

# **MEETING AGENDA**

## **The City Council/Successor Agency of the City of Firebaugh**

### **Vol. No.15/11-02**

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**Location of Meeting:** **Andrew Firebaugh Community Center**  
**1655 13<sup>th</sup> Street, Firebaugh, CA 93622**  
**Date/Time:** **November 2, 2015/6:00 p.m.**

#### **CALL TO ORDER**

**ROLL CALL**  
Mayor Craig Knight  
Mayor Pro Tem Freddy Valdez  
Council Member Brady Jenkins  
Council Member Marcia Sablan  
Council Member Felipe Perez

*In compliance with the Americans with Disabilities Act, if you need special assistance to access the Andrew Firebaugh Community Center to participate at this meeting, please contact the Deputy City Clerk at (559) 659-2043. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the Andrew Firebaugh Community Center.*

*Any writing or documents provided to a majority of the City Council regarding any item on this agenda will be made available for public inspection at City Hall, in the Deputy City Clerk's office, during normal business hours.*

#### **PLEDGE OF ALLEGIANCE**

#### **PUBLIC COMMENT**

#### **CONSENT CALENDAR**

Items listed on the calendar are considered routine and are acted upon by one motion unless any Council member requests separate action. Typical items include minutes, claims, adoption of ordinances previously introduced and discussed, execution of agreements and other similar items.

#### **1. APPROVAL OF MINUTES – The City Council meeting on October 19, 2015.**

#### **PUBLIC HEARING**

#### **2. THE CITY COUNCIL OF THE CITY OF FIREBAUGH TO ACCEPT CLOSEOUT OF COMMUNITY DEVELOPMENT BLOCK GRANT - GRANT 12-CDBG-8387.**

**Recommended Action:** Council receives public comment and approves closeout.

#### **NEW BUSINESS**

#### **3. ACTUARIAL REPORT ON GASB 45 RETIREE BENEFIT VALUATION STAFF REPORT.**

**Recommended Action:** Informational item only.

#### **SUCCESSOR AGENCY MATTERS:**

#### **STAFF REPORTS**

**CLOSED SESSION**

**4. REAL ESTATE NEGOTIATION – REDEVELOPMENT AGENCY – Pursuant to Government Code Section #54956.8**

Owner or Designative Rep.                      City Negotiator Roy Santos

APN     008-080-42; 008-140-35; 008-074-10; 008-132-07; 008-074-01

**5. Government Code Section 54957**

PUBLIC EMPLOYEE APPOINTMENT/EMPLOYMENT: City Manager.

**ANNOUNCEMENT AFTER CLOSED SESSION**

**ADJOURNMENT**

**Certification of posting the Agenda**

I declare under penalty of perjury that I am employed by the City of Firebaugh and that I posted this agenda on the bulletin boards at City Hall, October 29, 2015 at 5:00 p.m. by Rita Lozano, Deputy City Clerk.

## MEETING MINUTES

The City Council/Successor Agency of the City of Firebaugh  
Vol. No. 15/10-19

**Location of Meeting:** Andrew Firebaugh Community Center  
1655 13<sup>th</sup> Street, Firebaugh, CA 93622  
**Date/Time:** October 19, 2015 / 6:00 p.m.

**CALL TO ORDER** Meeting called to order by Mayor Knight at 6:00 p.m.

### ROLL CALL

**PRESENT:** Mayor Craig Knight  
Mayor Pro Tem Freddy Valdez  
Council Member Brady Jenkins  
Council Member Felipe Perez

**ABSENT** Council Member Marcia Sablan

**OTHERS:** City Attorney Roy Santos; City Manager, Kenneth McDonald; Police Chief, Sal Raygoza; Finance Director, Pio Martin; Public Works Director, Ben Gallegos; Deputy City Clerk, Rita Lozano; Fire Chief John Borboa; David and Mary Van Pelt, Wanda Breshears and others.

**PLEDGE OF ALLEGIANCE:** Council Member Jenkins led pledge of Allegiance.

**PRESENTATION:** Swore in Reserve Officer Jesus Molina and introduced him to the public and Council.

### PUBLIC COMMENT:

Centro La Family Representatives provided a brief presentation regarding services they provide to the community but emphasized on the on the three main topics: Sexual Assault, Health Insurance Services and Free Parenting Classes to be given in Firebaugh. Reported the currently only have an office in Mendota and Firebaugh residents are requesting the presence in Firebaugh so they are looking for a facility.

### CONSENT CALENDAR

1. APPROVAL OF MINUTES – The City Council meeting on October 5, 2015.
2. APPROVAL OF MINUTES – The City Council special meeting on October 8, 2015.
3. WARRANT REGISTER – Period starting September 1, and ending on September 30, 2015.

September 2015	General Warrants	#32492 - #32594	\$ 389,667.58
	Payroll Warrants	#65993 - #66135	\$ 311,512.89
TOTAL			\$ 701,108.47

*Motion to approve consent calendar by Council Member Jenkins, seconded by Council Member Valdez; motion passes by 4-0 vote.*

**NEW BUSINESS**

4. **RESOLUTION NO. 15-39 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FIREBAUGH AUTHORIZING THE CITY MANAGER TO SIGN FUNDING AGREEMENT, CERTIFICATIONS, AND AMENDMENTS FOR FUNDING UNDER THE SAFE DRINKING WATER STATE REVOLVING FUND; AND AUTHORIZING THE CITY MANAGER AND/OR FINANCE DIRECTOR TO APPROVE CLAIMS FOR REIMBURSEMENT; EXECUTE BUDGET AND EXPENDITURE SUMMARY AND TO SIGN THE FINAL RELEASE.**

*Motion to approve Res. No. 15-39 by Council Member Valdez, seconded by Council Member Jenkins; motion passes by 4-0 vote.*

5. **THE CITY COUNCIL OF THE CITY OF FIREBAUGH TO ACCEPT NOTICE OF COMPLETION FROM STEVE DOVALI CONSTRUCTION, INC. FOR WELL NO 17 EQUIPPING, PHASE II, RE 12-CDBG-8387.**

*Motion to accept the Notice of Completion by Council Member Jenkins, seconded by Council Member Perez; motion passes by 4-0 vote.*

6. **THE CITY COUNCIL OF THE CITY OF FIREBAUGH DISCUSSION AND POSSIBLE APPROVAL OF THE ADVISORY SERVICES AGREEMENT WITH TERRA VERDE RENEWABLE PARTNERS.**

Doug Stoecker of Terra Verde Renewable Partners provide a brief presentation regarding the services their company will provide in recruiting and seeking solar plant development projects by evaluating City's Electricity usage and rates/cost. Produce project cash flow scenarios for type of potential energy management transactions, develop preliminary project sizing, production and savings projections, conduct bidding and procurement process, examine impact of various project financing options and finally, oversee project implementation and contact compliance requirements. City Attorney Roy Santos stated the terms of this agreement, if approved, the City will enter the contract for a thirty-six month term and be obligated to pay \$20,000 service fee, even if the project is decided by Council not to move forward. If the relationship is terminated, all materials produced belong to Terra Verde. In consideration for the project, development services the City shall pay a fee of 8.75% of the total project contract for energy management transaction cost. Payment of Development fees are as follows: 50% development fee upon execution of financing of a bidding contract and 10% development fee upon issuance of a notice to proceed with construction. City shall pay in the first year of the asset management services term an annual fee equal to 2.2 cents per kilowatt-hour (\$0.022/kWh) projected to be produced within the first year and increase 3.5% annually thereafter.

*Motion to approve agreement by Council Member Valdez, seconded by Council Member Jenkins; motion passes by 4-0 vote.*

7. **DISCUSSION AND POSSIBLE DIRECTION REGARDING PROPOSALS FOR THE CITY MANAGER RECRUITMENT.**

*Item Tabled.*

8. **DISCUSSION OF PROFIT REGARDING THE ANNUAL ELECTRIC PARADE.**

*Informational item only, no action taken.*

**SUCCESSOR AGENCY MATTERS:****STAFF REPORTS**

- **Police Chief Raygoza** – Nothing to report.

- **Fire Chief, John Borboa** – Nothing to report.
- **Public Works Director, Ben Gallegos** – Reported he was late because they were chasing kids that were grafting the Maldonado park, one individual was caught.
- **Finance Director Martin** –Received an update regarding the \$142,000 the City has been trying to be reimbursed from the Las Deltas Water District.
- **Mario Gouveia, City Engineer** – The City of Firebaugh was awarded funding from COG for the Trail path improvements.
- **City Deputy Clerk, Rita Lozano** – I need Council Members to sign and submit the Code of Conduct & technology Policy.
- **Ken McDonald, City Manager** – Other Post-Employment Benefits (OPEB) aka GASB Study is almost complete and staff plans to give a presentation in the future meeting.

