YREKA CITY COUNCIL
AGENDA
September 15, 2016 – 6:30 P.M.
Yreka City Council Chamber 701 Fourth Street, Yreka, CA
The full agenda packet can be found on the City's website www.ci.yreka.ca.us/council

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS: This is the time for public comments. Council may ask questions but may take no action during the public comment section of the meeting, except to direct staff to prepare a report or place an item on a future agenda. If you are here to make comments on a specific agenda item, you may speak at that time. If not, this is the time. Please limit your remarks to 5 minutes.

SPEAKERS: Please speak from the podium. State your name and mailing address so that City Staff can respond to you in regard to your comments, or provide you with information, if appropriate. You are not required to state your name and address if you do not desire to do so.

1. Discussion/Possible Action - Consent Calendar: All matters listed under the consent calendar are considered routine and will be enacted by one motion unless any member of the Council wishes to remove an item for discussion or a member of the audience wishes to comment on an item. The City Manager recommends approval of the following consent calendar items:
    a. Approval/ratification of payments issued from September 2, through September 15, 2016.
    b. Approval of Minutes of the meeting held September 1, 2016.
    c. Resolution approving the destruction of certain city records identified by the Finance Director.

2. City Treasurer's Report: Discussion/Possible Action – Approval of:
    a) Cash Balances Report – June 2016
    b) Quarterly Treasurer's Investment Report – 4th Quarter Fiscal Year 2015/2016
    c) Budget of Revenue and Expenditures with Year to Date Actuals through June 2016
    d) Quarterly Fiscal Performance Report – 4th Quarter Fiscal Year 2015/2016

3. Discussion/Possible Action – Acceptance of the June 30, 2016 Report on GASB 45 Retiree Benefit Actuarial Valuation prepared by Bickmore.

4. Discussion/Possible Action – Councilmember Freeman's request for consideration of Opposition to Measure H.

City Manager Report

Council Statements and Requests: Members of the Council may make brief announcements, reports, or request staff to report to Council on any matter at a subsequent meeting.

CLOSED SESSION:

1. Conference with Legal Counsel - Anticipated Litigation
Initiation of litigation pursuant to Subdivision (c) of Section 54956.9 of the Government Code: (Number of cases to be discussed – 1 - The names of the parties are not disclosed, as it is believed

that that to do so would jeopardize the City's ability to serve process or to conclude existing settlement negotiations to the City's advantage).

RETURN TO OPEN SESSION: Announcement of any action taken by the City Council in Closed Session required by the Ralph M. Brown Act. (Government Code Section 54950 et. seq.)

Adjournment.

In compliance with the requirements of the Brown Act, notice of this meeting has been posted in a public accessible place, 72 hours in advance of the meeting.

All documents produced by the City which are related to an open session agenda item and distributed to the City Council are made available for public inspection in the City Clerk's Office during normal business hours.

In compliance with the Americans with Disabilities Act, those requiring accommodations for this meeting should notify the City Clerk 48 hours prior to the meeting at (530) 841-2324 or by notifying the Clerk at casson@ci.yreka.ca.us.

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF YREKA HELD IN SAID CITY ON SEPTEMBER 1, 2016

On the 1st day of September 2016, the City Council of the City of Yreka met in the City Council Chambers of said City in regular session, and upon roll call, the following were present: Deborah Baird, Joan Smith Freeman, John Mercier and David Simmen Absent - None.

Mayor Mercier announced that the Closed Session has been pulled from the agenda.

<u>Consent Calendar</u>: Mayor Mercier announced that all matters listed under the consent calendar are considered routine and will be enacted by one motion unless any member of the Council wishes to remove an item for discussion or a member of the audience wishes to comment on an item:

a. Approval/ratification of payments issued from August 5, 2016 through September 1, 2016.
b. Approval of Minutes of the meeting held August 4, 2016.

Following Council discussion, Councilmember Freeman moved to approve the items on the consent calendar as submitted.

Councilmember Baird seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Mercier and Simmen. Mayor Mercier thereupon declared the motion carried.

<u>Approve Miner Street Façade Grant Program Application – Yreka Elks Lodge No. 1980 – Location 330 – 332 W. Miner Street - remove awning, remove and replace siding and paint to match existing historic color.</u>

City Manager Steve Baker reported that the Elks Lodge submitted an initial grant application in August of 2012 for an estimated amount of $10,000. After review of the project with Grant Coordinator Ben Matts, it was determined that the proposed repairs to the roof of the back porch, were ineligible for grant funds.

August 9, 2016, the Elks Lodge submitted a revised grant application in the amount of $6,200 to remove the existing awning, remove and replace siding and re-paint the front to match existing historic color. City Staff has reviewed the application and is recommending approval.

John Knitter addressed the Council on behalf of the Elks Lodge to answer any questions regarding the application.

Following Council discussion, Councilmember Simmen moved to approve the Elks Lodge Grant Application for 50% reimbursement in the amount of $3,100.00 as submitted.

Councilmember Freeman seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Mercier and Simmen.

Mayor Mercier thereupon declared the motion carried.

<u>PUBLIC HEARING</u> – Consideration of an application for a Certificate of Public Convenience and Necessity for taxicab operation pursuant to Yreka Municipal Code Chapter 5.08 Taxicabs.

City Manager Baker reported that Melissa E. Wright submitted an application for a Certificate of Public Convenience and Necessity for a taxicab operation, as required by Yreka Municipal Code Section 5.08.020.

The applicant is purchasing the existing taxi business from Shelly Craig, who has been operating the taxicab operation known as Road Runner Taxi in Yreka since August 2013. Ms. Wright is currently licensed with the City and has been driving for the Road Runner Taxi since November 18, 2015.

This being the time and date scheduled for the public hearing, Mayor Mercier opened the public hearing to the audience. Phil Porter asked for a clarification as to why this process was needed. City Manager Baker responded that it is part of the Business License process as outlined in the Yreka Municipal Code to ensure public health and safety. John Knitter stated that he has personally spoke with the previous owner of the taxicab company and she stated that there is a need and that the business was doing well in Yreka.

There being no statements or comments from the audience, Mayor Mercier closed the public hearing and opened discussion to the Council.

<u>Adopt Resolution No. 2016-43 issuing a Certificate of Public Convenience and Necessity for Taxicab operation to Melissa E. Wright pursuant to Yreka Municipal Code Chapter 5.08.</u>

Following Council discussion, Councilmember Freeman moved to adopt Resolution No. 2016-43 as submitted, and authorized the Business License Department and the Chief of Police to issue a Taxicab Drivers' Permit in accordance with all rules and regulations of the Yreka Municipal Code.

Councilmember Baird seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Mercier and Simmen.

Mayor Mercier thereupon declared the motion carried.

ADJOURNMENT There being no further business before the Council the meeting was adjourned.

Attest:

John Mercier, Mayor
Minutes approved by Council
Motion September 15, 2016

Elizabeth E. Casson, City Clerk

CITY OF YREKA
CITY COUNCIL AGENDA MEMORANDUM

To:	Yreka City Council
Prepared by:	Rhetta Hogan
Agenda title:	Adopt a Resolution of the City Council of the City of Yreka Approving the Destruction of Certain City Records Identified by the Finance Director
Meeting date:	September 15, 2016

Discussion:

Itemized below are records that the Finance Director has identified for destruction. Records containing confidential data, such as payroll information, will be shredded by an appropriate vendor or organization. The California Secretary of State has issued guidelines for records destruction, and the City is generally more conservative in its records retention destruction. I have included excerpts from the Local Government Records Management Guidelines as an attachment for reference.

