #3.c:

April 19, 2016 staff report recommending that Council approve a 3.2% rate increase in the Storm Drainage Fee, consistent with the applicable Consumer Price Index, increasing the monthly charge per Equivalent Residential Unit by \$0.40, from \$12.63 to \$13.03 for Fiscal Year 2017. (Attachment – B)

May 4, 2016 memo from the Storm Drain Oversight Committee documenting its finding that the proposed Fiscal Year 2017 Storm Drainage Fund budget is consistent with the provisions of the 2005 storm drain funding ballot measure approved by property owners. (Attachment – C)

DEPARTMENT HEAD:



LALO PEREZ
Director, Administrative Services/CFO

CITY MANAGER:



JAMES KEENE
City Manager

5/10/2016



BARTEL
ASSOCIATES, LLC

**CITY OF PALO ALTO
RETIREE HEALTHCARE PLAN**

June 30, 2015
GASB 45 Actuarial Valuation
Results

John E. Bartel, President
Mary Beth Redding, Vice President & Actuary
Deanna Van Valer, Assistant Vice President & Actuary
Adam Zimmerer, Actuarial Analyst
Bartel Associates, LLC

May 9, 2016

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BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Eligibility 	<ul style="list-style-type: none"> ■ Retire directly from the City under CalPERS (age 50¹ and 5 years of CalPERS service or disability)
<ul style="list-style-type: none"> ■ Medical Provider 	<ul style="list-style-type: none"> ■ CalPERS health plans (PEMHCA) ■ CalPERS administrative fees paid by City
<ul style="list-style-type: none"> ■ Retiree Medical Hired < 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA) 	<ul style="list-style-type: none"> ■ GROUP 1: Retired < 1/1/07 (3/1/09 for PAPOA) <ul style="list-style-type: none"> • Full premium up to family coverage ■ GROUP 2: Retired between 1/1/07 (3/1/09 for PAPOA) and 5/1/11 (12/1/11 IAFF, 6/1/12 PMA, 4/1/15 PAPOA) <ul style="list-style-type: none"> • Same as above but premium limited to 2nd most expensive Basic (non-Medicare) medical plan in the Bay Area Region (Blue Shield NetValue in 2015, Blue Shield in 2016)

¹ Age 52 for Miscellaneous New Hires under PEPRA



BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Retiree Medical Hired < 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA) (continued) 	<ul style="list-style-type: none"> ■ GROUP 3: Retired ≥ 5/1/11 (12/1/11 IAFF, 5/1/12 FCA, 6/1/12 PMA, 4/1/15 PAPOA) <ul style="list-style-type: none"> • UTLM; FCA; PMA retired prior to 1/11/16; IAFF retired prior to 4/1/16: 90% of premium up to 90% of Group 2 cap • PAPOA retired prior to 4/1/15 get 100% (same as Group 2) • SEIU retired prior to 4/1/16; Mgmt/Conf; & any IAFF/SEIU not electing Group 4²: limited to flat dollar caps same as active contribution (for Mgmt/Conf, commences for payments beginning after 1/1/15) <table border="0" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>2015</u></th> <th style="text-align: center;"><u>2016</u></th> <th style="text-align: center;"><u>2017</u></th> <th style="text-align: center;"><u>2018</u></th> </tr> </thead> <tbody> <tr> <td>Single</td> <td style="text-align: right;">\$ 708</td> <td style="text-align: right;">\$ 743</td> <td style="text-align: right;">\$ 773</td> <td style="text-align: right;">\$ 804</td> </tr> <tr> <td>2-Party</td> <td style="text-align: right;">1,415</td> <td style="text-align: right;">1,485</td> <td style="text-align: right;">1,544</td> <td style="text-align: right;">1,606</td> </tr> <tr> <td>Family</td> <td style="text-align: right;">1,840</td> <td style="text-align: right;">1,931</td> <td style="text-align: right;">2,008</td> <td style="text-align: right;">2,088</td> </tr> </tbody> </table> ■ One-time irrevocable election for current active employees of PAPOA, PMA, IAFF, & SEIU to opt into Group 4 <ul style="list-style-type: none"> • All active Group 3 PAPOA & PMA elected into Group 4³ • All active Group 3 IAFF & SEIU assumed to elect into Group 4 		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	Single	\$ 708	\$ 743	\$ 773	\$ 804	2-Party	1,415	1,485	1,544	1,606	Family	1,840	1,931	2,008	2,088
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>																	
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Family	1,840	1,931	2,008	2,088																	

² IAFF & SEIU elections not yet held. All Group 3 members assumed to elect into Group 4, same as PAPOA and PMA.

³ PAPOA & PMA members who did not elect into Group 4 would have switched to active contribution dollar caps.



BENEFIT SUMMARY

<p>■ Retiree Medical Hired ≥ 1/1/04 (1/1/05 SEIU, 1/1/06 PAPOA) & All Current Active PAPOA, PMA, SEIU & IAFF⁴</p>	<p>■ GROUP 4: Government Code §22893 “Vesting Schedule” (based on all CalPERS Service)⁵:</p> <table border="0"> <tr> <td style="text-align: center;"><u>Years of Service</u></td> <td style="text-align: center;"><u>%</u></td> </tr> <tr> <td style="text-align: center;">< 10</td> <td style="text-align: center;">0%</td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">↓</td> <td style="text-align: center;">↓</td> </tr> <tr> <td style="text-align: center;">≥ 20</td> <td style="text-align: center;">100%</td> </tr> </table> <p>■ 100% vesting for disability retirements</p> <p>■ Vesting applies to 100/90 formula amounts, which are the maximum amounts payable by the City (retirees pay any difference between these amounts and actual premiums):</p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2016</u></td> </tr> <tr> <td>Single</td> <td style="text-align: right;">\$ 655</td> <td style="text-align: right;">\$ 705</td> </tr> <tr> <td>2-Party</td> <td style="text-align: right;">1,246</td> <td style="text-align: right;">1,343</td> </tr> <tr> <td>Family</td> <td style="text-align: right;">1,605</td> <td style="text-align: right;">1,727</td> </tr> </table> <p>■ If have 20 years City service do not need to retire directly from City</p>	<u>Years of Service</u>	<u>%</u>	< 10	0%	10	50%	↓	↓	≥ 20	100%		<u>2015</u>	<u>2016</u>	Single	\$ 655	\$ 705	2-Party	1,246	1,343	Family	1,605	1,727
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Single	\$ 655	\$ 705																					
2-Party	1,246	1,343																					
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⁴ As of the date of this valuation, SEIU and IAFF have not yet held the individual elections, but all members are assumed to elect into Group 4, same as both PAPOA and PMA.

⁵ Minimum 5 years City Service.



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BENEFIT SUMMARY

<p>■ Dental, Vision & Medicare Part B</p>	<p>■ None</p>																												
<p>■ Surviving Spouse Benefit</p>	<p>■ 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS pension survivor allowance</p>																												
<p>■ Waived Re-election</p>	<p>■ Waived retirees/beneficiaries may re-elect coverage at a future date</p>																												
<p>■ Pay-As-You-Go (\$000s)</p>	<table border="0"> <tr> <td style="text-align: center;"><u>Fiscal Year</u></td> <td style="text-align: center;"><u>Cash</u></td> <td style="text-align: center;"><u>Implied Subsidy</u></td> <td style="text-align: center;"><u>Total</u></td> </tr> <tr> <td>2014/15</td> <td style="text-align: right;">\$ 8,995</td> <td style="text-align: right;">\$ 1,916</td> <td style="text-align: right;">\$ 10,911</td> </tr> <tr> <td>2013/14</td> <td style="text-align: right;">7,317</td> <td style="text-align: center;">-</td> <td style="text-align: right;">7,317</td> </tr> <tr> <td>2012/13</td> <td style="text-align: right;">8,766</td> <td style="text-align: center;">-</td> <td style="text-align: right;">8,766</td> </tr> <tr> <td>2011/12</td> <td style="text-align: right;">8,165</td> <td style="text-align: center;">-</td> <td style="text-align: right;">8,165</td> </tr> <tr> <td>2010/11</td> <td style="text-align: right;">6,216</td> <td style="text-align: center;">-</td> <td style="text-align: right;">6,216</td> </tr> <tr> <td>2009/10</td> <td style="text-align: right;">5,519</td> <td style="text-align: center;">-</td> <td style="text-align: right;">5,519</td> </tr> </table>	<u>Fiscal Year</u>	<u>Cash</u>	<u>Implied Subsidy</u>	<u>Total</u>	2014/15	\$ 8,995	\$ 1,916	\$ 10,911	2013/14	7,317	-	7,317	2012/13	8,766	-	8,766	2011/12	8,165	-	8,165	2010/11	6,216	-	6,216	2009/10	5,519	-	5,519
<u>Fiscal Year</u>	<u>Cash</u>	<u>Implied Subsidy</u>	<u>Total</u>																										
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2010/11	6,216	-	6,216																										
2009/10	5,519	-	5,519																										



May 9, 2016



BENEFIT SUMMARY

Changes to Benefits Since Prior Valuation

Group	Prior Benefit	Current Benefit
<ul style="list-style-type: none"> GROUP 3 Mgmt/Conf (eff 1/1/15) 	<ul style="list-style-type: none"> 90% of premium limited to 2nd most expensive Basic (non-Medicare) medical plan in the Bay Area Region 	<ul style="list-style-type: none"> Same as SEIU GROUP 3: 100% of premium limited to fixed dollar caps (subject to change beginning 2016)
<ul style="list-style-type: none"> GROUP 3 PAPOA (eff 4/1/15) 	<ul style="list-style-type: none"> Same as GROUP 2 benefit: Full premium limited to 2nd most expensive Basic (non-Medicare) medical plan in the Bay Area Region 	<ul style="list-style-type: none"> All active members elected to have GROUP 4 benefit: Vesting schedule applied to 100/90 formula amounts (additional detail on slide 3)
<ul style="list-style-type: none"> GROUP 3 PMA (eff 1/11/16) 	<ul style="list-style-type: none"> 90% of premium limited to 2nd most expensive Basic (non-Medicare) medical plan in the Bay Area Region 	<ul style="list-style-type: none"> All active members elected to have GROUP 4 benefit: Vesting schedule applied to 100/90 formula amounts (additional detail on slide 3)



BENEFIT SUMMARY

<ul style="list-style-type: none"> GROUP 3 IAFF (eff 4/1/16) 	<ul style="list-style-type: none"> 90% of premium limited to 2nd most expensive Basic (non-Medicare) medical plan in the Bay Area Region 	<ul style="list-style-type: none"> Assume all active members elect into GROUP 4 benefit. Vesting schedule applied to 100/90 formula amounts (additional detail on slide 3)
<ul style="list-style-type: none"> GROUP 3 SEIU (eff 4/1/16) 	<ul style="list-style-type: none"> Premium limited to active contribution flat dollar caps 	<ul style="list-style-type: none"> Assume all active members elect into GROUP 4 benefit. Vesting schedule applied to 100/90 formula amounts (additional detail on slide 3)



BENEFIT SUMMARY

Monthly Benefit Cap Amounts

Group	2015			2016		
	Single	2-Party	Family	Single	2-Party	Family
Group 1 ⁶	\$928.87	\$1,857.74	\$2,415.06	\$1,033.86	\$2,067.72	\$2,688.04
Group 2	870.60	1,741.20	2,263.56	1,016.18	2,032.36	2,642.07
Group 3 ⁷	783.54	1,567.08	2,037.20	914.56	1,829.12	2,377.86
Group 3 Flat ⁸	708.00	1,415.00	1,840.00	743.00	1,485.00	1,931.00
Group 4 ⁹	655.00	1,246.00	1,605.00	705.00	1,343.00	1,727.00
% Decrease from Group 1 (assumes Group 1 is in most expensive plan)						
Group 2	6%	6%	6%	2%	2%	2%
Group 3	16%	16%	16%	12%	12%	12%
Group 3 Flat	24%	24%	24%	28%	28%	28%
Group 4	29%	33%	34%	32%	35%	36%

⁶ No cap for Group 1. Amount shown is most expensive Non-Medicare Bay Area region premium.

⁷ For FCA and UTLM only. All active Group 3 PAPOA, PMA and IAFF members assumed to elect Group 4.

⁸ For Mgmt/Conf only. All active SEIU Group 3 members assumed to elect Group 4.

⁹ Assuming 20 years of service/100% vesting.



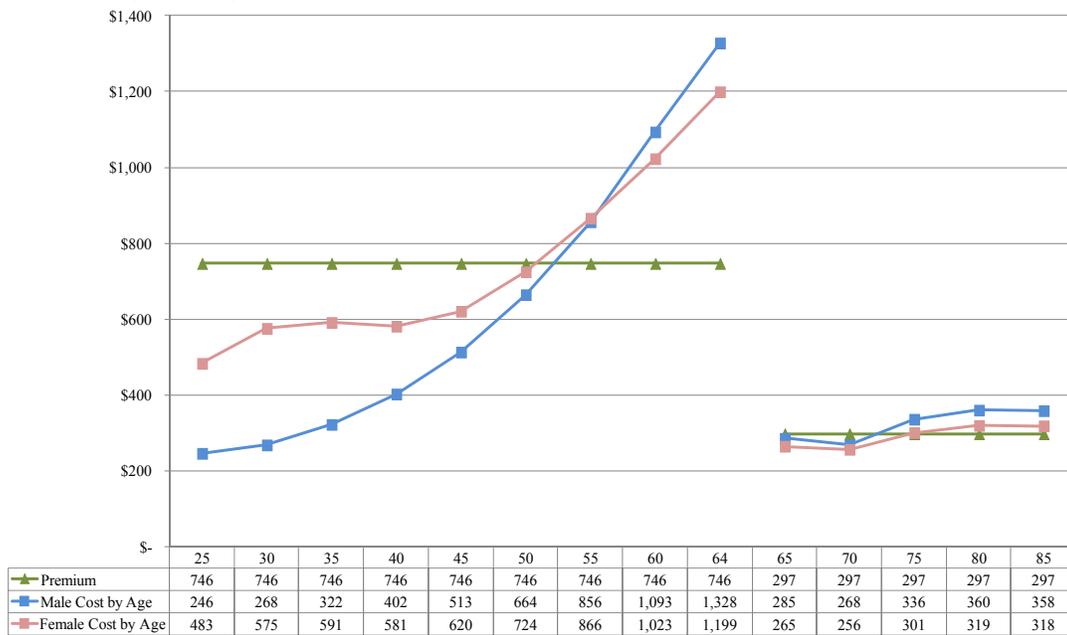
BENEFIT SUMMARY

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IMPLIED SUBSIDY

- For PEMHCA, employer cost for allowing retirees to participate at active rates.
 - Kaiser Bay Area plan:



- The City included the implied subsidy beginning with the June 30, 2013 valuation.



May 9, 2016



IMPLIED SUBSIDY

Estimated 2016/17 Implied Subsidy Transfer Illustration

(Amounts in 000's)

Before	Actives	Retirees	Total
■ Total Premiums ¹⁰	\$ 16,486	\$ 11,042	\$ 27,528
■ Participant Contributions ¹¹	-	(620)	(620)
■ City Contributions	16,486	10,422	26,908

After	Actives	Retirees	Total
■ Total Premiums	\$ 16,486	\$ 11,042	\$ 27,528
■ Participant Contributions	-	(620)	(620)
■ Implied Subsidy Transfer	(2,203)	2,203	-
■ City Contributions	14,283	12,625	26,908

¹⁰ Estimated premiums based on the 6/30/15 participant data.

¹¹ Assumes City pays full active participant premiums.



May 9, 2016



PARTICIPANT STATISTICS

Participant Statistics

	6/30/09 ¹²	6/30/11	6/30/13	6/30/15
■ Actives				
• Count	955	923	948	955
• Average Age	45.3	44.7	45.2	45.3
• Average City Service	11.2	10.8	10.8	10.8
• Average PERS Service		13.7	11.7	11.9
• Average Salary	\$103,602	\$86,007	\$86,271	\$91,714
• Total Salary (000's)	\$98,940	\$79,384	\$81,785	\$87,586
■ Retirees:				
• Count	710	860	968	1,007
• Average Age	67.2	67.0	68.2	68.9
• Average Retirement Age				
○ Service	n/a	55.5 ¹³	57.8	57.7
○ Disability	n/a	n/a	45.3	45.6

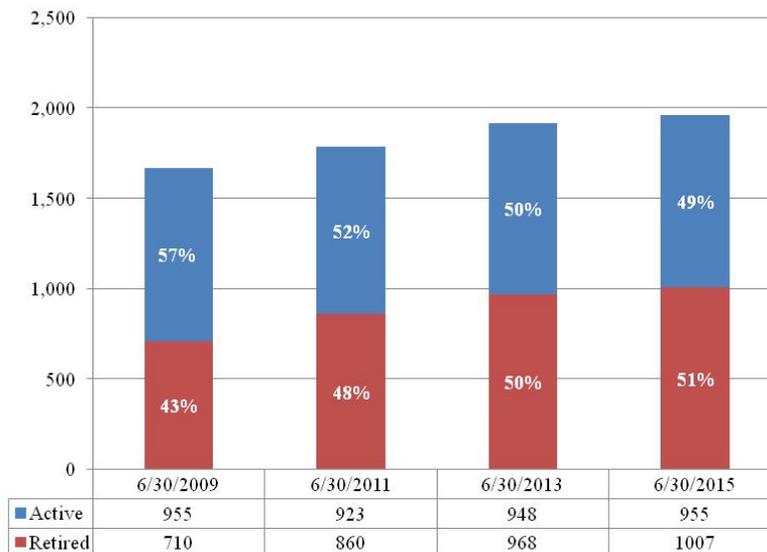
¹² From 1/1/09 Milliman report

¹³ All retirements included. Disability retirement data unreliable.



PARTICIPANT STATISTICS

Historical Active and Retiree Counts¹⁴



¹⁴ Retiree count is subscribers: retirees and surviving spouses



PARTICIPANT STATISTICS

Participant Statistics

June 30, 2015

	Group 1	Group 2	Group 3	Group 4 ¹⁵	Total
■ Actives					
• Count	n/a	n/a	107	848	955
• Average Age	n/a	n/a	52.0	44.5	45.3
• Average Entry Age	n/a	n/a	32.6	34.8	34.5
• Average City Service	n/a	n/a	19.4	9.7	10.8
• Average PERS Service	n/a	n/a	20.2	10.9	11.9
• Average Salary	n/a	n/a	\$129,385	\$ 86,960	\$ 91,714
• Total Salary (000's) ¹⁶	n/a	n/a	\$ 13,844	\$ 73,742	\$ 87,586
■ Retirees ¹⁷ :					
• Count	598	307	92	10	1,007
• Average Age	73.8	63.0	57.5	62.3	68.9
• Avg Service Ret Age	57.8	58.0	56.6	60.0	57.7
• Avg Disability Ret Age	45.4	46.7	44.9	50.0	45.6

¹⁵ Includes Group 3 PAPOA & PMA (elected Group 4 benefits) and Group 3 IAFF & SEIU (assumed to elect Group 4).