*Motion to enter closed session by Council Member Valdez, Second by Council Member Jenkins; motion passes by 4-0 vote at 6:57 p.m.*

#### CLOSED SESSION

#### 9. **REAL ESTATE NEGOTIATION – REDEVELOPMENT AGENCY – Pursuant to Government Code Section #54956.8**

Owner or Designative Rep.                      City Negotiator Kenneth McDonald

APN      008-080-42; 008-140-35; 008-074-10; 008-132-07; 008-074-01

#### 10. **Government Code Section 54957**

PUBLIC EMPLOYEE APPOINTMENT/EMPLOYMENT: City Manager.

*Motion to enter open session; motion passes by 4-0 vote at 8:03 p.m.*

**ANNOUNCEMENT AFTER CLOSED SESSION:**                      *No Action to report.*

**ADJOURNMENT -** *Motion to adjourn by Council Member Jenkins, second by Council Member Valdez; motion passes by 4-0 vote at 8:04 p.m.*



## STAFF REPORT

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TO: Mayor and Council Members  
FROM: Kenneth McDonald, City Manager  
DATE: November 2, 2015  
SUBJECT: 12-CDBG-8387 Closeout and Public Hearing

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### RECOMMENDATION

- Open Public Hearing
- Receive Public Comment(s)
- Close Public Hearing.
- Direct staff to submit final reports and closeout package to the State

### HISTORY

In 2013, the City received \$794,703 from CDBG under the General Allocation NOFA. The bulk of these funds were allocated for the installation of a new drinking water well #17, which would replace well #7. The new well was needed to ensure the City could meet its daily demand amounts from both households and businesses that depend on City water. The project has been completed and the grant will now be closed out with the State.

In addition, a portion of the funds set aside above were allocated for code enforcement. These funds allowed the City to actually pay a portion of a salary for the code enforcement program to continue. This allowed a staff person to devote time to the activity as well as reduce the charges to the general fund for this program

The City is required to hold a public hearing to discuss the grant accomplishments and submit a closeout certification to the State. Upon direction from the Council, staff will submit the final closeout package to CDBG.

### DISCUSSION

The City has utilized CDBG funds many times in the past and continues to do so. The funds received are 100% grant funds and have been critical in assisting the City complete various projects in the City.

Additionally, staff recently was informed that the application submitted in April of 2015 was successful and will receive the full allocation that was requested (\$2 million). Again, these are 100% grant funds. These funds will be used for the following activities: water line replacements, senior center rehabilitation and code enforcement.

### FISCAL IMPACT

The CDBG funds of \$794,703 were 100% grant funded and all dollars available were spent and drawn down from the State. Due to cost increases and items that were not previously included in the application, the City did expend \$152,454 from the Water Enterprise Fund to complete the Well #17 project. Staff brought this item to Council in September of 2014 to discuss the matter and approve the use of enterprise funds for this project. The Council approved the use of up to \$500,000 for this project. The project is now complete and the total amount of City funds that were needed came in much lower than originally projected.

**\*PUBLIC HEARING REQUIRED\***

# CITY OF FIREBAUGH



FRESNO COUNTY, CALIFORNIA

1133 "P" STREET  
FIREBAUGH, CALIFORNIA 93622-2547  
(559) 659-2043  
FAX (559) 659-3412

## Closeout Certification Form

State of California, Dept. of Housing & Community Development  
Attn: CDBG Program – Adam Lovan, CDBG Representative  
Department of Housing and Community Development  
2020 West El Camino Avenue, Suite 500  
Sacramento, CA 95833

RE: **CLOSEOUT CERTIFICATION** of CDBG Grant No. 12-CDBG-8387

It is hereby certified that all activities undertaken by the Grantee with funds provided under the above grant agreement have, to the best of my knowledge, been carried out in accordance with the grant agreement; that proper provision has been made by the Grantee for the payment of all costs and claims; that the State of California is under no obligation to make further payment to the Grantee under the grant agreement; and that every statement and amounts set forth in the **attached** final CDBG Financial and Accomplishment Report is, to the best of my knowledge, true and correct.

Any property acquired in whole or in part with CDBG funds or CDBG Program Income shall be accounted for in accordance with the provisions of Section 7118 and 7104 of the State CDBG regulations pertaining to property management and program income. Please list any property acquired in whole or in part with grant funds or program income expended for the grant or, if applicable, state "none" acquired. Please see Chapter 19, Property Management, in the Grants Management Manual for more detailed instructions. Note: Future disposition of this property shall be carried out in accordance with Section 7118 of the State CDBG Regulations. Please see CFR 24 Sec. 570.505 Use of real property for instructions.

1.	NONE	4.
2.		5.
3.		6.

The Grantee shall continue to comply with the State CDBG program income reporting requirements.

All costs incurred subsequent to the most recent annual audit period will be audited at the time the Grantee's next annual audit is conducted in accordance with OMB Circular A-133. The Grantee will resolve any audit findings relating to both the program and financial aspects of the grant. In the event there are any costs which are disallowed by this audit or any subsequent audits which cover CDBG expenditures, and which are sustained by the Department of Housing and Community Development, the amount of such costs shall be returned to HCD.

<b>Date:</b>	<b>Typed Name and Title of Authorized Grantee Representative:</b> <b>Name: Kenneth McDonald</b> <b>Title: City Manager</b>	<b>Signature of Authorized Grantee Representative:</b>
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**CDBG Financial & Accomplishment Report (FAR)**

(Due Semi-Annual and at Closeout)

**Grantee:** City of Firebaugh  
**Address:** 1133 P Street  
 Firebaugh, CA 93622  
**Phone:** (559) 659-2043

**Preparer:** Paul Ashby  
**Title:** Principal  
**Organization:** Adams Ashby Group  
**Phone:** 916.449.3944  
**E-Mail Address:** pashby@adamsashby.com

**Grant No.:** 12-CDBG-8387  
**Grant Amend. No.:** N/A  
**Execution Date:** 12/21/12  
**Expiration Date:** 09/30/15  
**CDBG Program Rep:** Adam Lovan

☒ Final FAR  
☒ Closeout Report

**Section I - Fund Status****Report Period:****From:** 12/21/12**to** 09/30/15**Section I Part A - Requested Fund Information**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Contract Activities	HUD Code	Budgeted Amount	Total Requested To Date	Total CDBG Funds Received	CDBG Funds Requested Not Received	Total CDBG Funds Disbursed	CDBG Funds-on-Hand* (Col. 5 - 7)
1-GENERAL ADMIN.	21A	\$ 59,603.00	\$ 59,603.00	\$ 59,603.00			\$ -
2- Water/Sewer Improvements	03J	\$ 720,019.00	\$ 720,019.00	\$ 720,019.00	\$ -	\$ -	\$ -
4- Code Enforcement	15.S	\$ 15,081.00	\$ 15,081.00	\$ 15,081.00	\$ -	\$ -	\$ -
5-							
6-							
7-							
Total		\$ 794,703.00	\$ 794,703.00	\$ 794,703.00	\$ -	\$ -	\$ -

**\*Note: If Funds-on-Hand exceeds 5,000, please explain why in Section VI - Comments.****Section1 Part B - Accrued Expenditures & Milestones**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Contract Activities	HUD Code	Budgeted Amount	Previously Reported	Expenditures This Period	Total Accrued Expenditures	Balance (Col. 3 - 6)	Percent (Col. 6 / 3)
1-GENERAL ADMIN.	21A	\$ 59,603.00		\$ 59,603.00	\$ 59,603.00	\$ -	100%
2- Water/Sewer Improvements	03J	\$ 720,019.00		\$ 720,019.00	\$ 720,019.00	\$ -	100%
4- Code Enforcement	15.S	\$ 15,081.00		\$ 15,081.00	\$ 15,081.00	\$ -	100%
5-							
6-							
7-							
Total		\$ 794,703.00	\$ -	\$ 794,703.00	\$ 794,703.00	\$ -	100%

**Section II - Expenditure of Match, Leverage & State /Federal Sources**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Contract Activities	Funding Source	Total Budget	Previously Reported	Expended This Quarter	Expenditures To Date (Col. 4 + 5)	Percent Expended (Col. 6 / 3)
Total		\$ -	\$ -	\$ -	\$ -	

## CDBG Financial & Accomplishment Report (FAR)

### Section III - Residential Rehabilitation Loan Account (if applicable)

Report Period: From: 12/21/12 To: 09/30/15

Report the funds received on an advance basis for the Residential Rehabilitation Activity: \$ -

Report the actual amount paid to contractors for rehabilitation services: \$ -

Balance remaining for the Residential Rehabilitation Activity: \$ -

Is the remaining balance in a rehabilitation loan account? Yes No. Will balance be expended within 22 working days of deposit? Yes No. If no explain in Comments

### Section IV - Interest Revenue Earned on Advances (if applicable)

Report Period: From: 12/21/12 To: 09/30/15

Report the total amount of interest revenue earned on CDBG advances: \$ -

Report the total amount of interest revenue returned to the Department: \$ -

Note: Do not return interest from lump sum draw down. However, DO include the interest from escrow accounts required for Residential Rehabilitation Activities.