And though, the City could adopt a blanket policy of following the Secretary of State guidelines, it is the Finance Director's preference to annually request the City Council's authority to destroy such records.

Identified records, where the Finance Director is requesting destruction:

- Accounts Payable: Records older than July 1, 2009, includes copies of invoices, checks and AP batch reports.
- Cash Receipts: Cash receipt daily batches older than July 1, 2009, includes copies of daily detail and summary ledger reports, and cash receipt advices for utility billing (water, sewer and landfill), building permits, animal and business licenses, and all other cash receipts received by the City.
- Payroll records: Payroll timecards, payroll bi-weekly cycle reports, registers and other payroll related and timecard processing information older than July 1, 2009.
- Payroll annual and quarterly registers: Quarterly summary reports older than December 31, 2006, includes quarterly tax and gross wages summaries.
- General ledger reports: Detail ledger listing of transactions, includes various sorts, periods and aggregations, older than July 1, 2009. Ledger data active and retained electronically on Accela database since July 2010. *Note that the trial balance, the permanent records of City's total transactions for a fiscal year are being retained, however detail transaction records that arrive at those balances are being identified for destruction.*
- General ledger journal entries: Journal entry posting of adjustments to the general ledger older than July 1, 2009, does not include sub ledger interface posting from payroll, accounts payable, accounts receivable, cash receipts, utility billing, animal and business licensing.

- Electronic backup media: Historical backup tapes and diskettes data from legacy financial systems, where restoration tape drives are no longer in place, or active, and where software updates have made the data obsolete to restore.
- Bank reconciliation: Bank statements, detail reconciliation work papers, cancelled checks and treasurer's monthly and quarterly reports older than July 1, 2009.
- Dog license: Dog license records older than July 1, 2009, includes receipts, registration tickets, sub ledger registers list, billing and adjustments batches pertaining to dog licensing
- Business license: Business license records older than July 1, 2009, includes receipts, registration tickets, sub ledger registers list, billing and adjustments batches pertaining to business licensing
- Water Accounts: Billing registers, customer correspondences, and other collection related information older than July 1, 2009
- Accounts Receivable: Invoice registers, collection receipts, aging lists and customer correspondences older than July 1, 2009; receivable collections includes landfill invoicing records and TOT tax records.
- Parking ticket collections: Citations, collections and customer correspondences relating to parking ticket citations older than July 1, 2009. (Note the City ceased collections of parking tickets in 1998, however some correspondences are dated after that time.)
- Park and recreation correspondences: Miscellaneous desk correspondences, notes, and memorandums of park and recreation manager, records older than July 1, 2009.
- Senior Program: All records for menu plans, meals served, participant registers, transportation routes and appointments, desk memorandums and notes, relating to the operations of the senior programs. Final program monitoring for the grant program was performed July 2009. Note, PSA 2 Area Agency on Housing (grant administrative agency), was notified and approved records destruction. Fiscal reports filed for the Title III grant program, from July 1, 2009 are being retained.

Fiscal Impact:
Estimated $250 for destruction of confidential information, in departmental budget.

Recommendation and Requested Action:
Adopt a Resolution of the City Council of the City of Yreka approving the Destruction of Certain City Records Identified by the Finance Director

Approved by: ______________________
Steven Baker, City Manager

RESOLUTION NO. 2016-________

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YREKA APPROVING THE DESTRUCTION OF CERTAIN CITY RECORDS IDENTIFIED BY THE FINANCE DIRECTOR

WHEREAS, the Finance Director has requested destruction of certain City documents and records, as hereinafter set forth; and

WHEREAS, the destruction of said records is consented to by the City Attorney;

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Yreka as follows:

SECTION 1: The Finance Director is hereby authorized to destroy the following records:

<u>Accounts Payable:</u> Records older than July 1, 2009, includes copies of invoices, checks and AP batch reports

<u>Cash Receipts:</u> Cash receipt daily batches older than July 1, 2009, includes copies of daily detail and summary ledger reports, and cash receipt advices for utility billing (water, sewer and landfill), building permits, animal and business licenses, and all other cash receipts received by the City.

<u>Payroll records:</u> Payroll timecards, payroll bi-weekly cycle reports, registers and other payroll related and timecard processing information older than July 1, 2009.

<u>Payroll annual and quarterly registers:</u> Quarterly summary reports older than December 31, 2006, includes quarterly tax and gross wages summaries.

<u>General ledger reports:</u> Detail ledger listing of transactions, includes various sorts, periods and aggregations, older than July 1, 2009. Ledger data is retained electronically on Accela database server from July 2010.

<u>General ledger journal entries:</u> Journal entry posting of adjustments to the general ledger older than July 1, 2009, does not include subledger interface posting from payroll, accounts payable, accounts receivable, cash receipts, utility billing, animal and business licensing.

<u>Electronic backup media:</u> Historical backup tapes and diskettes data from legacy financial systems, and or restoration tape drives where those systems are no longer in place, or active, and where software updates have made the backup data obsolete to restore.

<u>Bank reconciliation:</u> Bank statements, detail reconciliation work papers, cancelled checks and treasurer's monthly and quarterly reports older than July 1, 2009.

<u>Dog license:</u> Dog license records older than July 1, 2009, includes receipts, registration tickets,

sub-ledger registers list, billing and adjustments batches pertaining to dog licensing.

Business license: Business license records older than July 1, 2009, includes receipts, registration tickets, sub-ledger registers list, billing and adjustments batches pertaining to business licensing.

Water Accounts: Billing registers, customer correspondences, and other collection related information older than July 1, 2009.

Accounts Receivable: Invoice registers, collection receipts, aging lists and customer correspondences older than July 1, 2009; receivable collections includes landfill invoicing records and TOT tax records.

Parking ticket collections: Citations, collections and customer correspondences relating to parking ticket citations older than July 1, 2009. (Note the City ceased collections of parking tickets in 1998, however some correspondences are dated after that time.)

Park and recreation correspondences: Miscellaneous desk correspondences, notes, and memorandums of park and recreation manager, records older than July 1, 2009.

Senior Program: All records for menu plans, meals served, participant registers, transportation routes and appointments, desk memorandums and notes, relating to the operations of the senior programs. Final program monitoring for the grant program was performed July 2009. Note, PSA 2 Area Agency on Housing (grant administrative agency), was notified and approved records destruction. Fiscal reports filed for the Title III grant program, from July 1, 2008 are being retained.

SECTION 2: The City Council hereby expressly determines that said records are no longer required and that the same have no historical value.