¹⁶ Actual 2014/15 pay paid for those hired < 7/1/14. New hire pay is annualized.

¹⁷ Includes retirees who have waived coverage.



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PARTICIPANT STATISTICS

Participant Statistics

June 30, 2013

	Group 1	Group 2	Group 3 ¹⁸	Group 4	Total
■ Actives					
• Count	n/a	n/a	518	430	948
• Average Age	n/a	n/a	49.1	40.6	45.2
• Average Entry Age	n/a	n/a	32.0	35.4	33.5
• Average City Service	n/a	n/a	16.5	4.0	10.8
• Average PERS Service	n/a	n/a	17.1	5.2	11.7
• Average Salary	n/a	n/a	\$92,284	\$79,027	\$86,271
• Total Salary (000's) ¹⁹	n/a	n/a	\$47,803	\$33,982	\$81,785
■ Retirees ²⁰ :					
• Count	617	308	34	9	968
• Average Age	72.6	61.0	56.0	56.1	68.2
• Avg Service Ret Age	57.9	58.0	55.7	57.5	57.8
• Avg Disability Ret Age	45.2	46.8	47.5	31.1	45.3

¹⁸ Group 3 PAPOA have Group 2 benefits

¹⁹ Actual 2012/13 pay paid for those hired < 7/1/12. New hire pay is annualized.

²⁰ Includes retirees who have waived coverage.



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PARTICIPANT STATISTICS

Data Reconciliation
6/30/2013 to 6/30/2015

	Actives	Retirees	Disabled	Benefic.	Total
■ June 30, 2013	948	702	180	86	1,916
• New Hires/Rehires	158	-	-	-	158
• Disabled	(3)	-	3	-	-
• Terminated ²¹	(93)	-	-	-	(93)
• Died with Benefic. ²²	-	(10)	-	10	-
• Died, no Beneficiary	-	(22)	(6)	(6)	(34)
• Retired	(56)	56	-	-	-
• Reinstatement	1	(1)	-	-	-
• Retired ⇔ Disabled	-	(1)	1	-	-
• Adjustment/Other	<u>-</u>	<u>4</u>	<u>2</u>	<u>9</u>	<u>15</u>
■ June 30, 2015	955	728	180	99	1,962

²¹ All actives in June 30, 2013 valuation and not in June 30, 2015 valuation assumed terminated.

²² Retirees in the June 30, 2013 valuation not in the June 30, 2015 valuation assumed deceased.



PARTICIPANT STATISTICS

Medical Plan Participation – June 30, 2015

Medical Plan ²⁴	Actives		Retirees ²³				Total		
			< 65		≥ 65				
	M	S	M	S	M	S	M	S	
<i>Miscellaneous/Safety</i>									
Anthem Select	5%	1%	1%	0%	0%	0%	0%	0%	
Anthem Traditional	17%	16%	10%	16%	1%	0%	5%	9%	
Blue Shield	9%	4%	22%	6%	27%	16%	25%	11%	
Blue Shield NetValue	2%	4%	1%	3%	0%	0%	0%	2%	
Kaiser	44%	33%	27%	20%	31%	34%	29%	26%	
PERS Choice	13%	2%	30%	2%	23%	6%	26%	4%	
PERS Select	0%	0%	1%	0%	0%	0%	1%	0%	
PERSCare	2%	1%	4%	3%	15%	32%	10%	16%	
PORAC	1%	34%	1%	47%	1%	12%	1%	32%	
UnitedHealthcare	8%	6%	4%	3%	1%	0%	2%	2%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	

²³ Under 65 only includes employees who retired on or after June 30, 2008; over 65 only includes retirees up to age 72.

²⁴ All Anthem and Blue Shield Medicare retirees are assumed to switch to UnitedHealthcare in 2016 when their current plans are no longer offered.



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2013 ■ Fiscal Years 2014/15 & 2015/16 ARCs (end of year) ■ 1 year lag 	<ul style="list-style-type: none"> ■ June 30, 2015 ■ GASB 45 ARC for Fiscal Year 2016/17. ADC²⁵ for Fiscal Year 2017/18. (end of year) ■ 1 year lag
■ Funding Policy	■ Full Pre-funding through CalPERS trust (CERBT) asset allocation #1	■ Same
■ Discount Rate	■ 7.61% (no Margin for Adverse Deviation)	■ 7.25%, net of expenses based on CERBT Fund 1
■ Payroll Increases	<ul style="list-style-type: none"> ■ Aggregate Increases – 3.25% ■ Merit Increases – CalPERS 1997-2007 Experience Study 	<ul style="list-style-type: none"> ■ Aggregate Increases – 3.25% ■ Merit Increases – CalPERS 1997-2011 Experience Study

²⁵ Actuarially Determined Contribution



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2013 Valuation	June 30, 2015 Valuation																																																																		
■ Medical Trend	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th colspan="2" style="text-align: center;"><u>Increase from Prior Year</u></th> </tr> <tr> <th></th> <th style="text-align: center;"><u>Non-Medicare</u></th> <th style="text-align: center;"><u>Medicare</u></th> </tr> </thead> <tbody> <tr> <td>2013</td> <td colspan="2" style="text-align: center;">Premiums</td> </tr> <tr> <td>2014</td> <td colspan="2" style="text-align: center;">Premiums</td> </tr> <tr> <td>2015</td> <td style="text-align: center;">8.0%</td> <td style="text-align: center;">8.3%</td> </tr> <tr> <td>2016</td> <td style="text-align: center;">7.5%</td> <td style="text-align: center;">7.8%</td> </tr> <tr> <td>2017</td> <td style="text-align: center;">7.0%</td> <td style="text-align: center;">7.2%</td> </tr> <tr> <td>2018</td> <td style="text-align: center;">6.5%</td> <td style="text-align: center;">6.7%</td> </tr> <tr> <td>2019</td> <td style="text-align: center;">6.0%</td> <td style="text-align: center;">6.1%</td> </tr> <tr> <td>2020</td> <td style="text-align: center;">5.5%</td> <td style="text-align: center;">5.6%</td> </tr> <tr> <td>2021+</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Increase from Prior Year</u>			<u>Non-Medicare</u>	<u>Medicare</u>	2013	Premiums		2014	Premiums		2015	8.0%	8.3%	2016	7.5%	7.8%	2017	7.0%	7.2%	2018	6.5%	6.7%	2019	6.0%	6.1%	2020	5.5%	5.6%	2021+	5.0%	5.0%	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th colspan="2" style="text-align: center;"><u>Increase from Prior Year</u></th> </tr> <tr> <th></th> <th style="text-align: center;"><u>Non-Medicare</u></th> <th style="text-align: center;"><u>Medicare</u></th> </tr> </thead> <tbody> <tr> <td>2013</td> <td colspan="2" style="text-align: center;">n/a</td> </tr> <tr> <td>2014</td> <td colspan="2" style="text-align: center;">n/a</td> </tr> <tr> <td>2015</td> <td colspan="2" style="text-align: center;">Premiums</td> </tr> <tr> <td>2016</td> <td colspan="2" style="text-align: center;">Premiums</td> </tr> <tr> <td>2017</td> <td style="text-align: center;">7.0%</td> <td style="text-align: center;">7.2%</td> </tr> <tr> <td>2018</td> <td style="text-align: center;">6.5%</td> <td style="text-align: center;">6.7%</td> </tr> <tr> <td>2019</td> <td style="text-align: center;">6.0%</td> <td style="text-align: center;">6.1%</td> </tr> <tr> <td>2020</td> <td style="text-align: center;">5.5%</td> <td style="text-align: center;">5.6%</td> </tr> <tr> <td>2021+</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Increase from Prior Year</u>			<u>Non-Medicare</u>	<u>Medicare</u>	2013	n/a		2014	n/a		2015	Premiums		2016	Premiums		2017	7.0%	7.2%	2018	6.5%	6.7%	2019	6.0%	6.1%	2020	5.5%	5.6%	2021+	5.0%	5.0%
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■ Increase to Dollar Caps for SEIU Group 3	■ ½ of Medical Trend, not less than assumed inflation (3.0%) ²⁶	<ul style="list-style-type: none"> ■ Same ■ Now also applies to Mgmt/Conf Group 3 																																																																		
■ Participation at Retirement	<ul style="list-style-type: none"> ■ Group 3: 90% ■ Group 4: 85% 	<ul style="list-style-type: none"> ■ Groups 3 & 4: 90% ■ Based on Plan Experience²⁷ 																																																																		

²⁶ Increase is for purposes of financial projection only and does not imply any obligation to increase the cap in the future.

²⁷ Actual participation percentages for Group 3 since 6/30/13 are 73% Miscellaneous and 93% Safety, or 78% overall. We recommend continued monitoring but do not update this year. Group 4 has very little actual experience, but those with less than 10 years service will receive no benefit at all (assumption applies only to those with more than 10 years service).



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2013 Valuation	June 30, 2015 Valuation																																										
<ul style="list-style-type: none"> ■ Retirement, Mortality, Termination, Disability 	<ul style="list-style-type: none"> ■ CalPERS 1997-2007 Experience Study ■ Mortality improvement projection Scale AA 	<ul style="list-style-type: none"> ■ CalPERS 1997-2011 Experience Study ■ Mortality improvement Scale MP-14 modified to converge to ultimate mortality improvement rate in 2022 																																										
	<table border="0"> <thead> <tr> <th></th> <th><u>Misc</u></th> <th><u>Fire & Police</u></th> </tr> </thead> <tbody> <tr> <td>Tier 1</td> <td>2.7%@55</td> <td>3%@50</td> </tr> <tr> <td>Exp. RA²⁸</td> <td>59.3</td> <td>55.7 & 54.5</td> </tr> <tr> <td>Tier 2</td> <td>2%@60²⁹</td> <td>3%@55³⁰</td> </tr> <tr> <td>Exp. RA</td> <td>61.1</td> <td>n/a & 59.7</td> </tr> <tr> <td>PEPRA³¹</td> <td>2.5%@67</td> <td>2.7%@57</td> </tr> <tr> <td>Exp. RA</td> <td>61.0</td> <td>n/a & 56.8</td> </tr> </tbody> </table>		<u>Misc</u>	<u>Fire & Police</u>	Tier 1	2.7%@55	3%@50	Exp. RA ²⁸	59.3	55.7 & 54.5	Tier 2	2%@60 ²⁹	3%@55 ³⁰	Exp. RA	61.1	n/a & 59.7	PEPRA ³¹	2.5%@67	2.7%@57	Exp. RA	61.0	n/a & 56.8	<table border="0"> <thead> <tr> <th></th> <th><u>Misc</u></th> <th><u>Fire & Police</u></th> </tr> </thead> <tbody> <tr> <td>Tier 1</td> <td>2.7%@55</td> <td>3%@50</td> </tr> <tr> <td>Exp. RA²⁵</td> <td>58.6</td> <td>56.7 & 55.0</td> </tr> <tr> <td>Tier 2</td> <td>2%@60²⁹</td> <td>3%@55³⁰</td> </tr> <tr> <td>Exp. RA</td> <td>60.9</td> <td>n/a & 57.3</td> </tr> <tr> <td>PEPRA²⁸</td> <td>2.5%@67</td> <td>2.7%@57</td> </tr> <tr> <td>Exp. RA</td> <td>60.9</td> <td>n/a & 57.7</td> </tr> </tbody> </table>		<u>Misc</u>	<u>Fire & Police</u>	Tier 1	2.7%@55	3%@50	Exp. RA ²⁵	58.6	56.7 & 55.0	Tier 2	2%@60 ²⁹	3%@55 ³⁰	Exp. RA	60.9	n/a & 57.3	PEPRA ²⁸	2.5%@67	2.7%@57	Exp. RA	60.9	n/a & 57.7
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²⁸ Retirement Age

²⁹ Applies to non-PEPRA (Classic) employees hired after 7/17/2010

³⁰ Applies to non-PEPRA (Classic) Police employees hired after 12/7/2012 and Fire employees hired after 6/7/2012

³¹ Applies to employees hired after 1/1/2013 and considered "New Members" under PEPRA



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Medical Plan at Retirement & Retirees Attaining age 65 	<ul style="list-style-type: none"> ■ Rates based on elections in January 2014 (see slide E-39 for further details) 	<ul style="list-style-type: none"> ■ Rates based on elections in June 2015 and January 2016 (see slide E-39 for further details)
<ul style="list-style-type: none"> ■ Family Coverage at Retirement 	<ul style="list-style-type: none"> ■ Actives <ul style="list-style-type: none"> • Misc : 15% until age 65 • Safety : 40% until age 65 ■ Retirees: based on current elections until age 65 	<ul style="list-style-type: none"> ■ Same ■ Based on Plan Experience
<ul style="list-style-type: none"> ■ Waived Retiree Re-election 	<ul style="list-style-type: none"> ■ Pre-65 – 20% re-elect at age 65 ■ Post-65 – 0% 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ ACA Excise Tax 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ Estimate by 2% load on cash subsidy



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Basis for Assumptions 	<ul style="list-style-type: none"> ■ No experience study performed for this plan ■ CalPERS experience studies used, since covered employees are also in CalPERS plans. ■ Mortality improvement is the most recent Society of Actuaries table, modified slightly as, in our estimate, appropriate for application to CalPERS base mortality table ■ Inflation based on our estimate for the Plan's very long time horizon. ■ Age-based claims are based on Society of Actuaries publications. 	



ACTUARIAL METHODS

Method	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Cost Method 	<ul style="list-style-type: none"> ■ Entry Age Normal Level % of Pay 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Unfunded Liability Amortization 	<ul style="list-style-type: none"> ■ 30 years closed period 	<ul style="list-style-type: none"> ■ 28 years closed period ■ Sensitivity analysis: 24 & 20 years
<ul style="list-style-type: none"> ■ Actuarial Asset Value 	<ul style="list-style-type: none"> ■ Market Value of Assets³² 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Future New Entrants 	<ul style="list-style-type: none"> ■ Closed group – no new participants 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Implied Subsidy 	<ul style="list-style-type: none"> ■ Implied subsidy valued 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Plan Continuance 	<ul style="list-style-type: none"> ■ For purposes of financial projections, the plan and benefits are assumed to continue unchanged. The calculation of this accounting obligation does not imply that there is any legal liability to provide or continue providing the benefits valued. 	

³² Using Market Value of Assets to determine the ARC will result in more volatile future ARCs than if a smoothed Market Value were used.



ASSETS

Market Value of Plan Assets – CERBT

(Amounts in 000's)

	2010/11	2011/12	2012/13	2013/14	2014/15	Proj. 2015/16 ³³
■ MVA (Beg. of Year)	\$ 34,014	\$ 44,774	\$ 49,238	\$ 60,070	\$ 75,363	\$ 78,578
• Contributions	2,447	4,419	5,248	4,295	3,371	3,169
• Benefit Payments ³⁴	-	-	-	-	-	-
• Admin. Expenses	(50)	(52)	(80)	(91)	(76)	(65)
• Investment Return	<u>8,363</u>	<u>97</u>	<u>5,664</u>	<u>11,088</u>	<u>(80)</u>	<u>59</u>
■ MVA (End of Year)	44,774	49,238	60,070	75,363	78,578	81,741
■ Approx. Annual Return	24.4%	0.1%	11.2%	18.2%	(0.2%)	0.0%

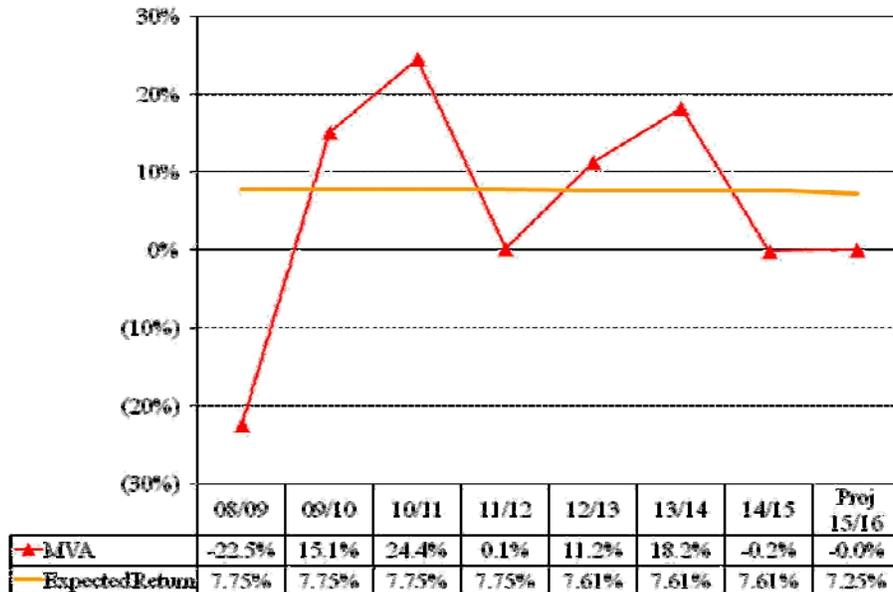
³³ Projected from actual 12/31/2015 balance using assumed rate of return for last half of fiscal year.

³⁴ Benefit Payments made outside of trust by City. Refer to Slide 3 for fiscal year amounts.