### Section V - Lump Sum Report (if applicable)

Report Period: From: 12/21/12 To: 09/30/15

#### Part A - Lump Sum draw down agreement information

1. Date Agreement Approved by HCD:
2. Date Agreement Executed:
3. Term of Agreement (not to exceed 2 yrs.)
4. Date of deposit into financial institution:
5. Date 45 days past date in line 4:
6. Date 1st loan approved:
7. Date 180 days past date in line 4:
8. Percent disbursed by 180th day:

#### Part B - Fund Reconciliation

1. Lump Sum Deposit:
2. Repayment of P & I:
3. Interest from Deposit:
4. Total (1+2+3):
5. Total Loaned:
6. Total Available (4-5):

#### Part C - Financial Institution Contribution

- |                   |  |
|-------------------|--|
| BMIR              |  |
| Admin. Services   |  |
| Bank Contribution |  |
| Amt:              |  |
- Provide narrative of progress to date in Section VI - Comments

### Section VI - Comments:

CDBG Financial & Accomplishment Report (FAR)

Grantee: City of Firebaugh Grant No.: 12-CDBG-8387 Report Period: From: 12/21/12 To: 09/30/15

Section VII - ACCOMPLISHMENT NARRATIVE (Significant Changes; Problems Encountered; Milestones Met. Please refer to instructions.):

First Quarter of the Semi-annual Report Period. From: To:

Contract Activities	HUD Code	Narrative Accomplishments
1-GENERAL ADMIN.	21A	Reports, procurement, budgets, grant management, communication, funds request, public information binder, hearings, etc
2-Water/Sewer Improvements	03J	Construction of new drinking well, contractor payments, engineering, bidding, inspections, labor compliance, etc
4-Code Enforcement	15.S	Code enforcement

Second Quarter of the Semi-annual Report Period. From: To:

Contract Activities	HUD Code	Narrative Accomplishments

Grantee Certification:

I certify to the best of my knowledge that this report is true in all respects, that the reported amounts agree with the official accounting records, and that all disbursements have been made for the purposes and conditions of this grant.

Name: Kenneth McDonald Title: City Manager

Signature: Date:

FOR HCD USE ONLY

CDBG Rep: Approval Date:



## STAFF REPORT

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TO: Honorable Mayor and Council Members  
FROM: Kenneth McDonald, City Manager  
DATE: November 2, 2015  
SUBJECT: Actuarial Report on GASB 45 Retiree Benefit Valuation Staff Report

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### **RECOMMENDATION**

Receive and File the Actuarial Valuation of Other Post-Employment Benefits (OPEB) Programs as of January 1, 2015.

### **HISTORY**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The last time the City completed a valuation and implemented GASB 45 was for the fiscal year ended June 30, 2010.

### **DISCUSSION**

For agencies with less than 200 members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every three years. The City's first valuation was done as of July 1, 2009 with a follow-up as of July 1, 2012. The current valuation was dated January 1, 2015 which will allow the city more flexibility for budgetary or funding decisions in the future. As illustrated in excerpts from the Actuarial Reports on the following page, the shaded regions will show the recent changes that we have completed to reduce our unfunded liability.

### **FISCAL IMPACT**

Varies depending on Council decision on funding mechanism used for future benefits.

Staff Report on Actuarial Report on GASB 45 Retiree Benefit Valuation

**Annual Required Contribution (ARC) Pay-As-You-Go Basis  
from Table 1B of Actuarial Valuation**

Valuation date	7/1/2012		
Fiscal Year End	6/30/2013	6/30/2014	6/30/2015
Projected covered payroll	\$1,564,331	\$1,615,172	\$1,667,665
<b>Total ARC at fiscal year end</b>	\$383,225	\$411,982	<b>\$443,338</b>
Normal Cost as a percent of payroll	15.5%	15.5%	15.5%
ARC as a percent of payroll	24.5%	25.5%	26.6%
ARC per active ee	11,976	12,874	13,854

Valuation date	1/1/2015				
Fiscal Year End	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Projected covered payroll			\$1,831,124	\$1,890,635	\$1,952,081
<b>Total ARC at fiscal year end</b>	n/a	n/a	<b>\$223,575</b>	\$240,691	\$259,517
Normal Cost as a percent of payroll			7.1%	7.1%	7.1%
ARC as a percent of payroll			12.2%	12.7%	13.3%
ARC per active ee			6,576	7,079	7,633

**Basic Valuation Results from Table 1B of the three actuarial valuation dates**

Valuation date	Pay-As-You-Go Basis		
	7/1/2009	7/1/2012	1/1/2015
Discount rate	4.50%	4.50%	4.50%
<b>Number of Covered Employees</b>			
Actives	40	32	34
Retirees	2	5	6
Total Participants	42	37	40
<b>Actuarial Present Value of Projected Benefits</b>			
Actives	\$5,622,046	\$5,079,086	\$2,771,484
Retirees	246,457	597,034	571,978
Total APVPB	5,868,503	5,676,120	3,343,462
<b>Actuarial Accrued Liability (AAL)</b>			
Actives	2,016,589	2,299,270	1,337,337
Retirees	246,457	597,034	571,978
Total AAL	2,263,046	2,896,304	1,909,315
<b>Actuarial Value of Assets</b>	-	-	-
<b>Unfunded AAL (UAAL)</b>	<b>2,263,046</b>	<b>2,896,304</b>	<b>1,909,315</b>
<b>Normal Cost</b>	308,392	241,836	130,911
<b>Expected Annual Benefit Payments</b>	-	8,415	21,107

# Bickmore

October 15, 2015

Mr. Kenneth McDonald  
City Manager  
City of Firebaugh  
1133 P Street  
Firebaugh, CA 93622-2290

Re: January 1, 2015 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Mr. McDonald:

We are pleased to enclose our report providing the results of the January 1, 2015 actuarial valuation of other post-employment benefit (OPEB) liabilities for the City of Firebaugh (the City). The report's text describes our analysis and assumptions in detail.

The primary purposes of the report are to develop:

- The value of future OPEB expected to be provided by the City, and
- The current OPEB liability and the annual OPEB expense to be reported in the City's financial statements for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017.

The majority of the exhibits included in this report reflect an assumption that the City will continue financing its OPEB liability on a pay-as-you-go basis. Other approaches are possible and these are discussed briefly in the report. We have included an illustration of valuation results for the fiscal year ending 2016 calculated on a prefunding basis as an Appendix to this report. Should the City establish an irrevocable OPEB trust, these illustrations may be suitable for prefunding costs, depending on the investments selected.

This report includes a material change in retiree medical benefits offered to eligible employees who retire from the City. As a result, the liabilities are considerably lower than those presented in the most recent prior report.

We have based our valuation on employee data and plan information provided by the City. This valuation was prepared on the assumption that the City will continue to follow the terms of its current PEMHCA resolution on file with CalPERS. Please review our description of benefits in Table 3A to be comfortable that we have summarized these provisions correctly.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of the City's staff, who provided valuable information and assistance to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,



Catherine L. MacLeod, FSA, FCA, EA, MAAA  
Director, Health and Benefit Actuarial Services

Enclosure





City of Firebaugh

**Actuarial Valuation of the Other  
Post-Employment Benefit Programs  
As of January 1, 2015**

Submitted October 2015





Other Post-Employment Benefit Programs of the City of Firebaugh  
Actuarial Valuation as of January 1, 2015

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## A. Executive Summary

This report presents the results of the January 1, 2015 actuarial valuation of the City of Firebaugh (the City) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical coverage for eligible retirees. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). Note that allowing retirees to continue medical coverage at the same premium rates as are charged for active employees is considered a benefit subsidy; however an exception currently permitted under GASB 45 allows the City to forego recognition of its implicit subsidy liability.<sup>1</sup>

How much the City contributes each year affects the calculation of liabilities. "Prefunding" is the term used to describe when an agency consistently contributes an amount at least equal to the annual required contribution (ARC) each year. Contributing only the current year's retiree payments is referred to as "pay-as-you-go" financing. There are other options relating to the funding policy, including shorter amortization periods and partial pre-funding. These other options would require additional calculations not provided in this report, though we would be happy to provide illustrations at the City's request.