PASSED AND ADOPTED 15th day of September 2016 by the following vote:

AYES:
NOES:
ABSENT:

John Mercier, Mayor

Consent is hereby given to the form and content of the foregoing Resolution

ATTEST:

Dohn Henion, City Attorney

Liz Casson, City Clerk

CITY OF YREKA
TREASURER'S REPORT TO THE CITY COUNCIL
Jun-2016

und Type	Fund	Fund Description	Previous Balance	Receipts / Debits	Disbursements / Credits	Prior Period Adj.	Cash Balance by Fund	
General-Unrestricted	01	General Operating	$ 3,091,201.89	$ 519,428.00	$ 867,653.98	$ -	$ 2,742,975.91	
General-Designated	01	Comm Art	2,772.56	-	-	-	2,772.56	
General-Designated	01	Fire Museum	3,322.35	-	-	-	3,322.35	
General-Designated	01	Planning Deposits	-	-	-	-	0.00	
General-Designated	01	Sidewalk in Lieu	36,228.46	-	-	-	36,228.46	
General-Designated	01	Parkland Trust	300.00	-	-	-	300.00	
General-Designated	01	Police Asset Forfeit	6,803.63	-	-	-	6,803.63	
General-Designated	01	Parking Fees	63,011.04	-	-	-	63,011.04	
General-Designated	01	Campbell Tract Redemption	48,020.34	-	-	-	48,020.34	
General-Designated	01	Baker Tract/Lucas	-	-	-	-	0.00	
General-Designated	02	Gifts Donations	7,060.30	1,240.51	1,102.97	-	7,197.84	
General-Designated	02	K-9 Unit	11,598.40	-	-	-	11,598.40	
General-Designated	02	YPD Donated - Hitson	4,697.50	-	-	-	4,697.50	
General-Designated	02	YPD Donated - Travellers	2,117.38	-	357.50	-	1,759.88	
General-Designated	02	YPD Donated - Teen Fund	3,151.59	700.00	883.01	-	2,968.58	
General-Designated	02	Greenhorn Park Redevelopment	-	-	-	-	0.00	
General-Designated	03	YVFD Volunter Fund	54,018.15	5,665.60	500.00	-	59,183.75	
General-Restricted	04	Crandell Cash	111,849.61	2,344.98	-	-	114,194.59	
General-Designated	08	Grant Projects Reserve	759,373.91	24,854.29	23,674.14	-	760,554.06	
General-Designated	08	PERS Pension Liability Reserve	(125,843.25)	11,787.90	-	-	(114,055.35)	
General-Designated	09	Reserves for Cap. Outlay	483,112.32	57,913.22	-	-	541,025.54	
General-Designated	10	Capital Outlay	67,259.14	-	66,325.51	-	933.63	General - All
General-Designated	11	Capital Building Project - YPD	1,753,127.10	500.00	7.04	-	1,753,620.06	$ 6,047,112.77
Spec. Rev. -Streets	20	Road and Street Funds including HUTA	(2,459.00)	91,484.92	62,450.23	-	26,575.69	
Spec. Rev. -Streets	21	Local Transportation	249,040.60	19,624.52	23,000.00	-	245,665.12	Streets
Spec. Rev. -Streets	24	Fines - Traffic Safety	111,966.09	1,601.24	26,865.47	-	86,701.86	$ 358,942.67
Special Revenue	30	Fire Assessment Spec. Rev	226,550.33	21,322.45	11,218.65	-	236,654.13	
Special Revenue	31	Landfill Access Fee - Debt Service	68,703.63	20,591.35	970.38	-	88,324.60	Special Revenues
Special Revenue	32	Developer Impact Fees	257,412.86	-	9,686.87	-	247,725.99	$ 572,704.72
Special Grants	60	Spec Grants Capital Outlay	(359,614.14)	400,480.05	40,865.91	-	(0.00)	Special Grants
Special Grants	65	Community Development Grants	315,932.95	2,558.18	440.54	-	318,050.59	$ 318,050.59
Water Enterprise	70	Water Operating	(126,621.50)	383,736.26	257,114.76	-	(0.00)	
Water Enterprise	71	Water Capital Projects	1,349,794.38	147,967.62	193,871.88	-	1,303,890.12	
Water Enterprise	72	Water Debt Servicing	358,174.57	7,864.49	669.12	-	365,369.94	
Water Enterprise	72	USDA COPS 2010	200,000.00	-	-	-	200,000.00	Water Enterprise
Water Enterprise	74	Water Reserves	6,351,019.62	59,347.56	174,465.20	-	6,235,901.98	$ 8,105,162.04
Sewer Enterprise	80	Sewer Operating	232,837.26	326,907.13	559,759.39	15.00	-	
Sewer Enterprise	81	Sewer Capital Outlay	966,412.85	147,912.55	1,052,854.82	(15.00)	61,455.58	
Sewer Enterprise	82	Sewer Debt Servicing	83,065.59	1,822.38	10,522.39	-	74,365.58	
Sewer Enterprise	82	USDA COPS 2003	100,000.00	-	-	-	100,000.00	Enterprise-Sewer
Sewer Enterprise	84	Sewer Reserves	2,491,458.21	1,332,654.24	106,984.39	-	3,717,128.06	$ 3,952,949.22
Agency	90	Agency - Cash	46,277.73	579,062.62	375,224.37	-	250,115.98	Agency- Payroll
								$ 250,115.98
		COLUMN TOTALS	$ 19,303,134.45	$ 4,169,372.06	$ 3,867,468.52	$ -	$ 19,605,037.99	$ 19,605,037.99

BANK RECAPITULATION	PER BANK	Market Value	PER LEDGER
L.A.I.F. 0.576%	17,352,402.69	17,352,402.69	
Pershing Bank - CD & Treas Investments	1,730,440.74	1,732,023.00	
Petty Cash Drawers	1,200.00		
YVFD Petty Cash	100.00		
TriCounties YVFD DDA	60,017.14		
Scott Valley Bank - 01036830	-		
Scott Valley Bank - 01015102	856,082.75		
TOTAL PER BANK	20,000,243.32		
ADJUSTMENTS			
Less Outstanding Checks SVB	(140,860.91)		
Less Outstanding Checks TCB	(933.39)		
SVB DDA Interest 6/30 GL 7/1	(61.99)		
OS CC GL 6/30 SVB 7/1	3,195.84		
OS CC GL 6/30 SVB 7/5	774.05		
ACH Claims G/L 6/30 SVB July	(7,393.93)		
Clearing MBS Securities G/L 6/30 ACH 7/5	(250,000.00)		
R/I SVB 6/30 G/L 7/1	75.00		
Miscellaneous Write-off	-		
TOTAL PER LEDGER	19,605,037.99		19,605,037.99

Rhetta Hogan, City Treasurer

John Mercier, City Mayor

QUARTERLY TREASURER'S INVESTMENT REPORT

June 30, 2016

Settlement Date	Investment	Account Number	Par Amount	Book Value	Market Value	Interest Rate	Maturity Date	Market Value %
Government Agency								
	Multi-Bank Securities, Inc - PERSHING BANK ***	RMB-034398	$550,000.00	$550,263.75	$550,387.50	1.254	1-5 years	100.070%
Certificates of Deposit								
	Multi-Bank Securities, Inc - PERSHING BANK ***	RMB-034398	$1,180,000.00	$1,180,176.99	$1,181,635.50	1.368	1-5 years	100.139%
Cash and Equivalents								
6/30/2016	Local Agency Investment Fund - LAIF ***	98-47-996	$17,352,402.69	$17,352,402.69	$17,352,402.69	0.5060	NONE	100.00%
6/30/2016	Scott Valley Bank- Chcecking	0001015102	$856,082.75	$856,082.75	$856,082.75	0.0700	NONE	100.00%
6/30/2016	Tri-Counties Bank (YVFD)	176010540	$60,017.14	$60,017.14	$60,017.14	0.0200	NONE	100.00%
6/30/2016	Petty Cash - City DepartmentsITY DEPARTMENTS		$1,200.00	$1,200.00	$1,200.00		NONE	100.00%
6/30/2016	Petty Cash - YVFD		$100.00	$100.00	$100.00		NONE	100.00%
	TOTAL CASH AND INVESTMENTS		$19,999,802.58	$20,000,243.32	$20,001,825.58			

*** See supplemental data on Multi Bank Securities and LAIF Investment maturities, investment portfolio mix and yield

The instruments of investments used this quarter are in direct relationship with the City's investment policy. It is the opinion of the Treasurer that the next six (6) months expenditures will be met.