ASSETS

Historical Returns³⁵



³⁵ Projected return for 2015/16 uses actual investment return for first half of fiscal year and assumed rate of return for last half of fiscal year



RESULTS

Actuarial Obligations

(Amounts in 000's)

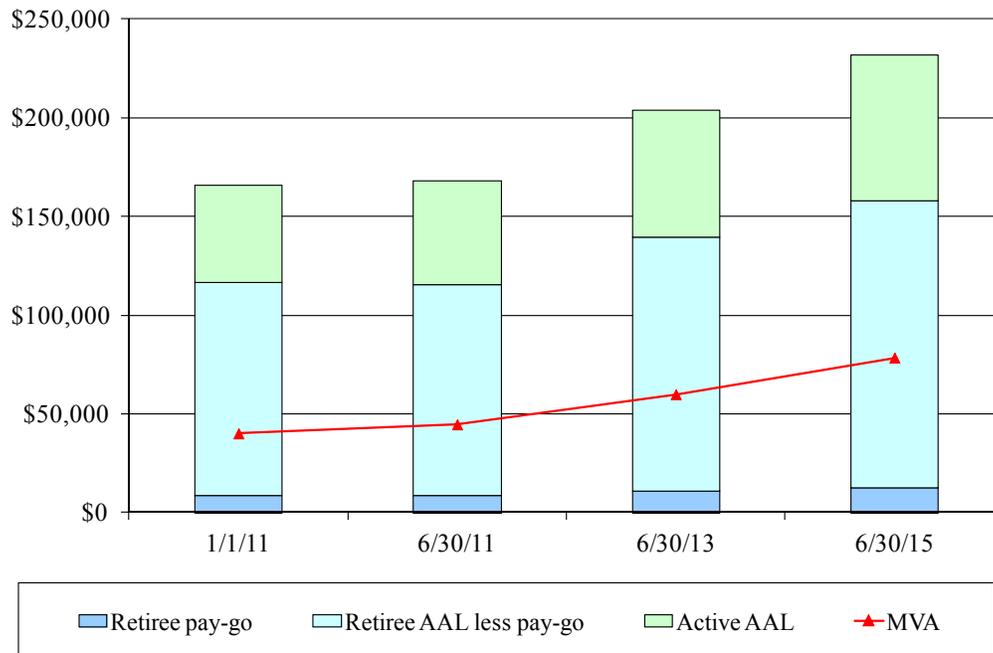
	6/30/13 Valuation		6/30/15 Valuation	
	6/30/13	Proj. 6/30/14	6/30/15	Proj.6/30/16
■ Discount Rate	7.61%		7.25%	
■ Present Value of Benefits				
• Actives	\$ 105,008		\$ 125,764	
• Retirees	<u>139,378</u>		<u>157,547</u>	
• Total	244,386		283,311	
■ Actuarial Accrued Liability				
• Actives	64,264		77,248	
• Retirees	<u>139,378</u>		<u>157,547</u>	
• Total	203,642	\$ 213,458	234,795	\$ 245,908
■ Actuarial Value of Assets(MV)	<u>60,070</u>		<u>78,578</u>	
■ Unfunded AAL	143,572		156,217	
■ Funded Ratio	29%	34%	33%	33%
■ Normal Cost	5,674		6,340	
■ Pay-As-You-Go Cost (Cash)	9,152		10,353	
■ Pay-As-You-Go Cost (IS)	1,916		2,203	



RESULTS

Historical Funded Status

(Amounts in 000's)



RESULTS

Actuarial Gain/Loss

(Amounts in 000's)

	AAL	(MVA)	UAAL
■ Actual 6/30/13	\$ 203,642	\$ (60,070)	\$143,572
■ Expected 6/30/16	233,639	(89,796)	143,843
■ Assumption Changes			
• CalPERS 97-11 Experience Study	1,298		1,298
• Projected Mortality Improvement	7,908		7,908
• Medical Plan Election	(965)		(965)
• Excise Tax	3,709		3,709
• Discount Rate: 7.61% → 7.25%	10,153		10,153
■ Contribution (Gain)/Loss		(169)	(169)
■ Investment (Gain)/Loss		8,224	8,224
■ Plan Changes → Slides 5 & 6	2,493		2,493
■ Experience (Gains)/Losses			
• Premiums/Caps < Expected	(6,786)		(6,786)
• EE Elections – Coverage Changes	(4,130)		(4,130)
• Demographic & Other	(1,410)	-	(1,410)
■ Total (Gain)/Loss	12,269	8,055	20,324
■ Projected 6/30/16	245,908	(81,741)	164,167



RESULTS

Schedule of Funding Progress

(Amounts in 000's)

Actuarial Valuation Date	Actuarial Value of Assets ³⁶ (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
1/1/2011	\$ 40,213	\$ 165,660	\$ 125,447	24.3%	\$ 98,940	126.8%
6/30/2011	44,774	168,053	123,279	26.6%	80,664	152.8%
6/30/2013	60,070	203,642	143,572	29.5%	81,785	175.5%
6/30/2015	78,578	234,795	156,217	33.5%	87,586	178.4%

³⁶ Actuarial value equals market value of assets



RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

	6/30/13 Valuation		6/30/15 Valuation	
	2014/15	2015/16	2016/17	2017/18 ³⁷
■ Discount Rate	7.61%		7.25%	
■ ARC - \$				
• Normal Cost	\$ 5,674	\$ 5,880	\$ 6,340	\$ 6,587
• UAAL Amortization	<u>8,607</u>	<u>8,887</u>	<u>10,025</u>	<u>10,351</u>
• Total	14,282	14,767	16,365	16,938
■ Projected Payroll	87,187	90,021	93,372	96,406
■ ARC - %Pay				
• Normal Cost	6.5%	6.5%	6.8%	6.8%
• UAAL Amortization	<u>9.9%</u>	<u>9.9%</u>	<u>10.7%</u>	<u>10.7%</u>
• Total	16.4%	16.4%	17.5%	17.5%

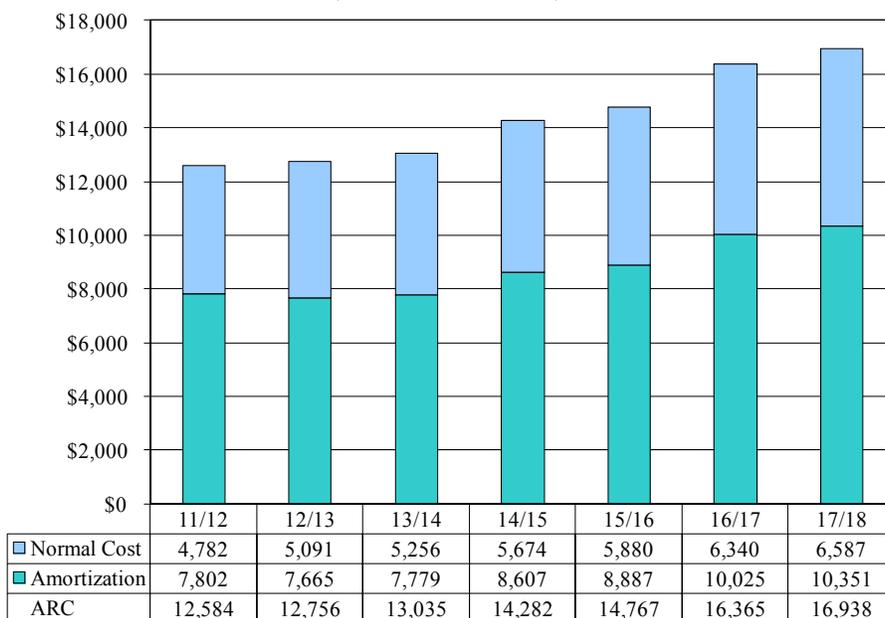
³⁷ ADC for 2017/18.



RESULTS

Annual Required Contribution (ARC)³⁸

(Amounts in 000's)



³⁸ ADC for 2017/18.



RESULTS

Amortization Bases & Payments

(Amounts in 000's)

	6/30/13 Valuation		6/30/15 Valuation	
	6/30/14	6/30/15	6/30/16	6/30/17
■ UAAL Balance	\$ 140,333	\$ 142,405	\$ 164,167	\$ 166,044
■ Amortization Payment - \$	8,607	8,887	10,025	10,351
■ Amortization Period	30	29	28	27



RESULTS

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RESULTS

Estimated Net OPEB Obligation/(Asset) Illustration

(Amounts in 000's)

	6/30/13 Valuation		6/30/15 Valuation
	CAFR 2014/15	Estimate 2015/16	Estimate 2016/17
■ NOO/(NOA) at Beginning of Year	\$(22,610)	\$(20,955)	\$ (21,295)
■ Annual OPEB Cost			
• Annual Required Contribution	14,282	14,767	16,365
• Interest on NOO	(1,721)	(1,595)	(1,544)
• NOO Adjustment	<u>2,212</u>	<u>1,255</u>	<u>1,301</u>
• Annual OPEB Cost	14,773	14,427	16,122
■ Contributions			
• Cash Benefit Payments ³⁹	8,995	9,638	10,353
• Implied Subsidy Benefit Payments ⁴⁰	1,916	1,960	2,203
• Trust Funding	<u>4,123</u>	<u>3,169</u>	<u>3,809</u>
• Total Contributions	13,118	14,767	16,365
■ NOO/(NOA) at End of Year	(20,955)	(21,295)	(21,538)

³⁹ Estimated cash payments shown for all years after 2014/15. Actual cash payments should be used for OPEB footnote.

⁴⁰ Use amounts listed here for 2015/16 and 2016/17 OPEB footnotes.



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RESULTS

10 Year Contribution Projection

(Amounts in 000's)

FYE	ARC / ADC ⁴¹	Contribution				Pay	ARC / ADC % of Pay
		Cash BP	IS BP	Pre- Funding	Total		
2017	\$16,365	\$10,353	\$2,203	\$3,809	\$16,365	\$ 93,372	17.5%
2018	16,938	11,099	2,444	3,395	16,938	96,406	17.5%
2019	17,530	11,766	2,629	3,135	17,530	99,539	17.6%
2020	18,138	12,371	2,802	2,965	18,138	102,774	17.6%
2021	18,765	13,014	3,033	2,718	18,765	106,115	17.7%
2022	19,411	13,654	3,271	2,486	19,411	109,563	17.7%
2023	20,076	14,324	3,540	2,212	20,076	113,124	17.7%
2024	20,760	14,985	3,774	2,001	20,760	116,801	17.8%
2025	21,466	15,618	3,984	1,864	21,466	120,597	17.8%
2026	22,192	16,214	4,107	1,871	22,192	124,516	17.8%

⁴¹ ARC is defined by GASB 45. Actuarially Determined Contribution (ADC) beginning 2017/18.

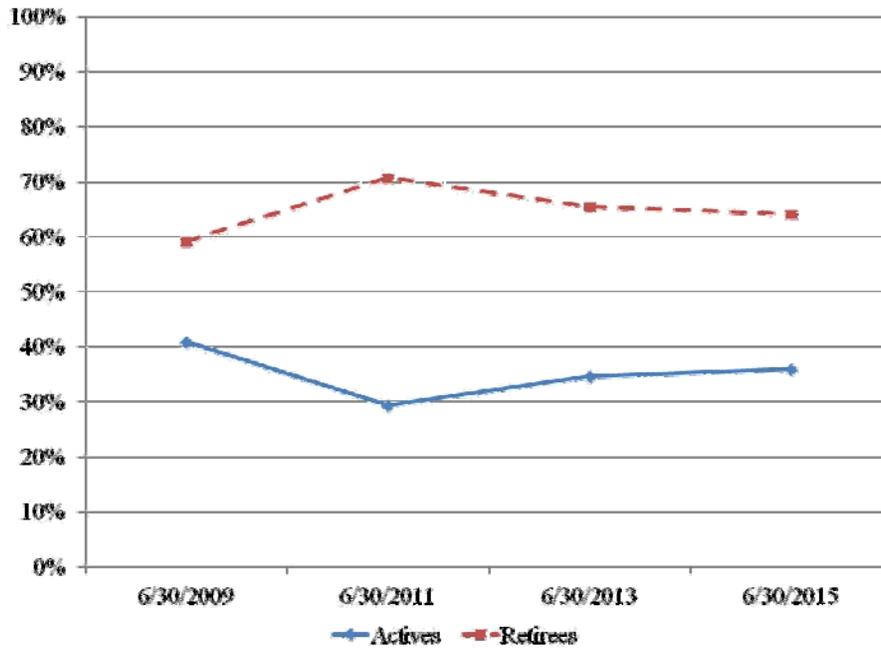


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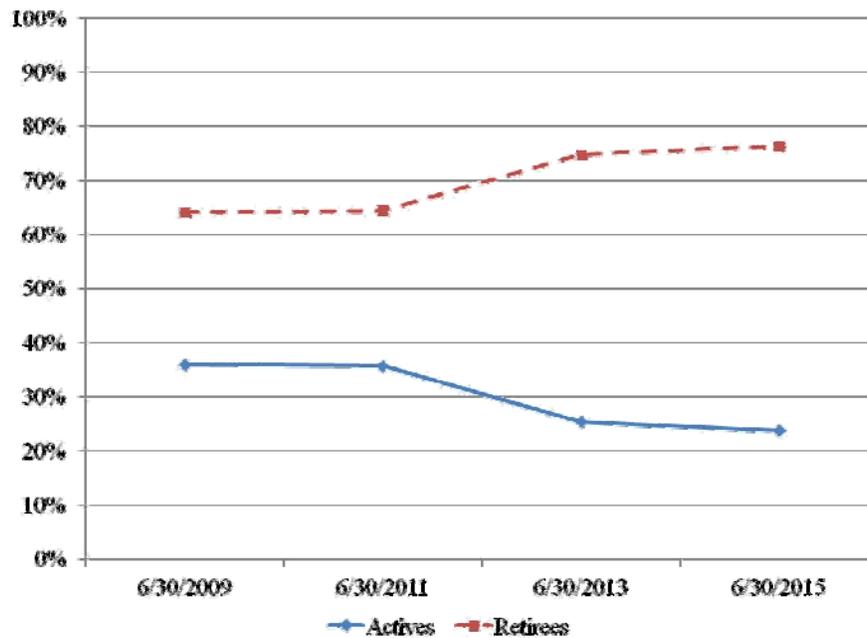
RESULTS

% of Total Actuarial Accrued Liability for Actives and Retirees
Miscellaneous



RESULTS

% of Total Actuarial Accrued Liability for Actives and Retirees
Safety



RESULTS

UAAL – % of Payroll
(Amounts in 000's)

	6/30/11	6/30/13	6/30/15
■ UAAL/Payroll for year ending on valuation date			
• Miscellaneous	147%	158%	152%
• Safety	168%	228%	276%
• Total	153%	176%	178%



RESULTS



RESULTS - DETAILS

Actuarial Obligations

June 30, 2015

(Amounts in 000's)

	Benefits < Age 65	Benefits ≥ Age 65	Total
■ Present Value of Benefits			
• Actives	\$ 63,897	\$ 61,867	\$125,764
• Retirees	<u>47,382</u>	<u>110,165</u>	<u>157,547</u>
• Total	111,279	172,032	283,311
■ Actuarial Accrued Liability			
• Actives	38,198	39,050	77,248
• Retirees	<u>47,382</u>	<u>110,165</u>	<u>157,547</u>
• Total	85,580	149,215	234,795
■ Normal Cost 2016/17	3,235	3,105	6,340



RESULTS - DETAILS

Actuarial Obligations

June 30, 2015

(Amounts in 000's)

	Group 1	Group 2	Group 3	Group 4 ⁴²	Total
■ Present Value of Benefits					
• Actives	\$ -	\$ -	\$ 18,960	\$106,804	\$125,764
• Retirees	<u>70,845</u>	<u>65,247</u>	<u>20,229</u>	<u>1,225</u>	<u>157,547</u>
• Total	70,845	65,247	39,189	108,029	283,311
■ Actuarial Accrued Liability					
• Actives	-	-	15,649	61,599	77,248
• Retirees	<u>70,845</u>	<u>65,247</u>	<u>20,229</u>	<u>1,225</u>	<u>157,547</u>
• Total	70,845	65,247	35,878	62,824	234,795
■ Normal Cost 2016/17	-	-	572	5,769	6,340
■ NC as % of Payroll			4.3%	7.2%	6.8%
■ Count	n/a	n/a	107	848	955
■ Total Salary (000's)	n/a	n/a	\$ 13,844	\$ 73,742	\$ 87,586

⁴² Includes all active Group 3 PAPOA, PMA, IAFF & SEIU who elected (or are assumed to have elected) Group 4 benefits.



RESULTS - DETAILS

Cash/Implied Subsidy – Actuarial Obligations – June 30, 2015

(Amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Benefits			
• Actives	\$ 107,817	\$ 17,947	\$ 125,764
• Retirees	<u>124,770</u>	<u>32,777</u>	<u>157,547</u>
• Total	232,587	50,724	283,311
■ Actuarial Accrued Liability			
• Actives	65,601	11,647	77,248
• Retirees	<u>124,770</u>	<u>32,777</u>	<u>157,547</u>
• Total	190,371	44,424	234,795
■ Market Value of Assets ⁴³	<u>78,578</u>	-	<u>78,578</u>
■ Unfunded AAL	111,793	44,424	156,217
■ Normal Cost 2016/17	5,494	846	6,340
■ Pay-As-You-Go Cost 2016/17	10,353	2,203	12,556

⁴³ Allocated to cash subsidy for illustrative purposes.

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RESULTS - DETAILS

Cash/Implied Subsidy – Annual Required Contribution – 2016/17 FY

(Amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total
■ ARC - \$			
• Normal Cost	\$ 5,494	\$ 846	\$ 6,340
• UAAL Amortization	<u>7,190</u>	<u>2,835</u>	<u>10,025</u>
• ARC	12,684	3,682	16,365
■ Projected Payroll	93,372	93,372	93,372
■ ARC - %			
• Normal Cost	5.9%	0.9%	6.8%
• UAAL Amortization	<u>7.7%</u>	<u>3.0%</u>	<u>10.7%</u>
• ARC	13.6%	3.9%	17.5%



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RESULTS - DETAILS

Actuarial Obligations**June 30, 2015**

(Amounts in 000's)

	Misc	Safety	Total
■ Present Value of Benefits			
• Actives	\$ 90,816	\$ 34,948	\$125,764
• Retirees	<u>99,731</u>	<u>57,816</u>	<u>157,547</u>
• Total	190,547	92,764	283,311
■ Actuarial Accrued Liability			
• Actives	58,625	18,623	77,248
• Retirees	<u>99,731</u>	<u>57,816</u>	<u>157,547</u>
• Total	158,356	76,439	234,795
■ Market Value of Assets⁴⁴	<u>52,996</u>	<u>25,582</u>	<u>78,578</u>
■ Unfunded AAL	105,360	50,857	156,217
■ Normal Cost 2016/17	4,580	1,760	6,340
■ Pay-As-You-Go Cost 2016/17	8,313	4,243	12,556

⁴⁴ Allocated in proportion to the Actuarial Accrued Liability.