Prefunding the plan generally supports use of a higher discount rate and often produces substantially lower liabilities than a pay-as-you-go financing approach. This valuation uses a discount rate of 4.5% for pay-as-you-go calculations and illustrates prefunding results using a 6.5% discount rate. Neither rate is a guarantee of future investment performance, but rather an assumption about the long term rate of return. We have selected these rates for illustrative purposes, with the City's approval.

In its financial report for the period ending June 30, 2014, the City reported a net OPEB obligation of \$2,077,140. Exhibits presented in the body of this report reflect our understanding that the results of this January 1, 2015 valuation will be applied in determining the City's annual OPEB expense for its fiscal years ending June 30, 2015, 2016, and 2017.

This valuation reflects a material change in benefits from those in effect at the time the July 1, 2012 valuation was prepared. Our understanding of the current benefits is provided in Table 3A. Projected benefit liabilities in this January 2015 valuation are compared to those from the July 2012 valuation in Section E.

The City confirmed it has not yet established an irrevocable OPEB trust, though has expressed some interest in doing so in the future. In the body of this report, we present results assuming that OPEB financing will continue on a pay-as-you-go basis for the years to which this report will likely be applied.

*We calculate the GASB 45 unfunded actuarial accrued liability (UAAL) as of January 1, 2015 to be as follows:*

Discount Rate	4.5%
Actuarial Accrued Liability	\$ 1,909,315
Actuarial Value of Assets	-
Unfunded Actuarial Accrued Liability	1,909,315
Funded Ratio	0.0%

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<sup>1</sup> Valuations dated on or after March 31, 2015 are required to reflect the implicit subsidy liability.

## Executive Summary (concluded)

*The following summarizes results for the fiscal year ending June 30, 2015:*

Annual Required Contribution (ARC) for FYE 2015	\$ 223,575
Expected employer paid benefits for retirees	21,107
Expected contribution to OPEB trust	-
Expected net OPEB obligation at June 30, 2015	2,270,364

These results are shown in tables beginning on page 12. Projected results for the fiscal year ending June 30, 2016 and 2017 are also shown in these tables. Additional information to facilitate OPEB reporting in the City's financial statements is provided in Appendix 2.

The liabilities shown in the report reflect assumptions regarding continued future employment, rates of retirement and survival, and elections by future retirees to retain coverage for themselves and their dependents. Please note that this valuation has been prepared on a closed group basis; no provision is generally made for new employees until the valuation date following their employment.

An exhibit comparing the current results to those from the prior valuation is provided on page 6, followed by a description of changes affecting the results. An actuarial valuation is, by its nature, a projection and to the extent that actual experience is not what we assumed, future results will be different. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future medical premium rates or in the subsidy provided by the City toward retiree medical premiums;
- Longer life expectancies of retirees;
- Recognition of the "implicit subsidy" liability in future valuations, i.e., the projected difference between expected retiree healthcare claims and the premiums charged;
- Establishment of an irrevocable OPEB trust with City contributions made thereto;
- Implementation of GASB 75, the new OPEB accounting standard. One key change shifts reporting of the unfunded OPEB liability from a footnote to the balance sheet.

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages. The date of the next actuarial valuation should not be later than January 1, 2018. If there are any significant changes in the employee data, benefits provided or the funding policy, please contact us to discuss whether an earlier valuation is appropriate.

### Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the City's financial statements and to provide the annual contribution information with respect to the City's current OPEB funding policy. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The City should consult counsel on these matters; Bickmore does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the City consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

## **B. Requirements of GASB 45**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. We understand that the City implemented GASB 45 for the fiscal year ended June 30, 2010.

For agencies with less than 200 members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every three years. GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If the City's OPEB contributions had been equal to the ARC each year, the net OPEB obligation would equal \$0.
- If the City's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation, in addition to the ARC (see Table 1C).

GASB 45 provides for recognition of payments as contributions if they are made (a) directly to retirees or beneficiaries, (b) to an insurer, e.g., for the payment of premiums, or (c) to an OPEB fund set aside toward the cost of future benefits. Funds set aside for future benefits should be considered contributions to an OPEB plan only if the vehicle established is one that is capable of building assets that are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the assets should be to provide benefits under the plan. These conditions generally require the establishment of a legal trust. Earmarked assets or reserves may be an important step in financing future benefits, but they may not be recognized as an asset for purposes of reporting under GASB 45.

The decision whether or not to prefund, and at what level, is at the discretion of the City, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the City's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

### C. Sources of OPEB Liabilities

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are:

- Medical
- Dental
- Prescription Drug
- Vision
- Life Insurance

Other possible post-employment benefits may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include vacation, sick leave<sup>2</sup> or COBRA or other direct payments to a retiree which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB is referred to as an “explicit subsidy” and these are included in the determination of OPEB liabilities. In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain types of coverage, such as medical, payment of the same premium rate results in an “implicit subsidy” of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if the retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates to be valued as an OPEB liability.

For actuarial valuation dates prior to March 31, 2015, an exception exists for plan employers with a very small membership (e.g., less than 1%) in a large “community-rated” healthcare program. This exception may allow an agency to reasonably conclude that any change in their group’s mix of retirees and active employees would not affect the premium rates charged in the program. In these circumstances, while an implicit subsidy may exist, it is not required to be disclosed. Following a change in Actuarial Standards of Practice, this exception no longer exists for valuations dated March 31, 2015 and later. Since this valuation is dated January 1, 2015, however, the exception is still available.

#### OPEB Obligations of the City

The City provides continuation of medical coverage to its retired employees. For retirees and their dependent(s) who have chosen to retain this coverage:

- **Explicit subsidy liabilities:** The City contributes directly to the cost of retiree medical coverage. These “explicit subsidy” benefits are described in Table 3A and related liabilities have been included in this valuation.
- **Implicit subsidy liabilities:** Employees and retirees are covered by the CalPERS medical program. The experience of public agency employer membership in this program is community-rated (“OPEB Assumption Model”, August 2012) and the City’s membership in this program is incidental relative to the total number of members covered. As permitted by GASB 45 for valuations dated prior to March 31, 2015, this report does not make age-related premium adjustments nor compute an implicit rate subsidy for employees covered under this program.

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<sup>2</sup> When a terminating employee’s unused sick leave credits are converted to provide or enhance a defined benefit OPEB, e.g., healthcare benefits, such converted sick leave credits should be valued under GASB 45.

## D. Valuation Process

The valuation has been based on employee census data and benefits submitted to us by the City and clarified in various related communications. A summary of the employee data is provided in Table 2 and a summary of the benefits provided under the Plan is provided in Table 3A. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the City as to its accuracy. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service with the City to receive benefits.
- To the extent assumed to retire from the City, the probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 65 years or more.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "actuarial accrued liability" (AAL). The OPEB cost allocated for active employees in the current year is referred to as the "normal cost". The remaining active cost to be assigned to future years is called the "present value of future normal costs". In summary:

Actuarial Accrued Liability	Past Years' Costs	\$1,909,315
<i>plus</i> Normal Cost	Current Year's Cost	130,911
<u><i>plus</i> Present Value of Future Normal Costs</u>	<u>Future Years' Costs</u>	<u>1,303,236</u>
<i>equals</i> Present Value of Projected Benefits	Total Benefit Costs	\$3,343,462

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. It is our understanding that the City's plans have not yet been funded and no assets have been set aside in an irrevocable trust as of the valuation date. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

Other Post-Employment Benefit Programs of the City of Firebaugh  
Actuarial Valuation as of January 1, 2015

### E. Basic Valuation Results

The following chart compares the results of the January 1, 2015 valuation of OPEB liabilities to the results of the July 1, 2012 valuation.

Valuation date	Pay-As-You-Go Basis	
	7/1/2012	1/1/2015
Discount rate	4.50%	4.50%
<b>Number of Covered Employees</b>		
Actives	32	34
Retirees	5	6
Total Participants	37	40
<b>Actuarial Present Value of Projected Benefits</b>		
Actives	\$ 5,079,086	\$ 2,771,484
Retirees	597,034	571,978
Total APVPB	5,676,120	3,343,462
<b>Actuarial Accrued Liability (AAL)</b>		
Actives	2,299,270	1,337,337
Retirees	597,034	571,978
Total AAL	2,896,304	1,909,315
<b>Actuarial Value of Assets</b>	-	-
<b>Unfunded AAL (UAAL)</b>	2,896,304	1,909,315
<b>Normal Cost</b>	241,836	130,911
<b>Expected Annual Benefit Payments</b>	8,415	21,107

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 0.0% as of January 1, 2015. Covered payroll as of January 1, 2015 was reported to be \$1,831,124. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 104.3% as of this date.