SRHogan

Shella Rhetta Hogan, Treasurer

Approved by motion of the Yreka City Council at its meeting held September 15, 2016.

John Mercier, Mayor

JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
08/08/16	0.60	0.59	166
08/09/16	0.61	0.59	168
08/10/16	0.61	0.59	168
08/11/16	0.61	0.59	167
08/12/16	0.61	0.59	166
08/13/16	0.61	0.59	166
08/14/16	0.61	0.59	166
08/15/16	0.61	0.59	165
08/16/16	0.61	0.59	163
08/17/16	0.61	0.60	165
08/18/16	0.62	0.60	166
08/19/16	0.62	0.60	164
08/20/16	0.62	0.60	164
08/21/16	0.62	0.60	164
08/22/16	0.62	0.60	162
08/23/16	0.62	0.60	161
08/24/16	0.62	0.60	159
08/25/16	0.62	0.60	156
08/26/16	0.62	0.60	158
08/27/16	0.62	0.60	158
08/28/16	0.62	0.60	158
08/29/16	0.62	0.60	159
08/30/16	0.62	0.60	160
08/31/16	0.62	0.60	162
09/01/16	0.63	0.60	169
09/02/16	0.63	0.60	169
09/03/16	0.63	0.60	169
09/04/16	0.63	0.60	169
09/05/16	0.63	0.60	169
09/06/16	0.63	0.60	167
09/07/16	0.63	0.60	166

*Daily yield does not reflect capital gains or losses

View Prior Month Daily Rates

LAIF Performance Report

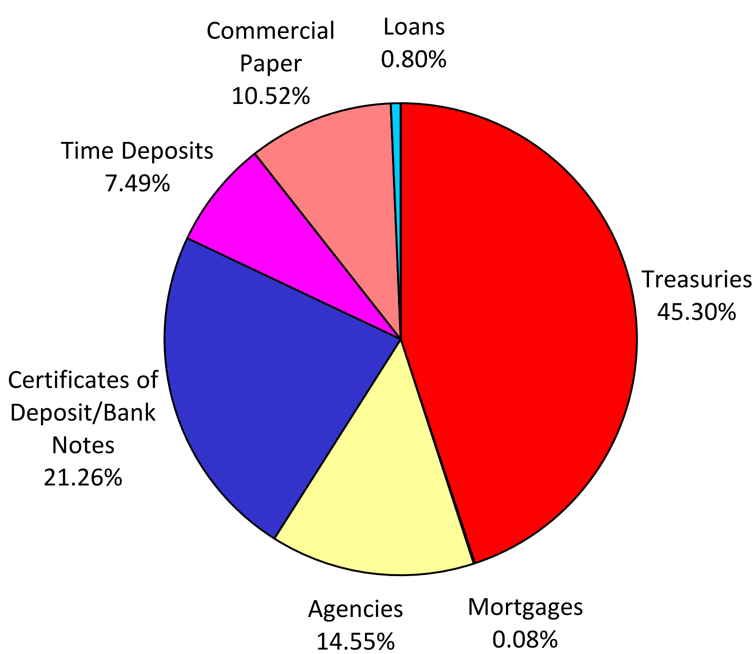
Quarter Ending 06/30/16

Apportionment Rate:	0.55%
Earnings Ratio:	0.00001495296852820
Fair Value Factor:	1.000621222
Daily:	0.58%
Quarter to Date:	0.55%
Average Life:	167

PMIA Average Monthly Effective Yields

Jul 2016	**0.588%**
Jun 2016	0.576%
May 2016	0.552%

Pooled Money Investment Account Portfolio Composition 08/31/16 $69.7 billion



Based on data available as of 09/07/16

MBS MULTI-BANK SECURITIES, INC.

1000 Town Center, Suite 2300
Southfield, MI 48075
(800) 967-9045
Member of FINRA & SIPC; MSRB Registered.

Brokerage Account Statement

Account Number: RMB-034398
Statement Period: 04/25/2016 - 06/30/2016

CITY OF YREKA
701 4TH ST
YREKA CA 96097-3380

Portfolio at a Glance

	This Period
Beginning Account Value	**$0.00**
Deposits (Cash & Securities)	1,730,440.74
Net Change in Portfolio	1,582.26
Ending Account Value	**$1,732,023.00**
Estimated Annual Income	$23,040.00

Your Account Executive:
PETER YANEZ
(855) 928-0111

Asset Summary

	Last Period	This Period	% Allocation	
Fixed Income	0.00	1,732,023.00	100%	Please review your allocation periodically with your Account Executive.
Account Total	**$0.00**	**$1,732,023.00**	**100%**	Your Account is 100% invested in Fixed Income.

Client Service Information

Your Account Executive: FBG	Contact Information	Client Service Information
PETER YANEZ	**Telephone Number:** (855) 928-0111 **E-Mail Address:** customerservice@mbssecurities.com	**Service Hours:** Weekdays 09:00 a.m. - 05:00 p.m. (EST) **Client Service Telephone Number:** (800) 967-9045 **Web Site:** WWW.MBSSECURITIES.COM

Your Account Information

Investment Objective
Investment Objective: NONE SPECIFIED
Risk Exposure: NONE SPECIFIED
Please discuss your investment objective with your Account Executive.

Tax Lot Default Disposition Method
Default Method for Mutual Funds: FIRST IN FIRST OUT
Default Method for Stocks in a Dividend Reinvestment Plan: FIRST IN FIRST OUT
Default Method for all Other Securities: FIRST IN FIRST OUT
Bond Amortization Elections:
Amortize premium on taxable bonds based on Constant Yield Method: Yes
Accrual market discount method for all other bond types: Constant Yield Method
Include market discount in income annually: No

Electronic Delivery
You have not selected any account communications for electronic delivery. To register and turn off paper communications, log in to your account or contact your Account Executive for more information.