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RESULTS - DETAILS

Annual Required Contribution (ARC)**2016/17 Fiscal Year**

(Amounts in 000's)

	Misc	Safety	Total
■ ARC - \$			
• Normal Cost	\$ 4,580	\$ 1,760	\$ 6,340
• UAAL Amortization ⁴⁵	<u>6,779</u>	<u>3,246</u>	<u>10,025</u>
• ARC	11,359	5,006	16,365
■ Projected Payroll	73,716	19,656	93,372
■ ARC - %			
• Normal Cost	6.2%	9.0%	6.8%
• UAAL Amortization	<u>9.2%</u>	<u>16.5%</u>	<u>10.7%</u>
• ARC	15.4%	25.5%	17.5%

⁴⁵ Allocated in proportion to the Actuarial Accrued Liability.



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RESULTS - DETAILS

Actuarial Obligations – By Bargaining Unit

June 30, 2015

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UTLM	Total
■ PVB								
• Actives	\$ 995	\$16,926	\$21,849	\$14,414	\$1,987	\$ 61,396	\$8,197	\$125,764
• Retirees	<u>1,653</u>	<u>29,962</u>	<u>49,876</u>	<u>19,549</u>	<u>1,420</u>	<u>54,242</u>	<u>844</u>	<u>157,547</u>
• Total	2,648	46,888	71,725	33,963	3,407	115,638	9,041	283,311
■ AAL								
• Actives	692	9,617	12,820	6,315	1,518	40,008	6,279	77,248
• Retirees	<u>1,653</u>	<u>29,962</u>	<u>49,876</u>	<u>19,549</u>	<u>1,420</u>	<u>54,242</u>	<u>844</u>	<u>157,547</u>
• Total	2,345	39,579	62,696	25,864	2,938	94,250	7,123	234,795
■ MVA⁴⁶	<u>785</u>	<u>13,246</u>	<u>20,982</u>	<u>8,656</u>	<u>983</u>	<u>31,542</u>	<u>2,384</u>	<u>78,578</u>
■ UAAL	1,560	26,333	41,714	17,208	1,955	62,708	4,739	156,217
■ NC 16/17	42	769	1,290	837	77	2,972	353	6,340
■ Pay-Go	103	2,220	3,906	1,454	87	4,631	155	12,556

⁴⁶ Allocated in proportion to the Actuarial Accrued Liability.



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RESULTS - DETAILS

Annual Required Contribution (ARC) – By Bargaining Unit

2016/17 Fiscal Year

(Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UTLM	Total
■ ARC - \$								
• Normal Cost	\$ 42	\$ 769	\$1,290	\$ 837	\$ 77	\$ 2,972	\$ 353	\$ 6,340
• UAAL Amort ⁴⁷	<u>101</u>	<u>1,674</u>	<u>2,635</u>	<u>1,107</u>	<u>129</u>	<u>4,059</u>	<u>321</u>	<u>10,025</u>
• ARC	143	2,443	3,925	1,944	206	7,031	674	16,365
■ Proj. Payroll	714	8,280	24,214	8,662	1,368	43,493	6,640	93,372
■ ARC - %								
• Normal Cost	5.9%	9.3%	5.3%	9.6%	5.7%	6.9%	5.3%	6.8%
• UAAL Amort	<u>14.1%</u>	<u>20.2%</u>	<u>10.9%</u>	<u>12.8%</u>	<u>9.4%</u>	<u>9.3%</u>	<u>4.8%</u>	<u>10.7%</u>
• ARC	20.0%	29.5%	16.2%	22.4%	15.1%	16.2%	10.1%	17.5%

⁴⁷ Allocated in proportion to the Actuarial Accrued Liability.



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RESULTS - DETAILS

Actuarially Determined Contribution (ADC) – By Bargaining Unit
2017/18 Fiscal Year
 (Amounts in 000's)

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UTLM	Total
■ ARC - \$								
• Normal Cost	\$ 44	\$ 793	\$1,355	\$ 864	\$ 80	\$ 3,069	\$ 382	\$ 6,587
• UAAL Amort ⁴⁸	<u>104</u>	<u>1,729</u>	<u>2,721</u>	<u>1,143</u>	<u>133</u>	<u>4,191</u>	<u>332</u>	<u>10,351</u>
• ARC	147	2,522	4,075	2,007	213	7,260	714	16,938
■ Proj. Payroll	737	8,549	25,001	8,943	1,412	44,906	6,856	96,406
■ ARC - %								
• Normal Cost	5.9%	9.3%	5.4%	9.6%	5.7%	6.9%	5.6%	6.8%
• UAAL Amort	<u>14.1%</u>	<u>20.2%</u>	<u>10.9%</u>	<u>12.8%</u>	<u>9.4%</u>	<u>9.3%</u>	<u>4.8%</u>	<u>10.7%</u>
• ARC	20.0%	29.5%	16.3%	22.4%	15.1%	16.2%	10.4%	17.5%

⁴⁸ Allocated in proportion to the Actuarial Accrued Liability.



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SENSITIVITY ANALYSIS

CERBT Investment Options

- Updated Target asset allocations (approved by CalPERS Board October 2014)

Asset Classifications	Option 1	Option 2	Option 3
Global Equity	57%	40%	24%
US Nominal Bonds	27%	39%	39%
REIT's	8%	8%	8%
TIPS	5%	10%	26%
Commodities	<u>3%</u>	<u>3%</u>	<u>3%</u>
Total	100%	100%	100%

- Bartel Associates analysis of expected returns:

	Option 1	Option 2	Option 3
Expected Real Rate of Return	4.48%	3.82%	3.16%
Inflation Assumption	3.00%	3.00%	3.00%
Expenses (Admin. & Invest.)	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>
Nominal Rate of Return	7.33%	6.67%	6.01%
Recommended Discount Rate	7.25%	6.50%	6.00%



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SENSITIVITY ANALYSIS

Discount Rate Sensitivity

(Amounts in 000's)

	CERBT		
	#1	#2	#3
■ Discount Rate	7.25%	6.50%	6.00%
■ Present Value of Benefits	\$ 283,311	\$ 318,455	\$ 345,972
■ Funded Status 6/30/15			
• Actuarial Accrued Liability	234,795	258,084	275,772
• Actuarial Value of Assets	<u>78,578</u>	<u>78,578</u>	<u>78,578</u>
• Unfunded AAL	156,217	179,506	197,194
■ Funded Ratio	33.5%	30.4%	28.5%
■ ARC 2016/17			
• Normal Cost	\$ 6,340	\$ 7,442	\$ 8,311
• UAAL Amortization ⁴⁹	<u>10,025</u>	<u>10,550</u>	<u>10,907</u>
• Total	16,365	17,992	19,218
• ARC % of Payroll	17.5%	19.3%	20.6%

⁴⁹ UAAL projected using the same 6/30/16 projected assets for all scenarios. UAAL amortized over 28 years for all scenarios.



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SENSITIVITY ANALYSIS

Amortization Period Sensitivity

(Amounts in 000's)

■ Amortization Period	28 Years	24 Years	20 Years
■ Funded Status Projected to 6/30/16			
• Actuarial Accrued Liability	\$ 245,908	\$ 245,908	\$ 245,908
• Actuarial Value of Assets	<u>81,741</u>	<u>81,741</u>	<u>81,741</u>
• Unfunded AAL	164,167	164,167	164,167
■ Total Projected Payroll 2016/17	93,372	93,372	93,372
■ ARC 2016/17			
• Normal Cost	\$ 6,340	\$ 6,340	\$ 6,340
• UAAL Amortization	<u>10,025</u>	<u>10,974</u>	<u>12,334</u>
• Total	16,365	17,314	18,674
• ARC % of Payroll	17.5%	18.5%	20.0%



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ACTUARIAL CERTIFICATION

This report presents the City of Palo Alto Retiree Healthcare Plan (“Plan”) June 30, 2015 actuarial valuation. The purpose of this valuation is to:

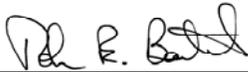
- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2015 Benefit Obligations,
- Determine the Plan’s June 30, 2015 Funded Status,
- Calculate the 2016/17 Annual Required Contribution, and
- Calculate the 2017/18 recommended City contribution.

The report provides information intended for reporting under GASB 43 and 45, but may not be appropriate for other purposes. Information provided in this report may be useful to the City for the Plan’s financial management. Future valuations may differ significantly if the Plan’s experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the City as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. Additionally, in our opinion, actuarial methods and assumptions comply with GASB 43 and 45. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

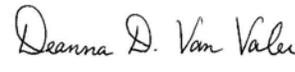
Respectfully submitted,



John E. Bartel, ASA, MAAA
President
Bartel Associates, LLC
May 9, 2016



Mary Elizabeth Redding, FSA, EA, MAAA
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May 9, 2016



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May 9, 2016



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EXHIBITS

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PREMIUMS

2014 PEMHCA Monthly Premiums**Bay Area**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$657.33	\$1,314.66	\$1,709.06	\$341.12	\$682.24	\$1,023.36
Anthem Traditional	728.41	1,456.82	1,893.87	341.12	682.24	1,023.36
Blue Shield Access+	836.59	1,673.18	2,175.13	298.21	596.42	894.63
Blue Shield NetValue	704.01	1,408.02	1,830.43	298.21	596.42	894.63
Kaiser	742.72	1,485.44	1,931.07	294.97	589.94	884.91
United Healthcare	764.24	1,528.48	1,987.02	193.33	386.66	579.99
PERS Choice	690.77	1,381.54	1,796.00	307.23	614.46	921.69
PERS Select	661.52	1,323.04	1,719.95	307.23	614.46	921.69
PERSCare	720.04	1,440.08	1,872.10	327.36	654.72	982.08
PORAC	634.00	1,186.00	1,507.00	397.00	791.00	1,264.00



E-1



PREMIUMS

2015 PEMHCA Monthly Premiums**Bay Area**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$ 662.41	\$ 1,324.82	\$ 1,722.27	\$ 445.38	\$ 890.76	\$ 1,336.14
Anthem Traditional	827.57	1,655.14	2,151.68	445.38	890.76	1,336.14
Blue Shield Access+	928.87	1,857.74	2,415.06	352.63	705.26	1,057.89
Blue Shield NetValue	870.60	1,741.20	2,263.56	352.63	705.26	1,057.89
Kaiser	714.45	1,428.90	1,857.57	295.51	591.02	886.53
UnitedHealthcare	850.67	1,701.34	2,211.74	267.41	534.82	802.23
PERS Choice	700.84	1,401.68	1,822.18	339.47	678.94	1,018.41
PERS Select	690.43	1,380.86	1,795.12	339.47	678.94	1,018.41
PERSCare	775.08	1,550.16	2,015.21	368.76	737.52	1,106.28
PORAC	675.00	1,292.00	1,642.00	402.00	802.00	1,281.00



E-2



PREMIUMS

2016 PEMHCA Monthly Premiums**Bay Area**

Medical Plan	Non-Medicare Eligible			Medicare Eligible ⁵⁰		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$ 721.79	\$ 1,443.58	\$ 1,876.65	n/a	n/a	n/a
Anthem Traditional	855.42	1,710.84	2,224.09	n/a	n/a	n/a
Blue Shield Access+	1,016.18	2,032.36	2,642.07	n/a	n/a	n/a
Blue Shield NetValue	1,033.86	2,067.72	2,688.04	n/a	n/a	n/a
Health Net SmartCare	808.44	1,616.88	2,101.94	n/a	n/a	n/a
Kaiser	746.47	1,492.94	1,940.82	\$ 297.23	\$ 594.46	\$ 891.69
UnitedHealthcare	955.44	1,910.88	2,484.14	320.98	641.96	962.94
PERS Choice	798.36	1,596.72	2,075.74	366.38	732.76	1,099.14
PERS Select	730.07	1,460.14	1,898.18	366.38	732.76	1,099.14
PERSCare	889.27	1,778.54	2,312.10	408.04	816.08	1,224.12
PORAC	699.00	1,399.00	1,789.00	442.00	881.00	1,408.00

⁵⁰ Beginning January 1, 2016, the only non-Kaiser HMO plan to offer a Medicare plan is UnitedHealthcare.



E-3



PREMIUMS

PEMHCA Monthly Premium Increases/(Decreases)**Bay Area**

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	2014	2015	2016	2014	2015	2016
Anthem Select	n/a	0.8%	9.0%	n/a	30.6%	n/a
Anthem Traditional	n/a	13.6%	3.4%	n/a	30.6%	n/a
Blue Shield	6.6%	11.0%	9.4%	14.1%	18.2%	n/a
Blue Shield NetValue	5.0%	23.7%	18.8%	14.1%	18.2%	n/a
Kaiser	11.1%	(3.8%)	4.5%	2.3%	0.2%	0.6%
UnitedHealthCare	n/a	11.3%	12.3%	n/a	38.3%	20.0%
PERS Choice	3.6%	1.5%	13.9%	(5.7%)	10.5%	7.9%
PERS Select	35.8%	4.4%	5.7%	(5.7%)	10.5%	7.9%
PERSCare	(33.5%)	7.6%	14.7%	(11.6%)	12.6%	10.7%
PORAC	9.1%	6.5%	3.6%	(5.0%)	1.3%	10.0%



E-4



DATA SUMMARY

Participant Statistics by Bargaining Unit

June 30, 2015

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UTLM	Total
■ Actives								
• Count	5	88	188	76	8	544	46	955
• Avg Age	48.3	42.0	47.6	38.3	45.6	45.6	50.7	45.3
• Avg City Svc	15.8	12.2	9.8	9.1	18.6	10.5	16.5	10.8
• Avg PERS Svc	15.9	13.0	11.8	10.3	19.3	11.4	17.6	11.9
• Avg Salary	\$133,943	\$88,265	\$120,820	\$106,911	\$160,412	\$74,997	\$135,404	\$91,714
• Total Salary ⁵¹	\$670	\$7,767	\$22,714	\$8,125	\$1,283	\$40,798	\$6,229	\$87,586
■ Retirees ⁵² :								
• Count	5	148	298	107	3	441	5	1,007
• Avg Age	59.8	68.9	68.7	64.9	52.6	70.3	58.8	68.9
• Avg Service Ret Age	54.9	54.4	57.9	52.2	50.1	59.1	55.3	57.7
• Avg Disab Ret Age	49.9	47.7	49.9	40.6	n/a	48.2	n/a	45.6

⁵¹ Actual 2014/15 pay paid for those hired < 7/1/14. New hire pay is annualized.

⁵² Amount in 000's. Includes retirees who have waived coverage.



E-5



DATA SUMMARY

Participant Statistics by Bargaining Unit

June 30, 2013

	FCA	IAFF	M/C	PAPOA	PMA	SEIU	UTLM	Total
■ Actives								
• Count	4	95	188	75	7	537	42	948
• Avg Age	51.5	41.7	48.2	37.6	44.5	45.5	49.7	45.2
• Avg City Svc	21.2	11.8	10.2	8.7	19.7	10.6	16.1	10.8
• Avg PERS Svc	21.2	12.4	11.8	9.5	20.0	11.3	16.9	11.7
• Avg Salary	\$150,409	\$104,373	\$106,212	\$110,117	\$168,881	\$68,423	\$121,811	\$86,271
• Total Salary ⁵³	\$602	\$9,915	\$19,968	\$8,259	\$1,182	\$36,743	\$5,116	\$81,785
■ Retirees ⁵⁴ :								
• Count	3	144	280	112	2	423	4	968
• Avg Age	62.6	67.8	67.6	65.3	51.8	69.6	56.0	68.2
• Avg Service Ret Age	58.2	54.4	58.0	53.2	50.2	59.2	55.4	57.8
• Avg Disab Ret Age	49.9	47.1	50.0	40.5	n/a	48.4	n/a	45.3

⁵³ Actual 2012/13 pay paid for those hired < 7/1/12. New hire pay is annualized.

⁵⁴ Amount in 000's. Includes retirees who have waived coverage.



E-6



DATA SUMMARY

Participant Statistics by CalPERS Pension Category

June 30, 2015

	Miscellaneous	Police	Fire	Total
■ Actives				
• Count	776	84	95	955
• Average Age	46.3	39.3	42.4	45.3
• Average City Service	10.6	10.4	12.5	10.8
• Average PERS Service	11.8	11.5	13.2	11.9
• Average Salary	\$89,108	\$113,933	\$93,347	\$91,714
• Total Salary (000's) ⁵⁵	\$69,148	\$9,570	\$8,868	\$87,586
■ Retirees ⁵⁶ :				
• Count	722	121	164	1,007
• Average Age	69.6	64.8	68.5	68.9
• Avg Service Ret Age	58.8	51.9	54.3	57.7
• Avg Disability Ret Age	48.2	40.7	47.9	45.6

⁵⁵ Actual 2014/15 pay paid for those hired < 7/1/14. New hire pay is annualized.

⁵⁶ Includes retirees who have waived coverage.



E-7



DATA SUMMARY

Participant Statistics by CalPERS Pension Category

June 30, 2013

	Miscellaneous	Police	Fire	Total
■ Actives				
• Count	765	82	101	948
• Average Age	46.4	38.5	42.1	45.2
• Average City Service	10.8	10.0	12.2	10.8
• Average PERS Service	11.7	10.8	12.8	11.7
• Average Salary	\$80,179	\$117,217	\$107,291	\$86,271
• Total Salary (000's) ⁵⁷	\$61,337	\$9,612	\$10,836	\$81,785
■ Retirees ⁵⁸ :				
• Count	690	121	157	968
• Average Age	68.9	64.4	67.6	68.2
• Avg Service Ret Age	58.8	52.1	54.5	57.8
• Avg Disability Ret Age	48.4	40.6	47.3	45.3

⁵⁷ Actual 2012/13 pay paid for those hired < 7/1/12. New hire pay is annualized.

⁵⁸ Includes retirees who have waived coverage.



E-8



DATA SUMMARY

Medical Plan Participation – June 30, 2015

Medical Plan ⁶⁰	Actives		Retirees ⁵⁹					
			< 65		≥ 65		Total	
<i>Miscellaneous/Safety</i>	M	S	M	S	M	S	M	S
Anthem Select	5%	1%	1%	0%	0%	0%	0%	0%
Anthem Traditional	17%	16%	10%	16%	1%	0%	5%	9%
Blue Shield	9%	4%	22%	6%	27%	16%	25%	11%
Blue Shield NetValue	2%	4%	1%	3%	0%	0%	0%	2%
Kaiser	44%	33%	27%	20%	31%	34%	29%	26%
PERS Choice	13%	2%	30%	2%	23%	6%	26%	4%
PERS Select	0%	0%	1%	0%	0%	0%	1%	0%
PERSCare	2%	1%	4%	3%	15%	32%	10%	16%
PORAC	1%	34%	1%	47%	1%	12%	1%	32%
UnitedHealthcare	8%	6%	4%	3%	1%	0%	2%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%

⁵⁹ Under 65 only includes employees who retired on or after June 30, 2008; over 65 only includes retirees up to age 72.