#### Changes Since the Prior Valuation

In comparing results shown in the exhibit above, we can see that the Unfunded Actuarial Accrued Liability (UAAL) actually decreased by roughly \$987,000 between July 1, 2012 and January 1, 2015. Over this period, however, we expected additional costs to be accrued for active employees, present values to be adjusted for the passage of time and some benefits to be paid to retirees. We expected a UAAL of \$3,536,000 on January 1, 2015. Thus, the actual UAAL is \$1,627,000 lower than expected. This decrease is primarily a result of the following factors:

- A \$1,753,000 decrease in the AAL resulting from a change in retiree medical benefits provided by the City;

**Basic Valuation Results  
(Concluded)**

- A \$170,000 increase in the AAL due to revised assumptions for future service and disability retirements, terminations of safety employees prior to retirement, and mortality before and after retirement, based on the most recent CalPERS retirement plan experience study covering City employees; the change in mortality rates includes an update in how we project improvements (decreases) in future mortality rates; and
- A decrease due to plan experience relative to prior assumptions, which accounts for the remaining \$44,000 of the difference between the expected and actual UAAL. Plan experience includes factors such as changes in plan membership, retiree elections and changes in medical premiums and limits on benefits other than previously projected as well as the addition of new employees hired since the prior valuation date.

The AAL represents the portion of future OPEB liabilities allocated to *prior* service years. The change in retiree medical benefits also affects the cost allocated to the current and future service years. In the City's case, the recent benefit change decreased the normal cost from \$241,836 for the fiscal year ended June 30, 2013 to \$130,911 for the fiscal year ending June 30, 2015.

## F. Funding Policy

The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. The funding levels can generally be categorized as follows:

1. *Prefunding* - contributing an amount greater than or equal to the ARC each year. Prefunding generally allows the employer to have the liability calculated using a higher discount rate, which in turn lowers the liability. In addition, following a prefunding policy does not build up a net OPEB obligation (or gradually reduces it to \$0). Prefunding results in this report were illustrated using a discount rate of 6.5%.
2. *Pay-As-You-Go funding* – contributing only the amounts needed to pay retiree benefits in the current year; generally requires a lower discount rate, such as the 4.5% rate used in this report.
3. *Partial prefunding* – contributing more than the current year's retiree payments but less than 100% of the ARC; requires that liabilities be developed using a discount rate that “blends” the relative portions of benefits that are prefunded and those not.

### Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to the City's fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ARCs for each of the fiscal years ending June 30, 2015, 2016 and 2017 are developed in Table 1B.

### Decisions Affecting the Amortization Payment

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

### Funding Policy Illustrated in This Report

It is our understanding that the City's pay-as-you-go policy includes amortization of the unfunded AAL over a closed 30-year period initially effective July 1, 2009; the remaining period applicable in determining the ARC for the fiscal year beginning July 1, 2014 is 25 years. Amortization payments are determined on a level percent of pay basis.

## **G. Choice of Actuarial Funding Method and Assumptions**

The “ultimate real cost” of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each is in the glossary.

### **Factors Impacting the Selection of Funding Method**

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance.

### **Factors Affecting the Selection of Assumptions**

Special considerations apply to the selection of actuarial funding methods and assumptions for the City. The actuarial assumptions used in this report were chosen, for the most part, to be the same as the actuarial assumptions used for the most recent actuarial valuations of the retirement plans covering City employees. Other assumptions, such as healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. We will continue to gather information and monitor these assumptions for future valuations.

In selecting an appropriate discount rate, GASB states that the discount rate should be based on the expected long-term yield of investments used to finance the benefits. The City approved calculation of liabilities on a pay-as-you-go basis using a 4.5% discount rate, the same rate used in the prior valuation. Since no OPEB trust has yet been established, for illustrative purposes, we have used a 6.5% discount rate in developing results on a funded basis. The actual discount rate, should the City decide to establish an irrevocable OPEB trust, will depend on the particular investments and asset allocation strategy selected as well as on the level of contributions relative to the ARC.

## H. Certification

This report presents the results of our actuarial valuation of the other post employment benefits provided by the City of Firebaugh. The purpose of this valuation was to provide the actuarial information required for the City's reporting under Statement 45 of the Governmental Accounting Standards Board. The calculations were focused on determining the plan's funded status as of the valuation date, developing the Annual Required Contribution and projecting the Net OPEB Obligations for the years to which this report is expected to be applied.

We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by the City. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 45. The results may not be appropriate for other purposes.

Each of the undersigned individuals is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

Signed: October 15, 2015



Catherine L. MacLeod, FSA, FCA, EA, MAAA



Francis M. Schauer Jr., FSA, FCA, EA, MAAA

Other Post-Employment Benefit Programs of the City of Firebaugh  
Actuarial Valuation as of January 1, 2015

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**Table 1**

The basic results of our January 1, 2015 valuation of OPEB liabilities for the City calculated under GASB 45 were summarized in Section E. Those results are applied to develop the annual required contribution (ARC), annual OPEB expense (AOE) and the net OPEB obligation (NOO) or net OPEB asset (NOA) to be reported by the City for its fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017.

As noted earlier in this report, the development of the ARC reflects the assumption that the City will contribute only the amount necessary to pay retiree benefits each year. If this understanding is incorrect or if actual City contributions differ by more than an immaterial amount, some of the results in this report will need to be revised.

The counts of active employees and retirees shown in the following two fiscal years are the same as the counts of active and retired employees on the valuation date. While we do not adjust these counts between valuation dates, the liabilities and costs developed for those years do anticipate the likelihood that some active employees may leave employment forfeiting benefits, some may retire and elect benefits and coverage for some of the retired employees may cease. However, because this valuation has been prepared on a closed group basis, no potential future employees are included. We will incorporate any new employees in the next valuation, in the same way we included new employees hired after July 2012 in this January 2015 valuation.

**Table 1A**  
**Summary of Valuation Results**  
**Pay-As-You-Go Basis**

The following summarizes the results of our valuation of OPEB liabilities for the City calculated under GASB 45 for the fiscal year ending June 30, 2015 as well as projected amounts for the fiscal years ending June 30, 2016 and 2017. Some of these values have been adjusted from the basic valuation results presented in Section E to reflect accruals for the fiscal years to which the costs are being assigned.

Valuation date	Pay-As-You-Go Basis		
	1/1/2015		
For fiscal year beginning	7/1/2014	7/1/2015	7/1/2016
For fiscal year ending	6/30/2015	6/30/2016	6/30/2017
Discount rate	4.50%	4.50%	4.50%
<b>Number of Covered Employees*</b>			
Actives	34	34	34
Retirees	6	6	6
Total Participants	40	40	40
<b>Actuarial Present Value of Projected Benefits</b>			
Actives	\$ 2,771,484	\$ 2,894,429	\$ 3,021,148
Retirees	584,550	585,353	586,246
Total APVPB	3,356,034	3,479,782	3,607,394
<b>Actuarial Accrued Liability (AAL)</b>			
Actives	1,272,217	1,464,497	1,668,118
Retirees	584,550	585,353	586,246
Total AAL	1,856,767	2,049,850	2,254,364
<b>Actuarial Value of Assets</b>	-	-	-
<b>Unfunded AAL (UAAL)</b>	1,856,767	2,049,850	2,254,364
<b>Normal Cost</b>	130,911	135,166	139,559
<b>Benefit Payments</b>			
Future Retirees	-	2,593	6,191
Current Retirees	21,107	24,913	24,802
Total	21,107	27,506	30,993

Other Post-Employment Benefit Programs of the City of Firebaugh  
Actuarial Valuation as of January 1, 2015

**Table 1B**  
**Calculation of the Annual Required Contribution**  
**Pay-As-You-Go Basis**

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a pay-as-you-go basis for the fiscal years ending June 30, 2015, 2016 and 2017.