Accrued Interest Summary

	Current Period		Year-to-Date	
	Taxable	Non Taxable	Taxable	Non Taxable
Accrued Interest Paid				
Other Government Bond	-113.75	0.00	-113.75	0.00
Other Accrued Interest	-176.99	0.00	-176.99	0.00
Total Accrued Interest Paid	**-$290.74**	**$0.00**	**-$290.74**	**$0.00**

Brokerage Account Statement

Statement Period: 04/25/2016 - 06/30/2016

Portfolio Holdings

Description	Quantity	Market Price	Market Value	Accrued Interest	Estimated Annual Income	Estimated Yield
Fixed Income 100.00% of Portfolio *(In Maturity Date Sequence)*						
Certificates of Deposit						
MBANK MANISTIQUE MICH CTF DEP ACT/365 MONTHLY 1.000% 12/26/17 B/E DTD 06/24/16 1ST CPN DTE 07/24/16 Security Identifier: 55275FKB3	245,000.000	100.0050	245,012.25	40.27	2,450.00	0.99%
AMERICAS CR UN DUPONT WASH SH CTF ACT/365 SEMI-ANNUALLY 1.100% 06/15/18 B/E DTD 06/15/16 Security Identifier: 03065AAE3	245,000.000	100.0740	245,181.30	110.75	2,695.00	1.09%
JPMORGAN CHASE BK NA COLUMBUS OHIO CTF DEP ACT/365 1.350% 06/17/19 B/E DTD 06/17/16 CALLABLE Security Identifier: 48125Y4K7	245,000.000	100.0790	245,193.55	117.80	3,307.50	1.34%
WORLDS FOREMOST BK SYDNEY NEB CTF DEP ACT/365 MONTHLY 1.700% 06/09/21 DTD 06/09/16 1ST CPN DTE 07/09/16 Security Identifier: 981571CQ3	200,000.000	100.2910	200,582.00	195.62	3,400.00	1.69%
WELLS FARGO BK N A SIOUX FALLS S D CTF DEP ACT/365 1.750% 06/17/21 B/E DTD 06/17/16 1ST CPN DTE 07/17/16 Security Identifier: 9497485W3	245,000.000	100.2720	245,666.40	152.71	4,287.50	1.74%
Total Certificates of Deposit :	1,180,000.000		$1,181,635.50	$617.15	$16,140.00	
U.S. Government Bonds						
FEDERAL HOME LN MTG CORP MEDIUM TERM NTS FED FIXED RATE 1.050% 05/25/18 B/E DTD 05/25/16 CALLABLE 11/25/16 Moody Rating AAA S & P Rating AA+ Security Identifier: 3134G9GC5	300,000.000	100.0750	300,225.00	306.25	3,150.00	1.04%

Portfolio Holdings *(continued)*

Description	Quantity	Market Price	Market Value	Accrued Interest	Estimated Annual Income	Estimated Yield
Fixed Income *(continued)*						
U.S. Government Bonds *(continued)*						
FEDERAL HOME LN MTG CORP MEDIUM TERM NTS FED FIXED RATE 1.500% 06/30/20 B/E DTD 06/30/16 CALLABLE 09/30/16 Moody Rating AAA S & P Rating AA+ Security Identifier: 3134G9UB1	250,000.000	100.0650	250,162.50	0.00	3,750.00	1.49%
Total U.S. Government Bonds :	550,000.000		$550,387.50	$306.25	$6,900.00	
Total Fixed Income:	1,730,000.000		$1,732,023.00	$923.40	$23,040.00	

	Market Value	Accrued Interest	Estimated Annual Income
Total Portfolio Holdings	$1,732,023.00	$923.40	$23,040.00

Portfolio Holdings Disclosures

Pricing

This section includes the net market value of the securities in your account on a settlement date basis, including short positions, at the close of the statement period. The market prices, unless otherwise noted, have been obtained from independent vendor services, which we believe to be reliable. Market prices do not constitute a bid or an offer, and may differ from the actual sale price. Securities for which a price is not available are marked "N/A" and are omitted from the Total.

THE AS OF PRICE DATE ONLY APPEARS WHEN THE PRICE DATE DOES NOT EQUAL THE STATEMENT DATE.

Estimated Annual Figures

The estimated annual income (EAI) and estimated annual yield (EAY) figures are estimates and for informational purposes only. These figures are not considered to be a forecast or guarantee of future results. These figures are computed using information from providers believed to be reliable; however, no assurance can be made as to the accuracy. Since interest and dividend rates are subject to change at any time, and may be affected by current and future economic, political, and business conditions, they should not be relied on for making investment, trading, or tax decisions. These figures assume that the position quantities, interest and dividend rates, and prices remain constant. A capital gain or return of principal may be included in the figures for certain securities, thereby overstating them. Refer to www.pershing.com/business_continuity.html for specific details as to formulas used to calculate the figures. Accrued interest represents interest earned but not yet received.

Reinvestment

The dollar amount of Mutual Fund distributions, Money Market Fund dividend income, Bank Deposit interest income, or dividends for other securities shown on your statement may have been reinvested. You will not receive confirmation of these reinvestments. Upon written request to your financial institution, information pertaining to these transactions, including the time of execution and the name of the person from whom your security was purchased, may be obtained. In dividend reinvestment transactions, Pershing acts as your agent and receives payment for order flow.

Option Disclosure

Information with respect to commissions and other charges incurred in connection with the execution of option transactions has been included in confirmations previously furnished to you. A summary of this information is available to you promptly upon your written request directed to your introducing firm. In order to assist your introducing firm in maintaining current background and financial information concerning your option accounts, please promptly advise them in writing of any material change in your investment objectives or financial situation. Expiring options which are valuable are exercised automatically pursuant to the exercise by exception procedure of the Options Clearing Corporation. Additional information regarding this procedure is available upon written request to your introducing firm.

Certificates of Deposit

Please be advised that the secondary market for CDs is generally illiquid; the actual value of CDs may be different from their purchase price; and a significant loss of principal could result if your CDs are sold prior to maturity. In the event that the CDs listed above do not indicate a market valuation, an accurate market value could not be determined. In the event that a price is listed above for your CDs, Pershing has obtained a price from sources deemed to be reliable or has priced your CDs using a matrix formula. Prices are estimates and the actual value you may obtain for your CD may be different if you elect to sell your

Portfolio Holdings Disclosures *(continued)*

Certificates of Deposit *(continued)*
CD in the secondary market.

Foreign Currency Transactions
Pershing may execute foreign currency transactions as principal for your account. Pershing may automatically convert foreign currency to or from U.S. dollars for dividends and similar corporate action transactions unless you instruct your financial organization otherwise. Pershing's currency conversion rate will not exceed the highest interbank conversion rate identified from customary banking sources on the conversion date or the prior business day, increased by up to 1%, unless a particular rate is required by applicable law. Your financial organization may also increase the currency conversion rate. This conversion rate may differ from rates in effect on the date you executed a transaction, incurred a charge, or received a credit. Transactions converted by agents (such as depositories) will be billed at the rates such agents use.

Proxy Vote
Securities not fully paid for in your margin account may be lent by Pershing to itself or others in accordance with the terms outlined in the Margin Agreement. The right to vote your shares held on margin may be reduced by the amount of shares on loan. The Proxy Voting Instruction Form sent to you may reflect a smaller number of shares entitled to vote than the number of shares in your margin account.

Ratings
This statement may contain credit rating information obtained from Standard & Poor's. Reproducing and distributing any information received from Standard & Poor's is not permitted without prior written authorization from Standard & Poor's. Standard & Poor's does not guarantee the accuracy, completeness, timeliness or availability of any information. Standard & Poor's is not responsible for any errors or omissions, regardless of the cause, or for the results of using such content. Standard & Poor's makes no express or implied warranties including warranties of merchantability or fitness for a particular purpose. Standard & Poor's shall not be legally responsible for any fees, costs, expenses or losses in connection with the use of their content. Credit ratings are opinions and not statements of facts; are not recommendations to purchase, hold or sell securities; and do not address suitability for investment purpose. Credit ratings should not be relied upon as investment advice.