⁶⁰ All Anthem and Blue Shield Medicare retirees are assumed to switch to UnitedHealthcare in 2016 when their current plans are no longer offered.



E-9



DATA SUMMARY

Medical Plan Participation – January 1, 2014

Medical Plan	Actives		Retirees					
			< 65 ⁶¹		≥ 65 ⁶²		Total	
<i>Miscellaneous/Safety</i>	M	S	M	S	M	S	M	S
Anthem Select	1%	1%	0%	0%	0%	0%	0%	0%
Anthem Traditional	19%	17%	6%	11%	0%	0%	4%	9%
Blue Shield	12%	3%	27%	18%	33%	16%	29%	18%
Blue Shield NetValue	6%	4%	1%	4%	0%	0%	0%	3%
Kaiser	37%	32%	28%	15%	27%	41%	28%	20%
PERS Choice	13%	1%	29%	0%	23%	9%	27%	2%
PERS Select	0%	0%	1%	0%	0%	0%	0%	0%
PERSCare	2%	1%	2%	2%	16%	22%	6%	6%
PORAC	1%	35%	2%	47%	1%	13%	2%	41%
UnitedHealthcare	10%	7%	4%	4%	1%	0%	3%	3%
Total	100%	100%	100%	100%	100%	100%	100%	100%

⁶¹ Only includes employees who retired on or after June 30, 2008.

⁶² Only includes retirees up to age 70.



E-10



DATA SUMMARY

Active Medical Coverage - Miscellaneous

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	5	7	19	-	31
Anthem Traditional	27	26	62	-	115
Blue Shield	26	12	21	-	59
Blue Shield NetValue	2	3	10	-	15
Kaiser	97	68	132	-	297
PERS Choice	25	28	34	-	87
PERS Select	1	-	1	-	2
PERSCare	3	6	7	-	16
PORAC	2	1	2	-	5
UnitedHealthcare	13	10	32	-	55
Waived	-	-	-	94	94
Total	201	161	320	94	776

% as of June 30, 2015	26%	21%	41%	12%	100%
% as of June 30, 2013	25%	21%	43%	11%	100%



E-11



DATA SUMMARY

Active Medical Coverage - Safety

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	-	-	2	-	2
Anthem Traditional	3	4	18	-	25
Blue Shield	2	1	3	-	6
Blue Shield NetValue	-	-	6	-	6
Kaiser	14	6	33	-	53
PERS Choice	-	1	2	-	3
PERS Select	-	-	-	-	-
PERSCare	-	-	1	-	1
PORAC	11	7	37	-	55
UnitedHealthcare	4	-	6	-	10
Waived	-	-	-	18	18
Total	34	19	108	18	179

% as of June 30, 2015	19%	11%	60%	10%	100%
% as of June 30, 2013	20%	10%	62%	8%	100%



E-12



DATA SUMMARY

Retiree Medical Coverage⁶³ - Miscellaneous

Medical Plan	Single		2-Party		Family		Waived		Total
	<65	65+	<65	65+	<65	65+	<65	65+	
Anthem EPO	1	-	-	-	-	-	-	-	1
Anthem Select	-	-	1	-	-	-	-	-	1
Anthem Traditional	3	-	5	1	8	1	-	-	18
Blue Shield	26	51	17	40	7	5	-	-	146
Blue Shield NetValue	1	-	-	-	-	-	-	-	1
Kaiser	31	53	24	53	6	6	-	-	173
PERS Choice	30	41	27	36	9	2	-	-	145
PERS Select	2	-	-	-	-	-	-	-	2
PERSCare	9	78	5	44	-	-	-	-	136
PORAC	2	-	1	2	-	-	-	-	5
UnitedHealthcare	3	2	4	2	1	-	-	-	12
Waived	-	-	-	-	-	-	29	53	82
Total	108	225	84	178	31	14	29	53	722

% as of June 30, 2015	42%	48%	33%	38%	13%	3%	12%	11%	100%
% as of June 30, 2013	46%	48%	35%	38%	14%	3%	5%	11%	100%

⁶³ Approximately 69% of retirees have coverage in a Bay Area region plan. The rest are in other state regions or out of state.



E-13



DATA SUMMARY

Retiree Medical Coverage⁶⁴ - Safety

Medical Plan	Single		2-Party		Family		Waived		Total
	<65	65+	<65	65+	<65	65+	<65	65+	
Anthem EPO	-	-	-	-	-	-	-	-	-
Anthem Select	-	-	-	-	-	-	-	-	-
Anthem Traditional	1	-	1	-	9	-	-	-	11
Blue Shield	6	14	2	12	7	-	-	-	41
Blue Shield NetValue	-	1	1	-	3	-	-	-	5
Kaiser	5	14	5	19	12	2	-	-	57
PERS Choice	3	7	3	15	3	-	-	-	31
PERS Select	-	-	-	-	-	-	-	-	-
PERSCare	11	27	4	23	2	1	-	-	68
PORAC	6	3	15	4	18	2	-	-	48
UnitedHealthcare	1	-	1	-	1	-	-	-	3
Waived	-	-	-	-	-	-	6	15	21
Total	33	66	32	73	55	5	6	15	285

% as of June 30, 2015	26%	42%	25%	46%	44%	3%	5%	9%	100%
% as of June 30, 2013	31%	43%	27%	43%	40%	4%	2%	11%	100%

⁶⁴ Approximately 51% of retirees have coverage in a Bay Area region plan. The rest are in other state regions or out of state.



E-14



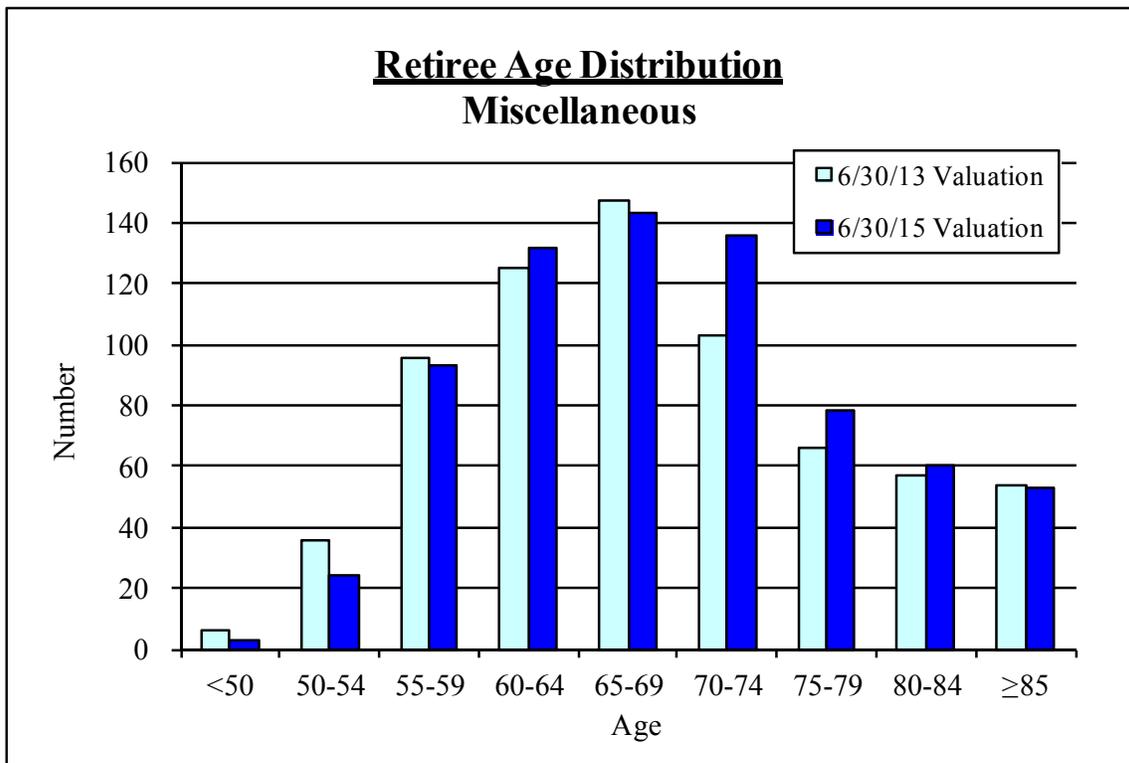
DATA SUMMARY

Retirees Medical Coverage by Age – Miscellaneous

Age	Single	2-Party	Family	Waived	Total
Under 50	2	-	1	-	3
50-54	8	2	6	8	24
55-59	38	29	13	13	93
60-64	60	53	11	8	132
65-69	61	59	11	12	143
70-74	69	58	3	6	136
75-79	43	29	-	6	78
80-84	22	24	-	14	60
85 & Over	30	8	-	15	53
Total	333	262	45	82	722
Average Age	70.4	69.3	61.2	72.3	69.6



DATA SUMMARY



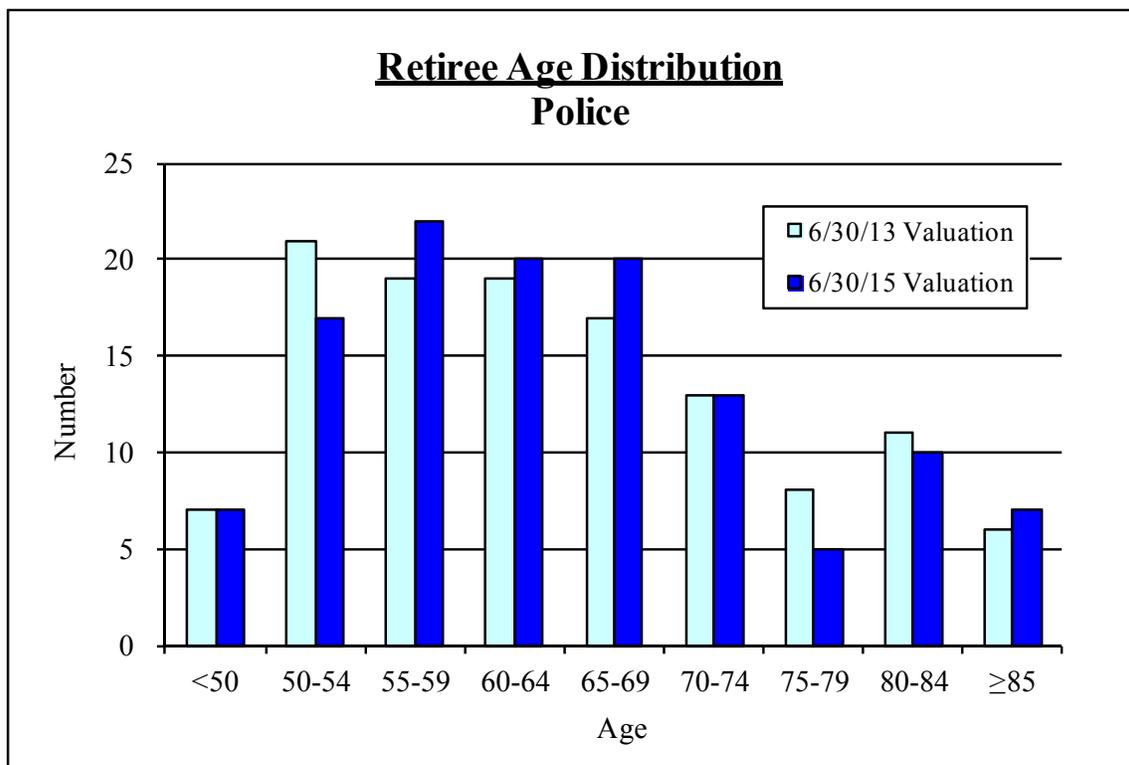
DATA SUMMARY

Retirees Medical Coverage by Age – Police

Age	Single	2-Party	Family	Waived	Total
Under 50	2	1	1	3	7
50-54	6	3	8	-	17
55-59	8	4	8	2	22
60-64	10	4	5	1	20
65-69	4	11	2	3	20
70-74	7	4	-	2	13
75-79	4	1	-	-	5
80-84	6	2	-	2	10
85 & Over	5	2	-	-	7
Total	52	32	24	13	121
Average Age	66.8	67.8	56.8	62.2	64.8



DATA SUMMARY



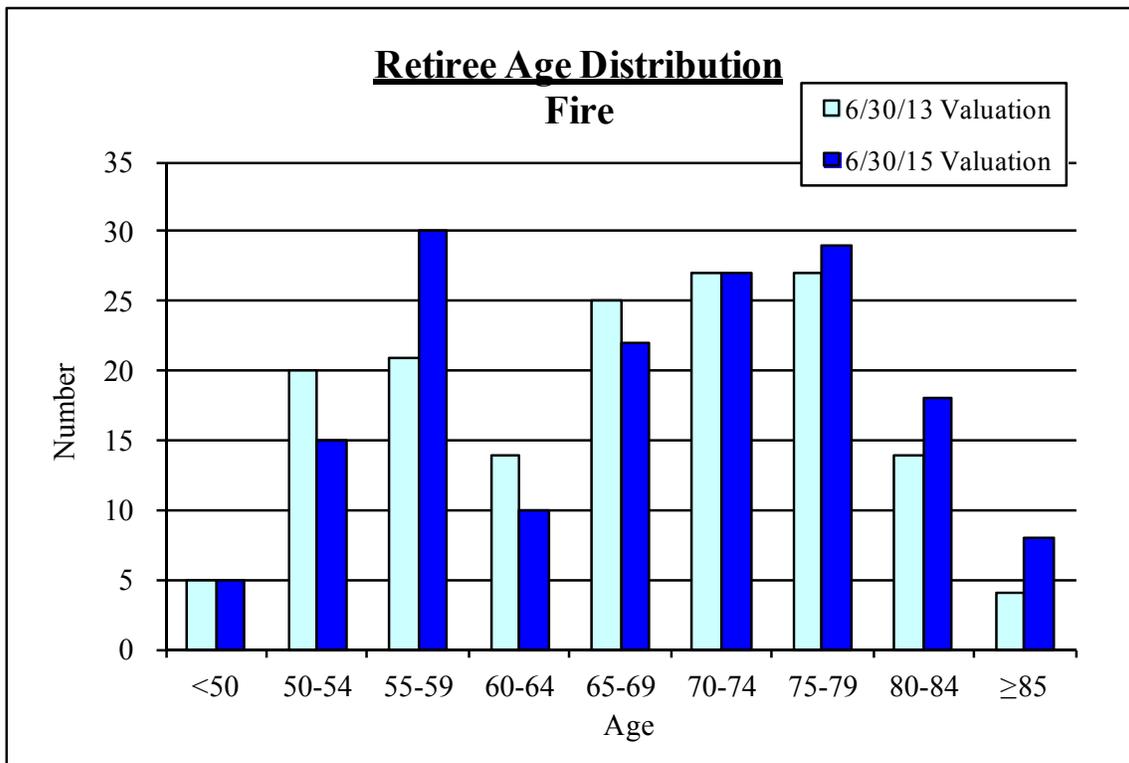
DATA SUMMARY

Retirees Medical Coverage by Age – Fire

Age	Single	2-Party	Family	Waived	Total
Under 50	-	1	4	-	5
50-54	-	3	12	-	15
55-59	5	10	15	-	30
60-64	2	6	2	-	10
65-69	6	13	1	2	22
70-74	10	13	2	2	27
75-79	14	14	-	1	29
80-84	6	10	-	2	18
85 & Over	4	3	-	1	8
Total	47	73	36	8	164
Average Age	74.0	70.4	55.8	75.9	68.5



DATA SUMMARY



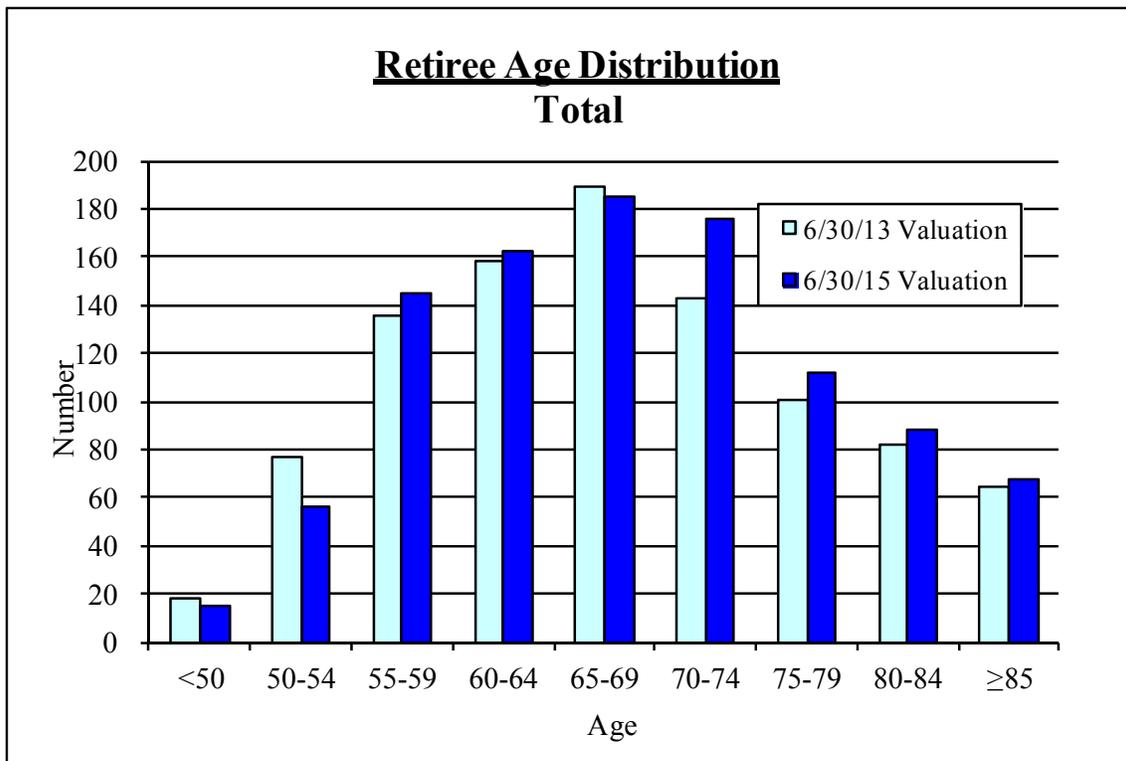
DATA SUMMARY

Retirees Medical Coverage by Age – Total

Age	Single	2-Party	Family	Waived	Total
Under 50	4	2	6	3	15
50-54	14	8	26	8	56
55-59	51	43	36	15	145
60-64	72	63	18	9	162
65-69	71	83	14	17	185
70-74	86	75	5	10	176
75-79	61	44	-	7	112
80-84	34	36	-	18	88
85 & Over	39	13	-	16	68
Total	432	367	105	103	1,007
Average Age	70.5	69.3	58.4	71.3	68.9