Fiscal Year End	Pay-As-You-Go Basis		
	6/30/2015	6/30/2016	6/30/2017
<b>Funding Policy</b>			
Discount rate	4.50%	4.50%	4.50%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30	30
Remaining period (in years)	25	24	23
<b>Determination of Amortization Payment</b>			
UAAL	\$ 1,856,767	\$ 2,049,850	\$ 2,254,364
Factor	21.1324	20.4256	19.7085
Payment	87,863	100,357	114,385
<b>Annual Required Contribution (ARC)</b>			
Normal Cost	130,911	135,166	139,559
Amortization of UAAL	87,863	100,357	114,385
Interest to 06/30	4,801	5,168	5,573
<b>Total ARC at fiscal year end</b>	<b>223,575</b>	<b>240,691</b>	<b>259,517</b>

While the following is not intended to be used to determine the normal cost or ARC in future years, this information may be of value for planning purposes:

Valuation date	1/1/2015		
	6/30/2015	6/30/2016	6/30/2017
Projected covered payroll	\$ 1,831,124	\$ 1,890,635	\$ 1,952,081
Normal Cost as a percent of payroll	7.1%	7.1%	7.1%
ARC as a percent of payroll	12.2%	12.7%	13.3%
ARC per active ee	6,576	7,079	7,633

**Table 1C**  
**Expected OPEB Disclosures**  
**Pay-As-You-Go Basis**

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the fiscal years ending June 30, 2015, 2016 and 2017. The calculations assume the City continues to follow the pay-as-you-go funding approach outlined on the prior page.

Fiscal Year End	Pay-As-You-Go Basis		
	6/30/2015	6/30/2016	6/30/2017
<b>1. Calculation of the Annual OPEB Expense</b>			
a. ARC for current fiscal year	\$ 223,575	\$ 240,691	\$ 259,517
b. Interest on Net OPEB Obligation (Asset) at beginning of year	93,471	102,166	111,130
c. Adjustment to the ARC	(102,715)	(116,155)	(130,943)
d. <b>Annual OPEB Expense (a. + b. + c.)</b>	<b>214,331</b>	<b>226,702</b>	<b>239,704</b>
<b>2. Calculation of Expected Contribution</b>			
a. Estimated payments on behalf of retirees	21,107	27,506	30,993
b. Estimated contribution to OPEB trust	-	-	-
c. <b>Total Expected Employer Contribution</b>	<b>21,107</b>	<b>27,506</b>	<b>30,993</b>
<b>3. Change in Net OPEB Obligation (1.d. minus 2.c.)</b>	<b>193,224</b>	<b>199,196</b>	<b>208,711</b>
Net OPEB Obligation (Asset), beginning of fiscal year	2,077,140	2,270,364	2,469,560
<b>Net OPEB Obligation (Asset) at fiscal year end</b>	<b>2,270,364</b>	<b>2,469,560</b>	<b>2,678,271</b>

Please note that the expected payments to retirees shown in item 2.a. above are projections and should be replaced with the actual payments for reporting in the City's financial statements.

Other Post-Employment Benefit Programs of the City of Firebaugh  
Actuarial Valuation as of January 1, 2015

**Table 2**  
**Summary of Employee Data**

The City reported 34 active employees; of these, 29 are currently participating in the medical program while 5 employees were waiving coverage as of the valuation date. Age and service information for the reported individuals is provided below:

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25							0	0%
25 to 29	2	2	3				7	21%
30 to 34	1	1	3	1			6	18%
35 to 39			4	3	1		8	24%
40 to 44			1	2	2	2	7	21%
45 to 49							0	0%
50 to 54		2					2	6%
55 to 59				1			1	3%
60 to 64				1			1	3%
65 to 69							0	0%
70 & Up		1	1				2	6%
<b>Total</b>	<b>3</b>	<b>6</b>	<b>12</b>	<b>8</b>	<b>3</b>	<b>2</b>	<b>34</b>	<b>100%</b>
<b>Percent</b>	<b>9%</b>	<b>18%</b>	<b>35%</b>	<b>24%</b>	<b>9%</b>	<b>6%</b>	<b>100%</b>	

	<u>July 2012 Valuation</u>	<u>January 2015 Valuation</u>
Annual Covered Payroll	\$1,564,331	\$1,831,124
Average Attained Age for Actives	39.7	40.0
Average Years of Service	8.6	9.1

There are also 5 retirees and 1 survivor currently receiving benefits under this program. Their ages are summarized in the chart below.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	1	17%
55 to 59	0	0%
60 to 64	1	17%
65 to 69	3	50%
70 to 74	1	17%
75 to 79	0	0%
80 & up	0	0%
<b>Total</b>	<b>6</b>	<b>100%</b>
Average Attained Age for Retirees:		65.4

**Table 2- Summary of Employee Data  
(Concluded)**

The chart below reconciles the number of actives and retirees included in the July 1, 2012 valuation of the City plan with those included in the January 1, 2015 valuation:

<b>Reconciliation of City Plan Members Between Valuation Dates</b>					
<b>Status</b>	<b>Covered Actives</b>	<b>Waiving Actives</b>	<b>Covered Retirees</b>	<b>Covered Surviving Spouses</b>	<b>Total</b>
Number reported as of July 1, 2012	29	3	4	1	37
New employees	3	2			5
Terminated employees	(2)				(2)
New retiree, elected coverage	(1)		1		0
New retiree, waiving coverage					0
Previously covered, now waiving	(1)	1			0
Previously waiving, now covered	1	(1)			0
Deceased or dropped coverage					0
<b>Number reported as of January 1, 2015</b>	<b>29</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>40</b>

Observations from the chart above include the following:

- The overall number of active and retired employees has increased only slightly over the past 2 and ½ years.
- Little turnover has occurred during this time.
- Only 1 new retirement was reported and this individual elected to stay on the plan and is receiving retiree medical benefits.
- All 5 retirees/survivors who previously electing coverage continue to be covered by this plan.

We consider this experience in setting assumptions about the participation of future retirees in this program.

The following chart splits active and retired employees by medical plan:

<b>Counts by Medical Plan</b>			
<b>Plan Name</b>	<b>Actives</b>	<b>Retired</b>	<b>Total</b>
Blue Shield Access+ HMO	-	2	2
Blue Shield NetValue HMO	5	2	7
Kaiser HMO	1	-	1
PERS Choice PPO	1	-	1
PERS Select PPO	1	1	2
United HealthCare	21	1	22
Waived	5		5
<b>Total</b>	<b>34</b>	<b>6</b>	<b>40</b>

**Table 3A**  
**Summary of Retiree Benefit Provisions**

**OPEB provided:** The City reported that the only OPEB provided is medical plan coverage.

**Access to coverage:** Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS, i.e., (1) attainment of age 50 (age 52, if a new member on or after January 1, 2013) with 5 years of State or public agency service or (2) an approved disability retirement. The employee must begin his or her retirement warrant within 120 days of terminating employment with the City to be eligible to continue medical coverage through the City and be entitled to the employer subsidy described below.

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

**Benefits provided:** As a PEMHCA employer, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City most recently executed resolution with CalPERS defines the level of the City's contribution to be 100% of the retiree's monthly medical premium, but not more than \$347.77 per month.<sup>3</sup>

**Current premium rates:** The 2016 CalPERS monthly medical plan rates in the Other Southern California Area rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The additional CalPERS administration fee is assumed to be separately expensed each year and has not been projected as an OPEB liability in this valuation.

Other Southern California Counties 2016 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access+ HMO	\$ 654.87	\$ 1,309.74	\$ 1,702.66	Not Available		
Blue Shield NetValue HMO	666.35	1,332.70	1,732.51	Not Available		
Kaiser HMO	605.05	1,210.10	1,573.13	297.23	594.46	957.49
UnitedHealthcare	493.99	987.98	1,284.37	320.98	641.96	938.35
PERS Choice PPO	683.71	1,367.42	1,777.65	366.38	732.76	1,142.99
PERS Select PPO	625.20	1,250.40	1,625.52	366.38	732.76	1,107.88

<sup>3</sup> PEMHCA requires that an agency contribute not less than a specified monthly Minimum Employer Contribution (MEC). The MEC increases generally by medical CPI each year. In the event that the maximum benefit shown above falls below the MEC in any future year, the City will be required to contribute the MEC instead. We have considered possible MEC increases in this valuation (see Table 4).

**Table 3B**  
**General CalPERS Annuitant Eligibility Provisions**

The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of June 30, 2014, issued December 2014, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

**Health Care Coverage**

*Retired Employees*

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employee will notify CalPERS and the member's coverage will continue into retirement.

Eligibility Exceptions: Certain family members are not eligible for CalPERS health benefits:

- Children age 26 or older
- Children's spouses
- Former spouses
- Disabled children over age 26 who were never enrolled or were deleted from coverage
- Grandparents
- Parents
- Children of former spouses
- Other relatives

*Coordination with Medicare*

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former, or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

*Survivors of an Annuitant*

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

Surviving enrolled family members who do not qualify to continue their current coverage are eligible for continuation coverage under COBRA.