Activity Summary *(All amounts shown are in base currency)*

	Credits This Period	Debits This Period	Net This Period	Credits Year-to-Date	Debits Year-to-Date	Net Year-to-Date
Securities						
Securities Bought	0.00	-1,730,440.74	-1,730,440.74	0.00	-1,730,440.74	-1,730,440.74
Total Securities	**$0.00**	**-$1,730,440.74**	**-$1,730,440.74**	**$0.00**	**-$1,730,440.74**	**-$1,730,440.74**
Cash						
Deposits	1,730,440.74	0.00	1,730,440.74	1,730,440.74	0.00	1,730,440.74
Total Cash	**$1,730,440.74**	**$0.00**	**$1,730,440.74**	**$1,730,440.74**	**$0.00**	**$1,730,440.74**
Totals	**$1,730,440.74**	**-$1,730,440.74**	**$0.00**	**$1,730,440.74**	**-$1,730,440.74**	**$0.00**

Transactions by Type of Activity

Process/ Settlement Date	Trade/ Transaction Date	Activity Type	Description	Quantity	Price	Accrued Interest	Amount	Currency
Securities Bought and Sold								
06/08/16	06/08/16	PURCHASED FMCC4359196	FEDERAL HOME LN MTG CORP MEDIUM TERM NTS FED FIXED RATE 1.050% 05/25/18 B/E DTD 05/25/16 CLB BB YTW:0.941387 BB YTW DATE:20161125 YLD .941 TO PAR	300,000.000	100.0500	-113.75	-300,263.75	USD
06/15/16	06/09/16	PURCHASED 03065AAE3	AMERICAS CR UN DUPONT WASH SH CTF ACT/365 SEMI-ANNUALLY 1.100% 06/15/18 B/E DTD 06/15/16 YLD 1.100 TO MAT	245,000.000	100.0000		-245,000.00	USD
06/17/16	06/02/16	PURCHASED 9497485W3	WELLS FARGO BK N A SIOUX FALLS S D CTF DEP ACT/365 1.750% 06/17/21 B/E DTD 06/17/16 YLD 1.750 TO MAT	245,000.000	100.0000		-245,000.00	USD
06/17/16	06/14/16	PURCHASED 48125Y4K7	JPMORGAN CHASE BK NA COLUMBUS OHIO CTF DEP ACT/365 1.350% 06/17/19 B/E DTD 06/17/16 CLB YLD 1.350 TO MAT	245,000.000	100.0000		-245,000.00	USD
06/24/16	06/06/16	PURCHASED 55275FKB3	MBANK MANISTIQUE MICH CTF DEP ACT/365 MONTHLY 1.000% 12/26/17 DTD 06/24/16 YLD 1.000 TO MAT	245,000.000	100.0000		-245,000.00	USD
06/28/16	06/24/16	PURCHASED 981571CQ3	WORLDS FOREMOST BK SYDNEY NEB CTF DEP ACT/365 MONTHLY 1.700% 06/09/21 DTD 06/09/16 YLD 1.700 TO MAT	200,000.000	100.0000	-176.99	-200,176.99	USD
06/30/16	06/09/16	PURCHASED FMCC4371106	FEDERAL HOME LN MTG CORP MEDIUM TERM NTS FED FIXED RATE 1.500% 06/30/20 B/E DTD 06/30/16 CLB BB YTW:1.500000 BB YTW DATE:20160930 YLD 1.500 TO PAR	250,000.000	100.0000		-250,000.00	USD
Total Securities Bought and Sold						**-$290.74**	**-$1,730,440.74**	**USD**
Cash Withdrawals and Deposits								
06/08/16		ELECTRONIC DEPOSIT USD999997	RECV FR BANK FOR ACH ACH 121106252 01015102				300,263.75	USD
06/15/16		ELECTRONIC DEPOSIT USD999997	RECV FR BANK FOR ACH ACH 121106252 01015102				245,000.00	USD
06/17/16		ELECTRONIC DEPOSIT USD999997	RECV FR BANK FOR ACH ACH 121106252 01015102				490,000.00	USD
06/27/16		ELECTRONIC DEPOSIT USD999997	RECV FR BANK FOR ACH ACH 121106252 01015102				445,176.99	USD
06/30/16		ELECTRONIC DEPOSIT USD999997	RECV FR BANK FOR ACH ACH 121106252 01015102				250,000.00	USD
Total Cash Withdrawals and Deposits						**$0.00**	**$1,730,440.74**	**USD**
Total Value of Transactions						**-$290.74**	**$0.00**	**USD**

The price and quantity displayed may have been rounded.

MBS MULTI-BANK SECURITIES, INC.®
1000 Town Center, Suite 2300
Southfield, MI 48075
(800) 967-9045
Member of FINRA & SIPC; MSRB Registered.

Brokerage
Account Statement

Statement Period: 04/25/2016 - 06/30/2016

Bond Maturity Schedule

Bond Maturity	Market Value	% of Bond Market Value
1 to 5 years	1,732,023.00	100%
Total	**1,732,023.00**	**100%**

Percentages of bond market values are rounded to the nearest whole percentage.

Bonds that are in default are not included.

You are 100% invested in bonds with a maturity of 1 to 5 years.

Bond Quality

Bond Quality	Market Value	% of Bond Market Value
AAA	550,387.50	32%
Not Rated	1,181,635.50	68%
Total	**1,732,023.00**	**100%**

Percentages of bond market values are rounded to the nearest whole percentage.

Bond quality ratings reflect Moody's or Standard and Poor's ratings. Bonds may be rated by other services. Bonds that are in default are not included. Please refer to your Portfolio Holdings section.

Messages

Although a money market mutual fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in a money market mutual fund. Shares of a money market mutual fund or the balance of a bank deposit product held in your brokerage account may be liquidated upon request with the proceeds credited to your brokerage account. Please see the money market mutual fund's prospectus or the bank deposit product's disclosure document or contact your advisor for additional information. Pursuant to SEC Rule 10b-10(b)(1) confirmations are not sent for purchases into money market mutual funds processed on the sweep platform.

Cash Not Yet Received

Security	Record Date	Payable Date	Quantity Held	Rate	Dividend Option	Amount of Payment
Interest						
WORLDS FOREMOST BK SYDNEY NEB CTF DEP ACT/365 MONTHLY	06/24/16	07/09/16	200,000.000	0.001397	Cash	279.45
Total Cash Not Yet Received						**$279.45**

Assets shown here are not reflected in your account. This information has been received from sources we believe to be reliable. Pershing does not guarantee the accuracy of the information.