DATA SUMMARY



DATA SUMMARY

Actives by Age and Service – Miscellaneous

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	4	4	-	-	-	-	-	8
25-29	17	26	1	-	-	-	-	44
30-34	13	45	23	3	-	-	-	84
35-39	10	32	32	28	5	-	-	107
40-44	10	17	18	27	17	3	-	92
45-49	11	22	23	23	25	10	3	117
50-54	7	12	28	24	37	27	22	157
55-59	3	15	18	13	22	8	14	93
60-64	1	4	12	11	11	10	4	53
≥ 65	-	1	3	3	4	6	4	21
Total	76	178	158	132	121	64	47	776



E-23



DATA SUMMARY

Actives by Age and Service – Police

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	1	-	-	-	-	-	1
25-29	1	3	1	-	-	-	-	5
30-34	-	8	13	1	-	-	-	22
35-39	1	5	8	7	3	-	-	24
40-44	-	1	2	4	4	1	-	12
45-49	-	1	1	2	1	5	1	11
50-54	-	-	1	1	2	1	1	6
55-59	-	-	1	-	1	-	1	3
60-64	-	-	-	-	-	-	-	-
≥ 65	-	-	-	-	-	-	-	-
Total	2	19	27	15	11	7	3	84



E-24



DATA SUMMARY

Actives by Age and Service – Fire

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	-	-	-	-	-	-	-
25-29	-	9	3	-	-	-	-	12
30-34	-	5	2	2	-	-	-	9
35-39	-	6	4	3	-	-	-	13
40-44	-	3	3	5	8	-	-	19
45-49	-	-	-	8	9	8	1	26
50-54	-	1	1	3	3	4	1	13
55-59	-	-	-	-	-	1	-	1
60-64	-	-	-	-	-	-	1	1
≥ 65	-	-	-	-	-	1	-	1
Total	-	24	13	21	20	14	3	95



E-25



DATA SUMMARY

Actives by Age and Service – Total

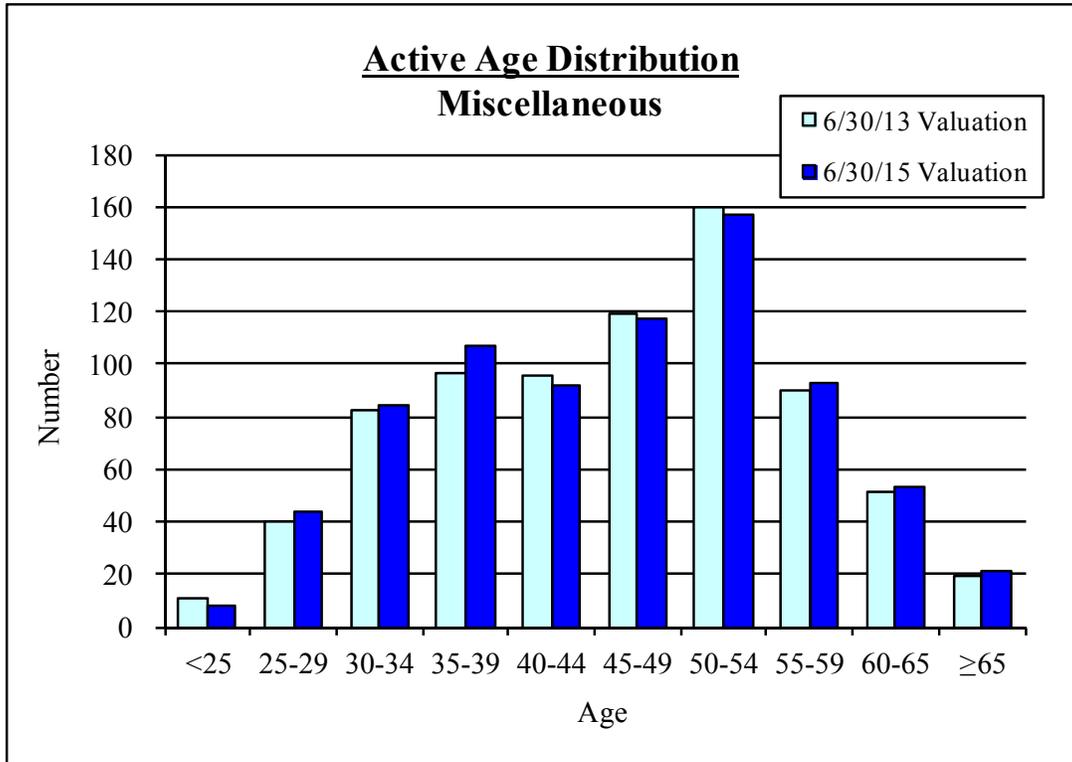
Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	4	5	-	-	-	-	-	9
25-29	18	38	5	-	-	-	-	61
30-34	13	58	38	6	-	-	-	115
35-39	11	43	44	38	8	-	-	144
40-44	10	21	23	36	29	4	-	123
45-49	11	23	24	33	35	23	5	154
50-54	7	13	30	28	42	32	24	176
55-59	3	15	19	13	23	9	15	97
60-64	1	4	12	11	11	10	5	54
≥ 65	-	1	3	3	4	7	4	22
Total	78	221	198	168	152	85	53	955



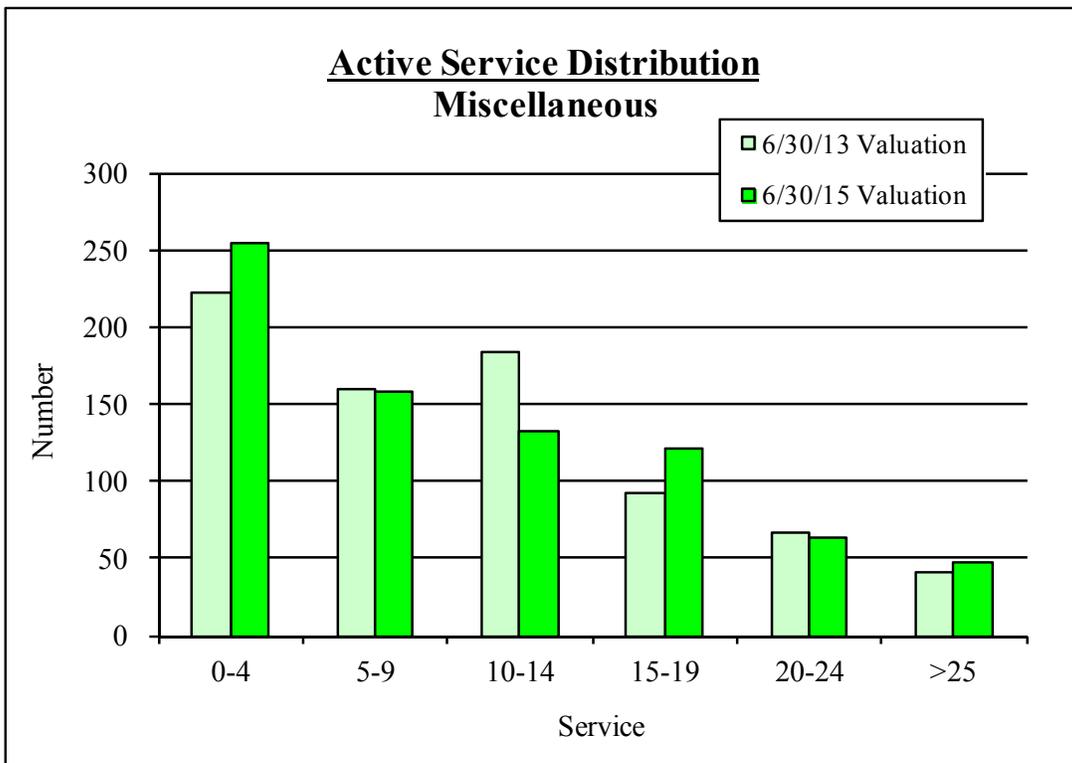
E-26



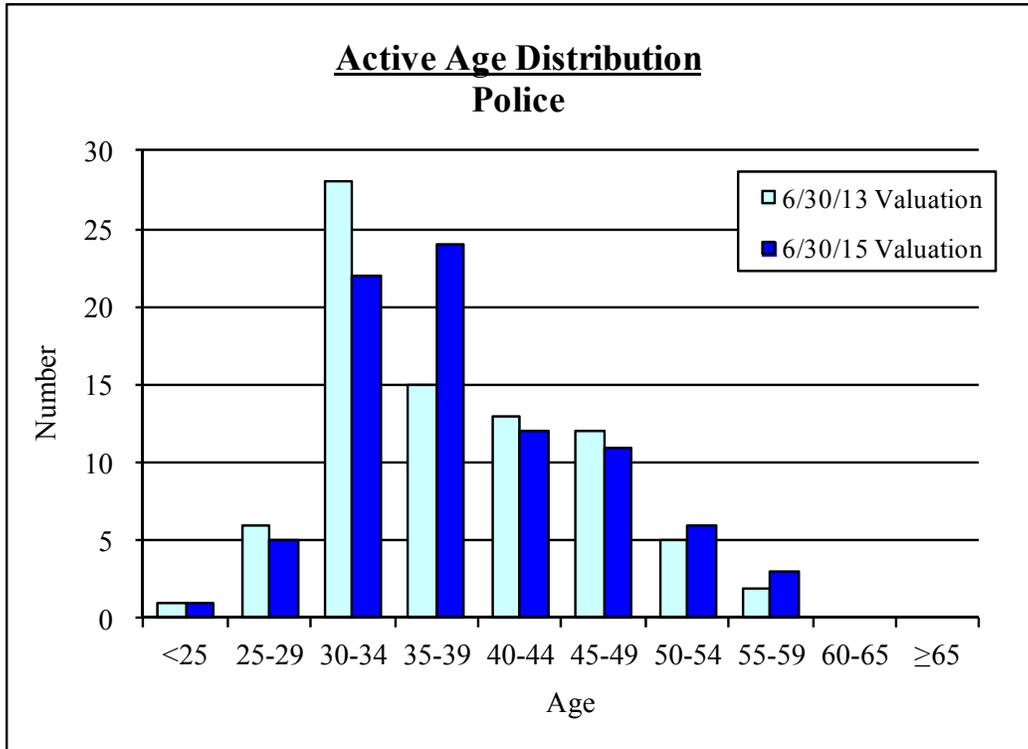
DATA SUMMARY



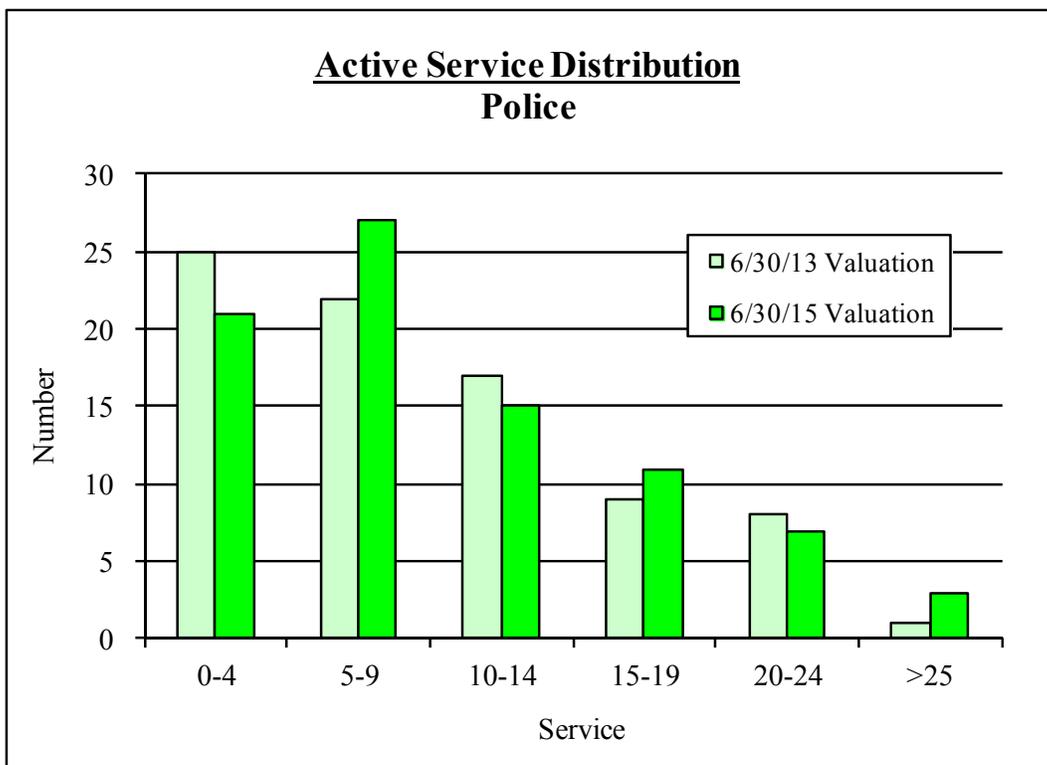
DATA SUMMARY



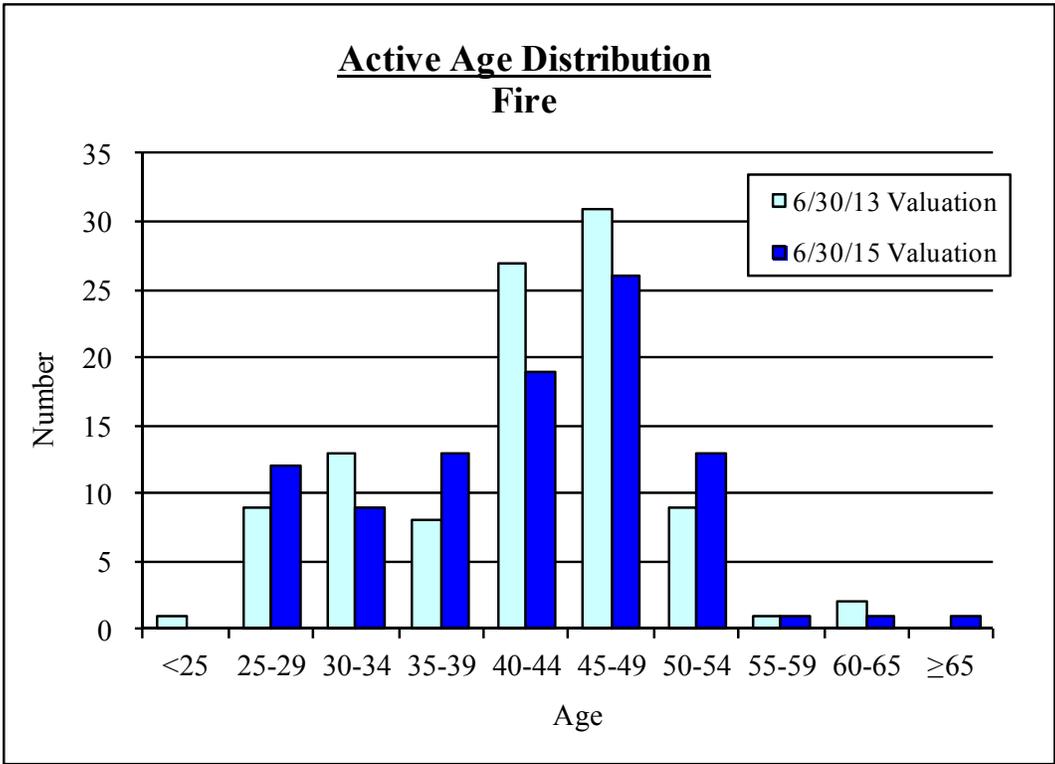
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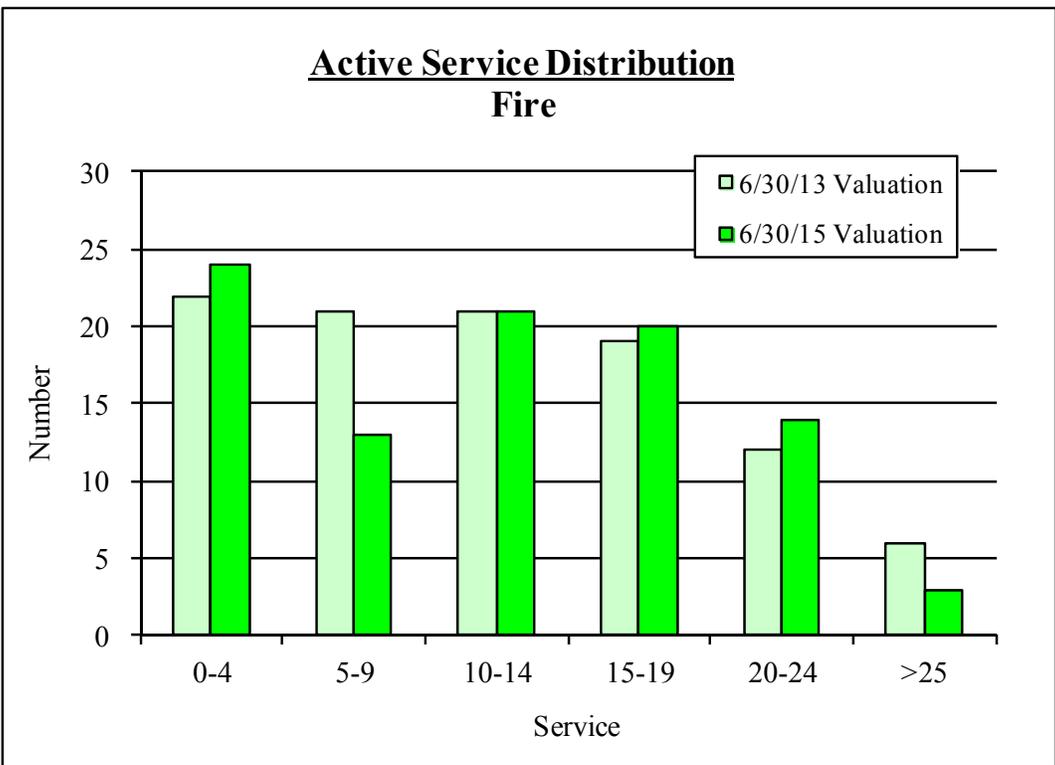
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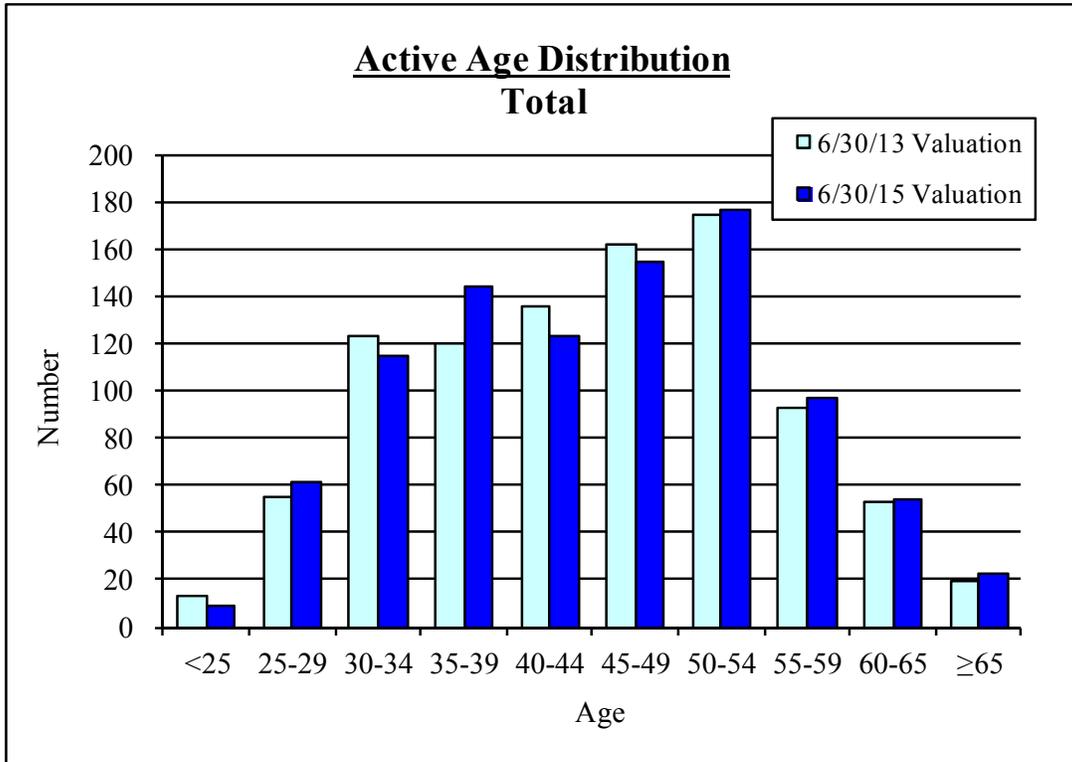
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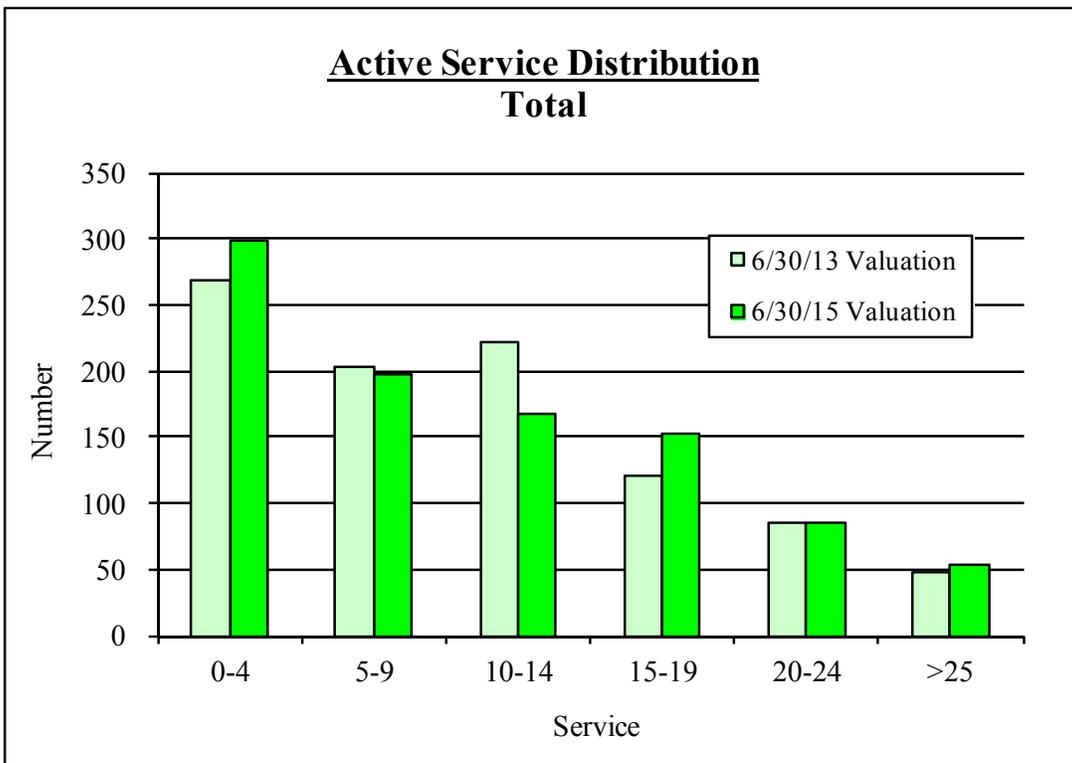
DATA SUMMARY