**Table 4**  
**Actuarial Methods and Assumptions**

Valuation Date	January 1, 2015
Funding Method	Entry Age Normal Cost, level percent of pay <sup>4</sup>
Asset Valuation Method	Market value of assets (\$0; no OPEB trust has been established)
Discount Rate	4.5% for pay-as-you-go; 6.5% illustrated for prefunding
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Wage Inflation	3.0% per year; used to determine amortization payments if developed on a level percent of pay basis
General Inflation Rate	2.75% per year

*The demographic actuarial assumptions used in this valuation are generally based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011. The representative mortality rates were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008 and then projected forward 6 years using Bickmore Scale 2014 to year 2014. Rates for selected age and service are shown below and on the following pages.*

**Mortality Before Retirement** Representative mortality rates as of 2014 are shown in the charts below.

These rates were then adjusted on a generational basis by Bickmore Scale 2014 to anticipate future mortality improvement.

In laymen's terms, that means mortality is projected to improve each year until the payments anticipated in any future year occur.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths			Police & Fire Combined Industrial & Non-Industrial Deaths		
Age	Male	Female	Age	Male	Female
15	0.00020	0.00015	15	0.00020	0.00015
20	0.00028	0.00018	20	0.00031	0.00021
30	0.00051	0.00027	30	0.00061	0.00037
40	0.00070	0.00047	40	0.00083	0.00060
50	0.00147	0.00103	50	0.00162	0.00118
60	0.00340	0.00201	60	0.00357	0.00218
70	0.00619	0.00408	70	0.00637	0.00427
80	0.01157	0.00918	80	0.01178	0.00938

<sup>4</sup> The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

**Table 4 - Actuarial Methods and Assumptions  
(Continued)**

Mortality After Retirement Representative mortality rates as of 2014 are shown in the charts below. The rates were then adjusted on a generational basis by Bickmore Scale 2014 to anticipate future mortality improvement.

Healthy Lives			Disabled Miscellaneous Lives			Disabled Police Lives		
CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality			CalPERS Public Agency Disabled Miscellaneous Post Retirement Mortality			CalPERS Public Agency Disabled Police Post Retirement Mortality		
Age	Male	Female	Age	Male	Female	Age	Male	Female
40	0.00103	0.00085	20	0.00548	0.00339	20	0.00548	0.00339
50	0.00475	0.00480	30	0.00717	0.00469	30	0.00206	0.00162
60	0.00785	0.00481	40	0.00887	0.00565	40	0.00240	0.00193
70	0.01541	0.01105	50	0.01594	0.01192	50	0.00520	0.00508
80	0.04556	0.03271	60	0.02530	0.01363	60	0.00888	0.00598
90	0.14423	0.10912	70	0.03394	0.02460	70	0.01974	0.01579
100	0.32349	0.29541	80	0.07108	0.05326	80	0.05761	0.04431
110	0.97827	0.97516	90	0.16458	0.14227	90	0.14475	0.10997

### Termination Rates

*For miscellaneous employees: sum of CalPERS Terminated Refund and Terminated Vested rates for miscellaneous employees – sample rates*

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.1193	0.0946	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0868	0.0749	0.0000	0.0000
30	0.1606	0.1055	0.0790	0.0668	0.0581	0.0000
35	0.1537	0.0987	0.0711	0.0587	0.0503	0.0450
40	0.1468	0.0919	0.0632	0.0507	0.0424	0.0370
45	0.1400	0.0849	0.0554	0.0427	0.0347	0.0290

*For police employees: sum of CalPERS Terminated Refund and Terminated Vested rates - Sample rates*

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1013	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1013	0.0258	0.0249	0.0000	0.0000	0.0000
25	0.1013	0.0258	0.0249	0.0179	0.0000	0.0000
30	0.1013	0.0258	0.0249	0.0179	0.0109	0.0000
35	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082
40	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082
45	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082

Other Post-Employment Benefit Programs of the City of Firebaugh  
Actuarial Valuation as of January 1, 2015

**Table 4 - Actuarial Methods and Assumptions  
(Continued)**

**Service Retirement Rates**

*For miscellaneous  
employees hired before  
1/1/2013: CalPERS  
Public Agency 2.5% @  
55 – Illustrative rates*

Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0040	0.0090	0.0190	0.0290	0.0490	0.0940
55	0.0660	0.0880	0.1150	0.1420	0.1790	0.2410
60	0.0660	0.0880	0.1150	0.1420	0.1790	0.2410
65	0.1220	0.1600	0.2020	0.2450	0.2970	0.3740
70	0.1270	0.1650	0.2090	0.2530	0.3060	0.3850
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

*For miscellaneous  
employees joining  
CalPERS on or after  
1/1/2013: CalPERS  
Public Agency 2% @  
62 – Illustrative rates*

Current Age	Years of Service					
	5	10	15	20	25	30
52	0.0103	0.0132	0.0160	0.0188	0.0216	0.0244
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
65	0.1287	0.1638	0.1989	0.2340	0.2691	0.3042
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

*For Police employees  
hired before 1/1/2013:  
CalPERS Public  
Agency 3% @ 55 –  
Illustrative rates*

Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0040	0.0040	0.0040	0.0040	0.0150	0.0860
53	0.0380	0.0380	0.0380	0.0380	0.0830	0.1880
56	0.0720	0.0720	0.0720	0.0720	0.1530	0.2950
59	0.1180	0.1180	0.1180	0.1180	0.2470	0.4370
62	0.1080	0.1080	0.1080	0.1080	0.2260	0.4050
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

*For Police employees  
joining CalPERS on or  
after 1/1/2013:  
CalPERS Public  
Agency 2.7 @57 –  
Illustrative rates*

Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
53	0.0497	0.0497	0.0497	0.0497	0.0909	0.1621
56	0.0606	0.0606	0.0606	0.0606	0.1108	0.1975
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

**Table 4 - Actuarial Methods and Assumptions  
(Continued)**

**Disability Retirement Rates**

CalPERS Public Agency Miscellaneous Disability			CalPERS Public Agency Police Combined Disability	
Age	Male	Female	Age	Unisex
20	0.00017	0.00010	20	0.00010
25	0.00017	0.00010	25	0.00175
30	0.00019	0.00024	30	0.00496
35	0.00049	0.00081	35	0.00818
40	0.00122	0.00155	40	0.01140
45	0.00191	0.00218	45	0.01461
50	0.00213	0.00229	50	0.01925
55	0.00221	0.00179	55	0.04909
60	0.00222	0.00135	60	0.06212

**Healthcare Trend**

Medical plan premiums are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2016	Actual	2021	5.50%
2017	7.50%	2022	5.00%
2018	7.00%	2023	4.50%
2019	6.50%	2024	4.50%
2020	6.00%	2025 & later	4.64%

The PEMHCA minimum required contribution (MEC) is assumed to increase annually by 4.5%.

**Employer Cost Sharing**

Where the City contribution is defined as a fixed dollar amount, we have assumed no increase in this amount until January 1, 2020. We assumed a 20% increase on January 1, 2020, followed by increases at the rate of 4% per year thereafter.

**Participation Rate**

*Active employees:* 100% of those currently covered are assumed to continue their current plan election in retirement. If currently waiving coverage, we assumed a 75% chance the employee will elect coverage in the Blue Shield Net Value plan in the Other Southern California region in retirement.

**Table 4 - Actuarial Methods and Assumptions  
(Continued)**

	<i>Retired participants:</i> Existing medical plan elections are assumed to be maintained until the retiree's death.
Spouse Coverage	<i>Active employees:</i> 85% are assumed to be married at the time of retirement with 80% of married retirees electing to cover their spouse in retirement. Surviving spouses are assumed to continue coverage until their death. Husbands are assumed to be 3 years older than their wives.  <i>Retired participants:</i> Existing elections for spouse coverage are assumed to be continued until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.
<b>Changes Since the Prior Valuation:</b>	
Assumed Wage Inflation	Used only to develop amortization payments, this was decreased from 3.25% to 3.0%
General Inflation Rate	Decreased from 3.0% to 2.75%
Demographic assumptions	Rates of assumed termination, and retirement were updated from those provided in the CalPERS 2010 experience study report to those provided in the CalPERS 2014 experience study report. Rates of mortality were updated to those in the CalPERS 2014 experience study, then projected from the midpoint year (2008) on a generational basis by Bickmore Scale 2014.
Healthcare trend	We added an assumption about future increases in the MEC and in the \$347.77 maximum subsidy.