Important Information and Disclosures

The Role of Pershing

- Pershing carries your account as clearing broker pursuant to a clearing agreement with your financial institution. Pershing may accept from your financial institution without inquiry or investigation (i) orders for the purchase and sale of securities and other property and (ii) any other instructions concerning your account. Pershing is not responsible or liable for any acts or omissions of your financial institution or its employees and it does not supervise them. Pershing provides no investment advice nor does it assess the suitability of any transaction or order. Pershing acts as the agent of your financial institution and you agree that you will not hold Pershing or any person controlling or under common control with it liable for any investment losses incurred by you.
- Pershing performs several key functions at the direction of your financial institution. It acts as custodian for funds and securities you may deposit with it directly or through your financial institution or that it receives as the result of securities transactions it processes.
- Your financial institution is responsible for adherence to the securities laws, regulations and rules which apply to it regarding its own operations and the supervision of your account, its sales representatives and other personnel. Your financial institution is also responsible for approving the opening of accounts and obtaining account documents; the acceptance and, in certain instances, execution of securities orders; the assessment of the suitability of those transactions, where applicable; the rendering of investment advice, if any, to you and in general, for the ongoing relationship that it has with you.
- Inquiries concerning the positions and balances in your account may be directed to the Pershing Customer Service Department at (201) 413-3333. All other inquiries regarding your account or activity should be directed to your financial institution. Your financial organization's contact information can be found on the first page of this statement.
- For a description of other functions performed by Pershing please consult the Disclosure Statement provided to you upon the opening of your account. This notice is not meant as a definitive enumeration of every possible circumstance, but as a general disclosure. If you have any questions regarding this notice or if you would like additional copies of the Disclosure Statement, please contact your financial institution.
- Pershing is a member of the Securities Investor Protection Corporation (SIPC®). Please note that SIPC does not protect against loss due to market fluctuation. In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits. For more detailed information please visit: www.pershing.com/about/strength-and-stability.
- This statement will be deemed conclusive. You are advised to report any inaccuracy or discrepancy (including unauthorized trading) promptly, but no later than ten days after receipt of this statement, to your financial organization and Pershing. Please be advised that any oral communication should be re-confirmed in writing to further protect your rights, including your rights under the Securities Investor Protection Act.
- Your financial organization's contact information can be found on the first page of this statement. Pershing's contact information is as follows: **Pershing LLC, Legal Department, One Pershing Plaza, Jersey City, New Jersey 07399; (201) 413-3330.** Errors and Omissions excepted.

Important Arbitration Disclosures

- All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

Important Arbitration Agreement

Any controversy between you and Pershing LLC shall be submitted to arbitration before the Financial Industry Regulatory Authority. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action, who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until; (I) the class certification is denied; (II) the class is decertified; or (III) the client is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein. The laws of the State of New York govern.

Pershing's contact information is as follows: **Pershing LLC, Legal Department, One Pershing Plaza, Jersey City, New Jersey 07399; (201) 413-3330.**

TERMS AND CONDITIONS

TRANSACTIONS

- ALL ORDERS AND TRANSACTIONS SHALL BE SOLELY FOR YOUR ACCOUNT AND RISK SHALL BE SUBJECT TO THE CONSTITUTION, RULES, REGULATIONS, CUSTOMS, USAGES, RULINGS AND INTERPRETATIONS OF THE EXCHANGE OR MARKET AND THE CLEARING FACILITY, IF ANY, WHERE THE TRANSACTIONS ARE EXECUTED AND/OR SETTLED, OR IF APPLICABLE, OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY AND TO ALL APPLICABLE LAWS AND REGULATIONS.
- TITLE TO SECURITIES SOLD TO YOU, WHERE PERSHING HAS ACTED AS PRINCIPAL, SHALL REMAIN WITH PERSHING UNTIL THE ENTIRE PURCHASE PRICE IS RECEIVED OR UNTIL THE SETTLEMENT DATE, WHICHEVER IS LATER.
- YOU MAY HAVE RECEIVED CONFIRMATIONS FOR TRANSACTIONS WHICH DO NOT APPEAR ON YOUR STATEMENT. IF SO, THE TRANSACTIONS WILL APPEAR ON YOUR NEXT PERIODIC STATEMENT. SUCH TRANSACTIONS MUST BE CONSIDERED BY YOU WHEN COMPUTING THE VALUE OF YOUR ACCOUNT. THIS IS ESPECIALLY TRUE IF YOU HAVE WRITTEN OPTIONS WHICH HAVE BEEN EXERCISED.

FREE CREDIT BALANCES: ANY FREE CREDIT BALANCE CARRIED FOR YOUR ACCOUNT REPRESENTS FUNDS PAYABLE UPON DEMAND WHICH, ALTHOUGH PROPERLY ACCOUNTED FOR ON PERSHING'S BOOKS OF RECORD, ARE NOT SEGREGATED AND MAY BE USED IN THE CONDUCT OF ITS BUSINESS.

DEBIT BALANCES: INTEREST CHARGED ON DEBIT BALANCES IN YOUR ACCOUNT APPEARS ON THE STATEMENT. THE RATE OF INTEREST AND PERIOD COVERED ARE INDICATED. THE RATE MAY CHANGE FROM TIME TO TIME DUE TO FLUCTUATIONS IN MONEY RATES OR OTHER REASONS. INTEREST IS COMPUTED AS DESCRIBED IN MATERIAL PREVIOUSLY FURNISHED TO YOU. PLEASE CONTACT YOUR FINANCIAL INSTITUTION IF YOU DESIRE ADDITIONAL COPIES.

MARGIN INFORMATION: IF YOU MAINTAIN A MARGIN ACCOUNT, THIS IS A COMBINED STATEMENT OF YOUR GENERAL ACCOUNT AND A SPECIAL MEMORANDUM ACCOUNT MAINTAINED FOR YOU UNDER REGULATION T OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM. THE PERMANENT RECORD OF THE SEPARATE ACCOUNT AS REQUIRED BY REGULATION T IS AVAILABLE FOR YOUR INSPECTION UPON REQUEST.

TAX INFORMATION

- AFTER YEAR END, PERSHING IS REQUIRED TO PROVIDE TAX INFORMATION TO THE INTERNAL REVENUE SERVICE AND OTHER GOVERNMENTAL AUTHORITIES. AT THAT TIME PERSHING WILL PROVIDE THAT INFORMATION ON THE ANNUAL TAX INFORMATION STATEMENT TO YOU; USE THAT STATEMENT TO PREPARE YOUR TAX FILINGS. THE TAX STATEMENT ALSO INCLUDES OTHER USEFUL INFORMATION TO ASSIST IN ACCUMULATING THE DATA TO PREPARE YOUR TAX RETURNS.
- DIVIDENDS, INTEREST AND OTHER DISTRIBUTIONS SHOWN ON THIS STATEMENT WERE CLASSIFIED AS TAXABLE OR NONTAXABLE BASED ON CERTAIN INFORMATION KNOWN AS OF THE DISTRIBUTION DATE. THIS CLASSIFICATION IS SUBJECT TO CHANGE AND IS SOLELY INTENDED FOR USE AS GENERAL INFORMATION.
- PERSHING DOES NOT PROVIDE TAX, INVESTMENT OR LEGAL ADVISORY SERVICES AND NO ONE ASSOCIATED WITH PERSHING IS AUTHORIZED TO RENDER SUCH ADVICE. DO NOT RELY UPON ANY SUCH ADVICE, IF GIVEN. INVESTORS ARE ENCOURAGED TO CONSULT THEIR TAX ADVISORS TO DETERMINE THE APPROPRIATE TAX TREATMENT OF THEIR BUSINESS.