DATA SUMMARY



DATA SUMMARY



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2013 ■ Fiscal Years 2014/15 & 2015/16 ARCs (end of year) ■ 1 year lag 	<ul style="list-style-type: none"> ■ June 30, 2015 ■ GASB 45 ARC for Fiscal Year 2016/17. ADC⁶⁵ for Fiscal Year 2017/18. (end of year) ■ 1 year lag
■ Funding Policy	■ Full Pre-funding through CalPERS trust (CERBT) asset allocation #1	■ Same
■ General Inflation	■ 3.00%	■ Same
■ Discount Rate	■ 7.61% (no Margin for Adverse Deviation)	■ 7.25%, net of expenses (based on CERBT Fund 1)

⁶⁵ Actuarially Determined Contribution



E-35



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Payroll Increases	<ul style="list-style-type: none"> ■ Aggregate Increases – 3.25% ■ Merit Increases – CalPERS 1997-2007 Experience Study 	<ul style="list-style-type: none"> ■ Aggregate Increases – 3.25% ■ Merit Increases – CalPERS 1997-2011 Experience Study
■ Increase to Dollar Caps for SEIU Group 3	<ul style="list-style-type: none"> ■ ½ of Medical Trend, not less than assumed inflation (3.0%). Increase is for purposes of financial projection only and does not imply any obligation to increase the cap in the future 	<ul style="list-style-type: none"> ■ Same ■ Now also applies to Mgmt/Conf Group 3



E-36



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation			June 30, 2015 Valuation		
■ Medical Trend	<u>Increase from Prior Year</u>			<u>Increase from Prior Year</u>		
	<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>	<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>
	2013	Premiums		2013	n/a	
	2014	Premiums		2014	n/a	
	2015	8.0%	8.3%	2015	Premiums	
	2016	7.5%	7.8%	2016	Premiums	
	2017	7.0%	7.2%	2017	7.0%	7.2%
	2018	6.5%	6.7%	2018	6.5%	6.7%
	2019	6.0%	6.1%	2019	6.0%	6.1%
	2020	5.5%	5.6%	2020	5.5%	5.6%
	2021+	5.0%	5.0%	2021+	5.0%	5.0%
■ ACA Excise Tax	■ N/A			■ Estimate by 2% load on cash subsidy		
■ Mortality, Termination, Disability	■ CalPERS 1997-2007 Experience Study ■ Mortality improvement projection Scale AA			■ CalPERS 1997-2011 Experience Study ■ Mortality improvement Scale MP-14 modified to converge to ultimate improvement in 2022		



E-37



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation			June 30, 2015 Valuation		
■ Retirement	■ CalPERS 1997-2007 Experience Study			■ CalPERS 1997-2011 Experience Study		
		<u>Misc</u>	<u>Fire & Police</u>		<u>Misc</u>	<u>Fire & Police</u>
	Tier 1	2.7%@55	3%@50	Tier 1	2.7%@55	3%@50
	Exp. RA ⁶⁶	59.3	55.7 & 54.5	Exp. RA ⁶⁵	58.6	56.7 & 55.0
	Tier 2	2%@60 ⁶⁷	3%@55 ⁶⁸	Tier 2	2%@60 ⁶⁷	3%@55 ⁶⁸
	Exp. RA	61.1	n/a & 59.7	Exp. RA	60.9	n/a & 57.3
	PEPRA ⁶⁹	2.5%@67	2.7%@57	PEPRA ⁶⁹	2.5%@67	2.7%@57
	Exp. RA	61.0	n/a & 56.8	Exp. RA	60.9	n/a & 57.7

⁶⁶ Retirement Age

⁶⁷ Applies to non-PEPRA (Classic) employees hired after 7/17/2010

⁶⁸ Applies to non-PEPRA (Classic) Police employees hired after 12/7/2012 and Fire employees hired after 6/7/2012

⁶⁹ Applies to employees hired after 1/1/2013 and considered "New Members" under PEPRA



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ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation			June 30, 2015 Valuation		
■ Medical Plan at Retirement & Retirees Attaining age 65	■ Miscellaneous:	<65	65+	■ Miscellaneous:	<65	65+
	Anthem Tradition	5%	0%	Anthem Tradition	10%	0%
	Blue Shield	25%	30%	Blue Shield	20%	30%
	Kaiser	30%	25%	Kaiser	30%	30%
	PERS Choice	30%	25%	PERS Choice	30%	25%
	PERSCare	5%	20%	PERSCare	5%	15%
	United HC	5%	0%	United HC ⁷⁰	5%	0%
	■ Safety:	<65	65+	■ Safety:	<65	65+
	Anthem Tradition	10%	0%	Anthem Tradition	15%	0%
	Blue Shield	20%	20%	Blue Shield	10%	20%
	Blue Shield NV	5%	0%	Blue Shield NV	5%	0%
	Kaiser	15%	35%	Kaiser	20%	35%
	PERS Choice	0%	10%	PERS Choice	0%	5%
	PERSCare	0%	25%	PERSCare	0%	30%
PORAC	45%	10%	PORAC	45%	10%	
United HC	5%	0%	United HC ⁷⁰	5%	0%	

⁷⁰ Beginning January 1, 2016, all retirees in Anthem and Blue Shield Medicare plans are assumed to move to UHC Medicare.



May 9, 2016

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ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation		June 30, 2015 Valuation	
■ Participation at Retirement	■ Groups 1 & 2: already retired		■ Groups 3 & 4: 90%	
	■ Group 3: 90%		■ Based on Plan Experience ⁷¹	
	■ Group 4: 85%			
■ Spousal Coverage at Retirement	■ Currently covered: based on current elections		■ Same	
	■ Currently waived: 80%			
■ Family Coverage at Retirement	■ Actives		■ Same	
	• Misc : 15% until age 65		■ Based on Plan Experience	
	• Safety : 40% until age 65			
	■ Retirees: based on current elections until age 65			

⁷¹ Actual participation percentages for Group 3 since 6/30/13 are 73% Miscellaneous and 93% Safety, or 78% overall. We recommend continued monitoring but do not update this year. Group 4 has very little actual experience, but those with less than 10 years service will receive no benefit at all (assumption applies only to those with more than 10 years service).



May 9, 2016

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ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Medicare Eligible Rate 	<ul style="list-style-type: none"> ■ Actives hired < 4/1/86: <ul style="list-style-type: none"> • Miscellaneous – 80% • Safety – 90% ■ Actives hired ≥ 4/1/86: 100% ■ Retirees < 65: 90% ■ Everyone eligible for Medicare will elect Part B coverage 	<ul style="list-style-type: none"> ■ Actives and retirees hired < 4/1/86: <ul style="list-style-type: none"> • Miscellaneous – 80% • Safety – 90% ■ Actives and retirees hired ≥ 4/1/86: 100% ■ Retirees < 65 with unknown hire date: 90% ■ Everyone eligible for Medicare will elect Part B coverage
<ul style="list-style-type: none"> ■ Waived Retiree Re-election 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ Pre-65 – 20% re-elect at age 65 ■ Post-65 – 0%
<ul style="list-style-type: none"> ■ Surviving Spouse Participation 	<ul style="list-style-type: none"> ■ 100% 	<ul style="list-style-type: none"> ■ Same



E-41



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation																																																																																																																																		
<ul style="list-style-type: none"> ■ Sample Medical Claims Costs 2014 	<ul style="list-style-type: none"> ■ Sample estimated monthly claims costs: <table style="margin-left: 40px;"> <tr> <td colspan="7" style="text-align: center;"><u>Bay Area – Non-Medicare Eligible</u></td> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;"><u>Kaiser (HMO)</u></td> <td colspan="2" style="text-align: center;"><u>PERS Choice (PPO)</u></td> <td colspan="2" style="text-align: center;"><u>PORAC</u></td> </tr> <tr> <td style="text-align: center;"><u>Age</u></td> <td style="text-align: center;"><u>M</u></td> <td style="text-align: center;"><u>F</u></td> <td style="text-align: center;"><u>M</u></td> <td style="text-align: center;"><u>F</u></td> <td style="text-align: center;"><u>M</u></td> <td style="text-align: center;"><u>F</u></td> </tr> <tr> <td style="text-align: center;">55</td> <td style="text-align: right;">\$852</td> <td style="text-align: right;">\$862</td> <td style="text-align: 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ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation							
■ Sample Medical Claims Costs 2016	■ Sample estimated monthly claims costs:	<u>Bay Area – Non-Medicare Eligible</u>							
			<u>Kaiser (HMO)</u>		<u>PERS Choice (PPO)</u>		<u>PORAC</u>		
		<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	
		55	\$856	\$866	\$851	\$823	\$826	\$799	
		60	1,093	1,023	1,023	946	990	917	
		65	1,381	1,244	1,270	1,142	1,231	1,107	
		70	1,637	1,438	1,506	1,320	1,459	1,279	
		75	1,956	1,691	1,799	1,553	1,743	1,505	
		80	2,271	1,948	2,088	1,789	2,024	1,734	
		85	2,559	2,198	2,353	2,018	2,280	1,956	
			<u>Bay Area – Medicare Eligible</u>						
				<u>Kaiser (HMO)</u>		<u>PERS Choice (PPO)</u>		<u>PORAC</u>	
		<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	
		65	\$285	\$265	\$346	\$362	\$435	\$456	
		70	268	256	329	351	414	441	
75	336	301	372	387	467	486			
80	360	319	384	399	483	501			
85	358	318	379	394	477	495			



E-43



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation
■ CalPERS Service	■ City service plus ½ service between age 30 and City hire date	■ Actual data
■ Spouse Age	■ Actives – Males 3 years older than females ■ Retirees – Males 3 years older than females if spouse birth date not available	■ Same
■ Missing Fund	■ Retirees missing fund assumed to be based on current active percentages: 90% GF, 5% Elec, and 5% UTL⁷²	■ Retirees missing fund assumed to be based on current active percentages: 75% GF, 15% Elec, and 10% UTL⁷²



E-44



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Missing Bargaining Unit 	<ul style="list-style-type: none"> ■ Retirees missing bargaining unit assumed to have the same BU as in the prior valuation if available; otherwise, assumed to be SEIU unless fund designates Police (PAPOA) or Fire (IAFF)⁷² 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Missing Department 	<ul style="list-style-type: none"> ■ Liability for retirees assumed to be 90% GF from above assumption allocated proportionately across all Departments⁷³ 	<ul style="list-style-type: none"> ■ Liability for retirees assumed to be 75% GF from above assumption allocated proportionately across all Departments⁷³

⁷² Fewer than 10% of retirees have missing Bargaining Unit, Fund or Department. Does not affect results, but does affect internal cost allocations used by the City.

⁷³ Fewer than 10% of retirees have missing Bargaining Unit, Fund or Department. Does not affect results, but does affect internal cost allocations used by the City.



ACTUARIAL ASSUMPTIONS

	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Future New Participants 	<ul style="list-style-type: none"> ■ None – Closed Group 	<ul style="list-style-type: none"> ■ Same



RESULTS BY FUND

Actuarial Obligations – June 30, 2015

(Amounts in 000's)

	AAL	Assets	UAAL
■ Airport	\$ 209	\$ 4	\$ 205
■ CIP	3,036	1,114	1,923
■ Elec ⁷⁴	28,519	10,014	18,505
■ Gas ⁷⁴	10,628	3,994	6,634
■ GF	155,343	47,751	107,592
■ ISF – Technology	4,382	1,842	2,540
■ ISF – Vehicle	1,840	1,142	698
■ ISF – Printing & Mailing	723	354	369
■ Refuse	6,026	2,589	3,437
■ Storm Drain	1,920	606	1,314
■ Water ⁷⁴	5,546	2,983	2,563
■ WWC ⁷⁴	3,038	1,563	1,474
■ WWT	<u>13,585</u>	<u>4,622</u>	<u>8,963</u>
■ Total	234,795	78,578	156,217

⁷⁴ AAL for UTL employees allocated to Elec, Gas, Water, and WWC in proportion to each Fund's AAL

May 9, 2016

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RESULTS BY FUND

Annual Required Contribution (ARC)

(Amounts in 000's)

	2016/17	2017/18⁷⁵
■ Airport	\$ 34	\$ 35
■ CIP	250	258
■ Elec ⁷⁴	2,077	2,152
■ Gas ⁷⁴	723	748
■ GF	10,866	11,247
■ ISF – Technology	342	353
■ ISF – Vehicle	130	134
■ ISF – Printing & Mailing	42	43
■ Refuse	291	302
■ Storm Drain	137	142
■ Water ⁷⁴	302	313
■ WWC ⁷⁴	190	197
■ WWT	<u>981</u>	<u>1,014</u>
■ Total	16,365	16,938

⁷⁵ ADC for 2017/18.

May 9, 2016

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RESULTS BY GF DEPARTMENT

Actuarial Obligations – June 30, 2015

(Amounts in 000's)

	AAL	Assets ⁷⁶	UAAL
■ ASD	\$ 9,542	\$ 2,933	\$ 6,609
■ ATT	1,950	600	1,350
■ AUD	322	99	223
■ CLK	821	252	569
■ COU	1,269	390	879
■ CSD	17,288	5,314	11,974
■ FIR	46,775	14,378	32,397
■ HRD	2,871	883	1,988
■ LIB	5,870	1,804	4,066
■ MGR	2,089	642	1,447
■ PLA	7,863	2,417	5,446
■ POL	43,702	13,434	30,268
■ PWD	<u>14,981</u>	<u>4,605</u>	<u>10,376</u>
■ Total	155,343	47,751	107,592

⁷⁶ Assets allocated in proportion to AAL.