**Table 5**  
**Projected Benefit Payments**

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the City. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

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

<b>Projected Annual Benefit Payments</b>			
<b>Fiscal Year Ending June 30</b>	<b>Current Retirees</b>	<b>Future Retirees</b>	<b>Total</b>
2015	\$ 21,107	\$ -	\$ 21,107
2016	24,913	2,593	27,506
2017	24,802	6,191	30,993
2018	24,626	9,929	34,555
2019	24,435	13,106	37,540
2020	26,639	17,441	44,080
2021	29,374	20,973	50,347
2022	30,237	23,997	54,234
2023	31,093	27,663	58,756
2024	31,934	32,034	63,968
2025	32,753	37,077	69,829
2026	33,361	43,105	76,466
2027	33,942	50,823	84,765
2028	34,649	59,711	94,359
2029	35,290	68,673	103,962

The amounts shown reflect the expected payment by the City toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

## Appendix 1 Prefunding Illustration for the FYE 2016

The following table compares an illustration of prefunding results to those developed on a pay-as-you-go basis for the fiscal year ending June 30, 2016. Amortization of the unfunded actuarial accrued liability is developed on the same basis as described in Section F.

Valuation date	Pay-As-You-Go	Prefunding
	1/1/2015	
For fiscal year beginning	7/1/2015	7/1/2015
For fiscal year ending	6/30/2016	6/30/2016
Discount rate	4.50%	6.50%
<b>Actuarial Present Value of Projected Benefits</b>		
Actives	\$ 2,894,429	\$ 1,611,492
Retirees	585,353	456,011
Total APVPB	3,479,782	2,067,503
<b>Actuarial Accrued Liability (AAL)</b>		
Actives	1,464,497	919,156
Retirees	585,353	456,011
Total AAL	2,049,850	1,375,167
<b>Actuarial Value of Assets</b>	-	-
<b>Unfunded AAL (UAAL)</b>	2,049,850	1,375,167
Amortization factor	20.4256	16.7832
<b>Annual Required Contribution (ARC)</b>		
Normal Cost	135,166	78,791
Amortization of UAAL	100,357	81,937
Interest to fiscal year end	5,168	5,070
<b>Total ARC at fiscal year end</b>	240,691	165,798
<b>1. Calculation of the Annual OPEB Expense</b>		
a. ARC for current fiscal year	\$ 240,691	\$ 165,798
b. Interest on beginning Net OPEB Obligation	102,166	147,574
c. Adjustment to the ARC	(116,155)	(144,069)
d. <b>Annual OPEB Expense (a. + b. + c.)</b>	226,702	169,303
<b>2. Calculation of Expected Contribution</b>		
a. Estimated payments on behalf of retirees	27,506	27,506
b. Estimated contribution to OPEB trust	-	138,293
c. <b>Total Expected Employer Contribution</b>	27,506	165,799
<b>3. Change in Net OPEB Obligation (1.d. minus 2.c.)</b>	199,196	3,504
Net OPEB Obligation, beginning of fiscal year	2,270,364	2,270,364
<b>Net OPEB Obligation at fiscal year end</b>	2,469,560	2,273,868

## Appendix 2

### General OPEB Disclosure and Required Supplementary Information

The Information necessary to complete the OPEB footnote in the City's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

Summary of Plan Provisions:	See Table 3A
OPEB Funding Policy:	See Section F; details are provided also at the top of the exhibit in Table 1B
Annual OPEB Cost and Net OPEB Obligation:	See Table 1C
Actuarial Methods and Assumptions:	See Table 4.
Funding Status and Funding Progress:	See Section E – Basic Valuation Results
Required Supplementary Information:	Three Year History of Amounts Funded See chart below:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 2,263,046	\$ 2,263,046	0.0%	\$ 1,598,143	141.6%
7/1/2012	\$ -	\$ 2,896,304	\$ 2,896,304	0.0%	\$ 1,564,331	185.1%
1/1/2015	\$ -	\$ 1,909,315	\$ 1,909,315	0.0%	\$ 1,831,124	104.3%

OPEB Cost Contributed					
Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)	
6/30/2013	\$ 383,147	\$ 8,415	2.2%	\$ 1,690,925	
6/30/2014	\$ 409,401	\$ 23,186	5.7%	\$ 2,077,140	
6/30/2015	\$ 214,331	\$ 21,107	9.8%	\$ 2,270,364	
6/30/2016	\$ 226,702	\$ 27,506	12.1%	\$ 2,469,560	
6/30/2017	\$ 239,704	\$ 30,993	12.9%	\$ 2,678,271	

*Italicized values above are estimates which may change if contributions are other than projected.*

## **Addendum 1: Bickmore Mortality Projection Methodology**

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principals in developing a credible mortality improvement model would include the following:

- (1) Short-term mortality improvement rates should be based on recent experience.
- (2) Long-term mortality improvement rates should be based on expert opinion.
- (3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **Bickmore Scale 2014** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2014 Report, published in October 2014 and (2) the demographic assumptions used in the 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published July 2015.

Bickmore Scale 2014 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2014 which has two segments – (1) historical improvement rates for the period 1951-2007 and (2) Scale MP-2014's best estimate of future mortality improvement for years 2008 and thereafter. The Bickmore scale uses the same improvement rates as the MP-2014 scale during the historical period 1951-2007. In addition, the Bickmore scale uses Scale MP-2014's best estimate of future mortality improvement for years 2008-2010. The Bickmore scale then transitions from the last used MP-2014 improvement rate in 2010 to the Social Security Administration (SSA) Intermediate Scale. This transition to the SSA Intermediate Scale occurs linearly over the 10 year period 2011-2020. After this transition period, the Bickmore Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2020-2038. The SSA's Intermediate Scale has a final step down in 2039 which is reflected in the Bickmore scale for years 2039 and thereafter. Over the ages 100 to 115, the SSA improvement rate is graded to zero.

Scale MP-2014 can be found at the SOA website and the projection scales used in the 2015 Social Security Administrations Trustees Report at the Social Security Administration website.

## Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see “Actuarial Present Value”

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Annual OPEB Expense – The OPEB expense reported in the Agency's financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual's projected earnings or service forward from the valuation date to the assumed exit date

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

## **Glossary (Continued)**

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Non-Industrial Disability (NID) – Unless specifically contracted by the individual Agency, PAM employees are assumed to be subject to only non-industrial disabilities.

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that medical insurance contributions for retired annuitants and paid for by a contracting Agency be equal to the medical insurance contributions paid for its active employees, and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

**Glossary  
(Concluded)**

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Public Agency Miscellaneous (PAM) – Actuarial assumptions used by CalPERS for most non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility



## STAFF REPORT

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TO: Mayor Craig Knight and Council Members  
FROM: Pio Martin, Finance Director  
DATE: November 2, 2015  
SUBJECT: Westside Cities Cable Television Authority

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### **INFORMATIONAL:**

On November 5<sup>th</sup>, Mayor Craig Knight or Mayor Pro-tem Freddy Valdez will be attending the Westside Cities Cable Television Authority JPA in Kerman. The meeting will address the termination of the Joint Exercise of Powers Agreement and the dissolution of the Westside Cities Cable Television Authority between the Cities of Dos Palos, Firebaugh, Kerman, Mendota and San Joaquin.

### **HISTORY**

In October 1981, the cities of Dos Palos, Firebaugh, Kerman, Mendota, and San Joaquin entered into an agreement to create the Westside Cities Cable Television Authority JPA. One of the purpose was to collect a franchise fee for cable television. The Cities of Firebaugh was assigned to distribute the franchise fees to all the cities once it was received from the cable provider.

### **DISCUSSION**

Open for discussion, nothing will be voted on.

### **FISCAL IMPACT**

None



## **NOVEMBER 2015**

### **FACILITY RENTALS**

11/14/15	A/F Hall-Quinceanera
11/17-11/19	A/F Hall-Flood Fighting Training 8am-12pm
11/21/15	A/F Hall-Quinceanera
11/28/15	A/F Hall-Quinceanera

### **Council Chambers Rm**

Council Meeting 1<sup>st</sup> and 3<sup>rd</sup> Monday of Every Month at 6:00pm

Planning Meeting 2<sup>nd</sup> Monday of Every Month at 6:00pm

Oversight Board Meeting 3<sup>rd</sup> Thursday of Every Month at 11a.m

### **Back East Room Community Building**

Universal Church every Thursday 6:00p.m

### **Dunkle Park Bldg.**

The Regional Culture Institute- Monday, Tuesday & Friday 10am - Noon

### **Food Distribution**

EOC Distribution 2<sup>nd</sup> Friday of the month at A/F Hall at 9am

Drought Distribution every 1<sup>st</sup> and 4<sup>th</sup> Thursday of the month at Dunkle Park at 9am

Salvation Army Dinner Distribution every Wednesday at A/F Hall from 5pm to 7pm