E-49



RESULTS BY GF DEPARTMENT

Annual Required Contribution (ARC)

(Amounts in 000's)

	2016/17	2017/18 ⁷⁷
■ ASD	\$ 677	\$ 704
■ ATT	149	153
■ AUD	55	57
■ CLK	55	57
■ COU	53	54
■ CSD	1,283	1,328
■ FIR	2,948	3,050
■ HRD	175	182
■ LIB	539	556
■ MGR	187	193
■ PLA	520	538
■ POL	3,150	3,260
■ PWD	<u>1,075</u>	<u>1,115</u>
■ Total	10,866	11,247

⁷⁷ ADC for 2017/18.

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DEFINITIONS

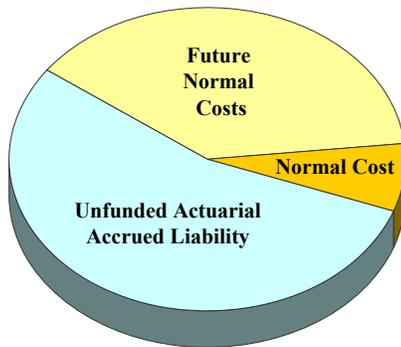
<p>■ GASB 45 Accrual Accounting</p>	<ul style="list-style-type: none"> • Project future employer-provided benefit cash flows for current active employees and current retirees • Discount projected cash flow to valuation date using discount rate (assumed return on assets used to pay benefits) and other actuarial assumptions to determine present value of projected future benefits (PVB) • Allocate PVB to past, current, and future periods using the actuarial cost method • Actuarial cost method used for this valuation is the Entry Age Normal Cost method which determines Normal Cost as a level percentage of payroll (same method used by CalPERS) • Normal Cost is amount allocated to current fiscal year • Actuarial Accrued Liability (AAL) is amount allocated to prior service with employer • Unfunded AAL (UAAL) is AAL less plan assets pre-funded in a segregated and restricted trust
<p>■ PayGo Cost</p>	<ul style="list-style-type: none"> • Cash subsidy is the pay-as-you-go employer benefit payments for retirees • Implied subsidy is the difference between the actual cost of retiree benefits and retiree premiums subsidized by active employee premiums



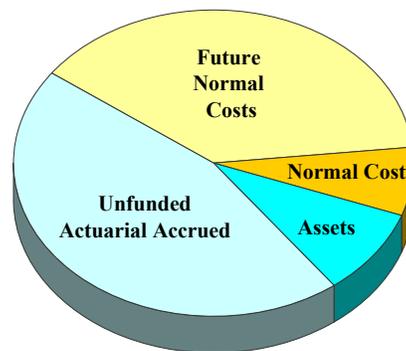
DEFINITIONS

Present Value of Benefits

**Present Value of Benefits
(Without Plan Assets)**



**Present Value of Benefits
(With Plan Assets)**



DEFINITIONS

<p>■ Annual Required Contribution (ARC)</p>	<ul style="list-style-type: none"> ● “Required contribution” for the current period including: <ul style="list-style-type: none"> ➢ Normal Cost ➢ Amortization of: <ul style="list-style-type: none"> - Initial UAAL - AAL for plan, assumption, and method changes - Experience gains/losses (difference between expected and actual) - Contribution gains/losses (difference between ARC and contributions) ● ARC in excess of pay-as-you-go costs not required to be funded
<p>■ Net OPEB Obligation (NOO)</p>	<ul style="list-style-type: none"> ● Net OPEB Obligation is the accumulated amounts expensed but not funded ● Net OPEB Asset if amounts funded exceed those expensed
<p>■ Annual OPEB Cost (AOC)</p>	<ul style="list-style-type: none"> ● Expense for the current period including: <ul style="list-style-type: none"> ➢ ARC ➢ Interest on NOO ➢ Adjustment of NOO ● NOO adjustment prevents double counting of expense since ARCs include an amortization of prior contribution gains/losses previously expensed





City of Palo Alto Finance Committee Staff Report

(ID # 6657)

Report Type: Action Items**Meeting Date: 4/19/2016****Council Priority: City Finances****Summary Title: Storm Drain Fee Increase for FY2017****Title: Adoption of a Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) Reflecting a 3.2 Percent Consumer Price Index Rate Increase to \$13.03 Per Month Per Equivalent Residential Unit for Fiscal Year 2017****From: City Manager****Lead Department: Public Works**

Recommendation

Staff recommends that the Finance Committee recommend that Council adopt the attached resolution (Attachment A) amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage), to implement a 3.2% rate increase consistent with the applicable Consumer Price Index – Urban Consumers, increasing the monthly charge per Equivalent Residential Unit by \$0.40, from \$12.63 to \$13.03 for Fiscal Year 2017.

Background

On April 26, 2005, a majority of Palo Alto property owners approved a ballot measure authorizing an increase in the monthly Storm Drainage Fee to fund storm drain capital improvements and augmented maintenance. Council certified the results of the ballot proceeding on May 9, 2005. The approved ballot measure contained an annual fee escalator clause that permits the Council to raise the Storm Drainage Fee each year to account for inflationary cost increases. Specifically, the ballot measure stated:

“In order to offset the effects of inflation on labor and material costs, the proposed fee increase would be subject to annual increases beyond the initial \$10.00 per Equivalent Residential Unit (ERU) rate as of July 1 of each year, starting in 2006. Inflation adjustments would be based on the lesser of the local rate of inflation (based on the change in the Consumer Price Index [CPI-U] for the San Francisco-Oakland-San Jose CMSA, published by the United States Department of Labor, Bureau of Labor Statistics) or 6 percent. The City Council would have the authority and discretion to implement inflation adjustments on an annual basis as part of the City budget process.”

On May 9, 2005, Council adopted a resolution increasing the Storm Drainage rate schedule to \$10.00 per month per ERU, effective June 1, 2005. The Council approved rate for FY 2016 is \$12.63 per month per ERU.

Discussion

Staff has determined from Bureau of Labor Statistics records that the CPI-U for the San Francisco-Oakland-San Jose CMSA increased by 3.2% between December 2014 and December 2015. As the CPI-U rate is substantially lower than 6%, consistent with the ballot measure, staff recommends that the Storm Drainage Fee be increased by the CPI-U in order to keep fund revenues consistent with general cost increases and to provide sufficient funds for planned storm drain capital expenditures. In particular, the increased revenue is needed to cover construction costs for the remaining storm drain capital improvement projects. Approval of the rate increase will help to ensure that staff can complete all seven of the capital projects specified in the 2005 ballot measure before the fee increase sunsets in June 2017. A table summarizing projected rate increases for all of the City’s utilities for the period of FY 2017 through FY 2021 is attached for reference (Attachment B). In order to enact the Storm Drainage Fee increase, Council must adopt the attached resolution amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage). The new rate for the Storm Drainage Fee will be \$13.03 per month per ERU. Single-family residential properties are billed a monthly amount based on parcel size, in accordance with the following table:

RESIDENTIAL RATES (Single-Family Residential Properties)			
PARCEL SIZE (sq. ft.)	ERU	FY2016 RATE	FY2017 RATE
< 6,000 sq. ft.	0.8 ERU	\$10.11/month	\$10.43/month
6,000-11,000 sq. ft.	1.0 ERU	\$12.63/month	\$13.03/month
> 11,000 sq. ft.	1.4 ERU	\$17.68/month	\$18.25/month

Commercial, industrial, institutional, and multi-family residential properties are billed on a monthly basis at a rate of 1.0 ERU for each 2,500 square feet of impervious surface on the parcel.

Resource Impact

The 3.2 percent increase in rates is expected to increase annual revenue to the Storm Drainage Fund by approximately \$194,000 and, if recommended, will be included in the Public Works Department Storm Drainage Fund FY 2017 proposed operating budget. When the storm drain rates approved by property owners via the 2005 ballot measure sunset on June 1, 2017, rates will revert to \$4.25 per month per ERU unless higher rates are approved through a new ballot measure process. Staff has been working with a city manager-appointed blue ribbon committee of Palo Alto residents to develop the scope and timing of a storm drain ballot measure to be presented to property owners later this year.

Timeline

The Storm Drainage Fee increase will take effect on July 1, 2016. Storm drain rates will revert to \$4.25 per month per ERU on June 1, 2017 unless higher rates are approved through a new ballot measure process.

Environmental Review

Adoption of changes to utility rate schedules does not represent a project under the California Environmental Quality Act (CEQA).

Courtesy Copies

Storm Drain Oversight Committee
Palo Alto Chamber of Commerce

Attachments:

- A - Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) (PDF)

- B - Overview of Projected City of Palo Alto Utility Rate Increases (PDF)

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to Increase Storm Drain Rates by 3.2% Per Month Per Equivalent Residential Unit for Fiscal Year 2017

The Council of the City of Palo Alto RESOLVES, as follows:

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule D-1 (Storm and Surface Water Drainage) is hereby amended to read in accordance with sheet D-1-1, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective July 1, 2016.

SECTION 2. The Council finds that this rate increase is being imposed to offset the effects of inflation on labor and material costs pursuant to the annual inflationary fee escalator provision of the Storm Drainage Fee ballot measure, which was approved by a majority of Palo Alto property owners on April 26, 2005.

SECTION 3. The Council finds that the revenue derived from the authorized adoption enumerated herein shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

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NOT YET APPROVED

SECTION 4. The Council finds that modification and approval of this change to the Utility Rate Schedule D-1 (Storm and Surface Water Drainage) for the purpose of meeting operating expenses is statutorily exempt from California Environmental Quality Act (CEQA) review, pursuant to Public Resources Code Section 15273(a).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Public Works

Director of Administrative
Services

GENERAL STORM AND SURFACE WATER DRAINAGE

UTILITY RATE SCHEDULE D-1

A. APPLICABILITY:

This schedule applies to all storm and surface water drainage service, excepting only those users and to the extent that they are constitutionally exempt under the Constitution of the State of California or who are determined to be exempt pursuant to Rule and Regulation 25.

B. TERRITORY:

Inside the incorporated limits of the city of Palo Alto and land owned or leased by the city.

C. RATES:

Per Month:

Storm Drainage Fee per Equivalent Residential Unit (ERU) \$13.03

D. SPECIAL NOTES:

1. An Equivalent Residential Unit (ERU) is the basic unit for computation of storm drainage fees for residential and non-residential customers. All single-family residential properties shall be billed the number of ERUs specified in the following table, based on an analysis of the relationship between impervious area and lot size for Palo Alto properties.

RESIDENTIAL RATES (Single-Family Residential Properties)	
PARCEL SIZE (sq.ft.)	ERU
<6,000 sq.ft.	0.8 ERU
6,000 - 11,000 sq.ft.	1.0 ERU
>11,000 sq.ft.	1.4 ERU

All other properties will have ERU's computed to the nearest 1/10 ERU using the following formula:

$$\text{No. of ERU} = \frac{\text{Impervious Area (Sq. Ft.)}}{2,500 \text{ Sq. Ft.}}$$

2. For more details on the storm drainage fee, refer to Utilities Rule and Regulation 25.

{End}



Rate Adjustments for All Utilities: FY 2017 Proposed, FY 2018 to FY 2021 Projected

Utility		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Electric Utility		11%	10%	2%	0%	1%
Gas Utility		8%	9%	7%	1%	1%
Wastewater		9%	10%	9%	7%	6%
Water Utility		6%	9%	9%	6%	2%
Refuse ¹		9%	8%	5%	3%	3%
Storm Drain		3.2%	2% to 3%	2% to 3%	2% to 3%	2% to 3%
Bill Change	(%)	8%	9%	6%	4%	2%
	(\$/mo)	\$20.80	\$23.45	\$18.49	\$11.16	\$7.77



Storm Drain Oversight Committee

MEMORANDUM

Date: May 4, 2016

To: Honorable Finance Committee of the Palo Alto City Council

From: Members of the Storm Drain Oversight Committee

Subject: Review of the Proposed FY 2017 Storm Drainage Fund budget

As directed by the City Council, we have reviewed the proposed Storm Drainage Fund budget for fiscal year 2017 and compared it with the provisions of the Storm Drainage Fee increase approved by Palo Alto property owners in 2005. Based on this review, we find that the proposed budget reflects the increased fees, CIP projects, and operating expenditures approved in the ballot measure.

The Committee met to discuss the proposed budget on Wednesday, May 4, 2016. Prior to the meeting, Storm Drainage staff provided a packet of informational materials about the approved ballot measure and the proposed budget for the Committee's review. During the meeting, staff presented information regarding the Storm Drainage Fund operating and capital budgets and answered questions from the Committee members.

Based upon our review of the materials provided to us by Storm Drainage staff, we find that the attached matrix describing the proposed use of the Storm Drainage Fee increase for FY 2017 and the table providing a side-by-side comparison of the ballot measure and the proposed budget accurately describe the relationship between the budget and the ballot measure. In addition, the attached spreadsheet summarizes the status of the Storm Drainage Fund capital improvement program implementation to-date. Staff and the Committee concur that there will be adequate funding generated by the Storm Drainage Fee increase authorized through the 2005 ballot measure to fund the seven capital improvement projects specified for implementation in the ballot measure, with the exception of the Loma Verde/Louis Road storm drain trunkline improvements element of the Matadero Creek Storm Water Pump Station Upgrade Project, which will be deferred to the new package of capital improvements that will be proposed under the new ballot measure for storm drain funding. With this exception, the Matadero Creek Storm Water Pump Station Upgrade Project will be completed within the 2005 ballot measure funds.

Attachments

Proposed Use of Storm Drainage Fee Increase for FY 2017

Line Item	Revenue	Expenditures
Fee Increase Revenue		
SD Fee Increase	\$4,450,405	
Capital Improvements and Program Enhancements		
A. One-time SD CIP Projects		
San Francisquito Creek Pump Station		\$0
Channing/Lincoln Storm Drain		\$0
Southgate Neighborhood Storm Drains		\$0
Gailen/Bibbits SD Improvements		\$0
Clara Drive SD Improvements		\$0
Matadero Creek Pump Station & Trunks		\$1,990,000
Alma Street SD Improvements		\$0
B. Enhanced Maintenance		
SD Replacement/Rehabilitation CIP		\$660,000
Augmented SD Maintenance		\$168,691
C. Innovative SD Projects		
		\$159,000
D. Augmented Storm Water Quality		
		\$223,700
E. Capital Improvement Program Staffing		
New CIP Engineer		\$153,504
CIP Support Staff		\$34,024
Surveyor		\$16,460
SUBTOTALS	\$4,450,405	\$3,405,379
From Storm Drainage Fund Reserves	\$543,927	
Other storm drain expenses previously covered by General Fund subsidy		\$1,588,953
TOTALS	\$4,994,332	\$4,994,332

**Approved Storm Drainage Fee Increase Ballot Measure vs.
Preliminary FY 2017 Storm Drainage Fund Budget**

BALLOT MEASURE	PROPOSED BUDGET
1. Implementation of seven (7) high-priority storm drain capital improvement projects.	1. \$1,990,000 for Matadero Pump Station Improvements (CIP SD-13003).
2. \$ 500,000 annually (adjusted annually for inflation) for storm drain system repair and rehabilitation.	2. \$ 660,000 for Storm Drain System Replacement and Rehabilitation (CIP SD-06101)
3. \$ 90,000 annually for augmented storm drain system maintenance.	3. \$168,691 in additional funding for Storm Drain In-House Maintenance: (\$ 90,000 for supplies & materials + 0.45 additional FTE staffing).
4. \$ 125,000 annually (adjusted annually for inflation) for innovative projects to reduce storm water runoff and pollutant levels.	4. \$ 159,000 allocated to Storm Water Rebate Program for rain barrels, cisterns, permeable pavement, and green roofs.
5. \$ 100,000 annually (adjusted annually for salary increases) to fund storm water quality protection activities formerly funded by the Wastewater Treatment Fund.	5. \$223,700 in additional funding for Storm Water Quality Protection (0.88 additional FTE staffing, \$39,000 for non-salary expenses, \$50,000 for Green Infrastructure Plan.
6. \$ 115,000 annually (adjusted annually for salary increases) for an engineer to assist with implementation of storm drain capital improvement projects.	6. \$203,988 in additional funding for Engineer position (0.9 FTE), CIP support staff (0.3 FTE), and Surveyor (0.12 FTE) funded in Storm Drain System Improvements.
7. Annual adjustment of fees by local CPI increase or 6%, whichever is lower.	7. Proposed 3.2% increase per the change in the CPI for San Francisco-Oakland-San Jose for calendar year 2015.
8. Pre-payment of Storm Drainage Fees for City-owned properties to accelerate implementation of storm drain capital improvement projects.	8. No pre-payment for FY 2016; all scheduled pre-payments by General Fund have been made.

Proposed Storm Drain Capital Spending Plan

Year	FY	SF Creek Pump Station \$4,500,000	Gailen / Bibbits \$650,000	Alma Street \$1,500,000	Channing Lincoln Trunk \$4,600,000	Matadero PS and Trunks \$3,000,000	Clara Drive \$900,000	Southgate Neighborhood \$2,000,000	YEARLY PROJECT TOTAL
1	FY 2005-06	\$900,000	\$650,000				\$180,000		\$1,730,000
2	FY 2006-07						\$735,000		\$735,000
3	FY 2007-08	\$7,535,000					(\$915,000)		\$6,620,000
4	FY 2008-09	\$700,000		\$785,000					\$1,485,000
5	FY 2009-10				\$820,000				\$820,000
6	FY 2010-11				\$895,000				\$895,000
7	FY 2011-12				\$1,590,000			\$140,000	\$1,730,000
8	FY 2012-13				\$1,680,000			\$860,000	\$2,540,000
9	FY 2013-14				\$1,430,000	\$315,000	\$750,000	\$1,026,271	\$3,521,271
10	FY 2014-15					\$1,840,000			\$1,840,000
11	FY 2015-16					\$1,915,000			\$1,915,000
12	FY 2016-17					\$1,990,000			\$1,990,000
		\$9,135,000	\$650,000	\$785,000	\$6,415,000	\$6,060,000	\$750,000	\$2,026,271	\$25,821,271

- NOTES:**
1. Cost figures immediately below project titles reflect Year 2005 cost estimates. Spreadsheet figures represent actual incurred costs & projected future costs.
 2. Shaded projects have been completed to-date.
 3. Phases 1 & 2 (of 3) of the Channing/Lincoln CIP have been completed.