GENERAL INFORMATION

- WHENEVER YOU ARE INDEBTED TO PERSHING LLC ("PERSHING") FOR ANY AMOUNT, ALL SECURITIES HELD BY IT FOR YOU IN ANY ACCOUNT IN WHICH YOU HAVE ANY INTEREST SHALL SECURE ALL YOUR LIABILITIES TO PERSHING, AND PERSHING MAY IN ITS DISCRETION AT ANY TIME, WITHOUT TENDER, DEMAND OR NOTICE TO YOU, CLOSE OR REDUCE ANY OR ALL OF YOUR ACCOUNTS BY PUBLIC OR PRIVATE SALE OR PURCHASE OR BOTH OF ALL OR ANY SECURITIES CARRIED IN SUCH ACCOUNTS; ANY BALANCE REMAINING DUE PERSHING TO BE PROMPTLY PAID BY YOU.
- WHENEVER YOU ARE INDEBTED TO PERSHING FOR ANY AMOUNT, ALL SECURITIES CARRIED FOR YOUR ACCOUNT ARE OR MAY BE, WITHOUT FURTHER NOTICE TO YOU, LOANED OR PLEDGED BY PERSHING, EITHER SEPARATELY OR UNDER CIRCUMSTANCES WHICH WILL PERMIT THE COMMINGLING THEREOF, WITH OTHER SECURITIES FOR ANY AMOUNT LESS THAN, EQUAL TO OR GREATER THAN YOUR LIABILITIES TO PERSHING, BUT NOT UNDER CIRCUMSTANCES FOR AN AMOUNT PROHIBITED BY LAW.
- PERSHING MAY TRADE FOR ITS OWN ACCOUNT AS A MARKET MAKER, SPECIALIST, ODD LOT DEALER, BLOCK POSITIONER, ARBITRAGEUR OR INVESTOR. CONSEQUENTLY, AT THE TIME OF ANY TRANSACTION YOU MAY MAKE, PERSHING MAY HAVE A POSITION IN SUCH SECURITIES, WHICH POSITION MAY BE PARTIALLY OR COMPLETELY HEDGED.
- IF AVERAGE PRICE TRANSACTION IS INDICATED ON THE FRONT OF THIS STATEMENT YOUR FINANCIAL INSTITUTION OR PERSHING MAY HAVE ACTED AS PRINCIPAL, AGENT OR BOTH. DETAILS AVAILABLE UPON REQUEST.
- A FINANCIAL STATEMENT OF PERSHING IS AVAILABLE FOR YOUR PERSONAL INSPECTION AT PERSHING'S OFFICES. A COPY OF IT WILL BE MAILED UPON YOUR WRITTEN REQUEST OR YOU CAN VIEW IT ONLINE AT WWW.PERSHING.COM.
- FOR BUSINESS CONTINUITY AND ADDITIONAL DISCLOSURES: WWW.PERSHING.COM/DISCLOSURES.
- THIS STATEMENT SHOULD BE RETAINED FOR YOUR RECORDS.

PAYMENT FOR ORDER FLOW AND ORDER ROUTING POLICIES DISCLOSURES [REGULATION NMS—RULE 607(A)(1)–(2)]

PERSHING SENDS CERTAIN EQUITY ORDERS TO EXCHANGES, ELECTRONIC COMMUNICATION NETWORKS, OR BROKER-DEALERS DURING NORMAL BUSINESS HOURS AND DURING EXTENDED TRADING SESSIONS. CERTAIN OF THESE VENUES PROVIDE PAYMENTS TO PERSHING OR CHARGE ACCESS FEES TO PERSHING DEPENDING UPON THE CHARACTERISTICS OF THE ORDER AND ANY SUBSEQUENT EXECUTION. THE DETAILS OF THESE PAYMENTS AND FEES ARE AVAILABLE UPON WRITTEN REQUEST. PERSHING RECEIVES PAYMENTS FOR DIRECTING LISTED OPTIONS ORDER FLOW TO CERTAIN OPTION EXCHANGES. IN ADDITION, PERSHING ROUTES CERTAIN EQUITY AND OPTION ORDERS TO ITS AFFILIATE, BNY MELLON CAPITAL MARKETS, LLC, FOR EXECUTION AS PRINCIPAL. COMPENSATION IS GENERALLY IN THE FORM OF A PER OPTION CONTRACT CASH PAYMENT.

BEST EXECUTION: NOTWITHSTANDING THE PREVIOUS PARAGRAPH REGARDING PAYMENT FOR ORDER FLOW, PERSHING SELECTS CERTAIN MARKET CENTERS TO PROVIDE EXECUTION OF OVER-THE-COUNTER AND EXCHANGE-LISTED SECURITIES TRANSACTIONS WHICH AGREE TO ACCEPT ORDERS, TRANSMITTED ELECTRONICALLY UP TO A SPECIFIED SIZE, AND TO EXECUTE THEM AT OR BETTER THAN THE NATIONAL BEST BID OR OFFER (NBBO). ON CERTAIN LARGER ORDERS, OR IF THE DESIGNATED MARKET CENTERS DO NOT MAKE A MARKET IN THE SUBJECT SECURITY, PERSHING DIRECTLY CONTACTS MARKET CENTERS TO OBTAIN AN EXECUTION. THE DESIGNATED MARKET CENTERS TO WHICH ORDERS ARE AUTOMATICALLY ROUTED ARE SELECTED BASED ON THE CONSISTENT HIGH QUALITY OF THEIR EXECUTIONS IN ONE OR MORE MARKET SEGMENTS AND THEIR ABILITY TO PROVIDE OPPORTUNITIES FOR EXECUTIONS AT PRICES SUPERIOR TO THE NBBO. PERSHING ALSO REGULARLY REVIEWS REPORTS FOR QUALITY OF EXECUTION PURPOSES.

IF ANY OF THE ABOVE TERMS AND CONDITIONS ARE UNACCEPTABLE TO YOU, PLEASE NOTIFY PERSHING IMMEDIATELY IN WRITING BY CERTIFIED MAIL TO ONE PERSHING PLAZA, JERSEY CITY, NJ 07399, ATTN: LEGAL DEPT

2015-2016 Operating Budget of Revenue and Expenditures
with Actual Results
June 30, 2016

Fund Analysis		REVENUE			EXPENSE			Excess of Rev over Exp.-Surplus/ (Deficit)		Based on Estimated Actuals			
Major Grp	Fund	Adopted	Operating Budget	Year to Date	Adopted	Operating Budget	Year to Date	Operating Budget	Net Actual Year to Date	Beginning Working Capital	Operating Budget Net Increase / (Decrease)	Ending Working Capital	Current Cash Balance
Investment in LAIF	00	-	-	-	-	-	-	-	-	-	-	-	
General Operating	01	4,914,225.50	5,222,938.13	5,367,693.11	4,898,493.61	5,167,659.53	4,894,379.10	55,278.60	473,314.01	3,486,120.48	473,314.01	3,959,434.49	2,903,434.29
General Operating Fund		4,914,225.50	5,222,938.13	5,367,693.11	4,898,493.61	5,167,659.53	4,894,379.10	55,278.60	473,314.01	3,486,120.48	473,314.01	3,959,434.49	2,903,434.29
Gifts Donations	02	500.00	500.00	7,059.63	700.00	700.00	6,781.81	(200.00)	277.82	27,849.36	277.82	28,127.18	28,222.20
YVFD Volunter Fund	03	11,000.00	11,000.00	4,467.63	11,000.00	11,000.00	3,107.01	-	1,360.62	57,823.13	1,360.62	59,183.75	59,183.75
Trusts -Crandell-Stewart	04	6,000.00	(524,777.63)	(517,575.92)	17,000.00	17,000.00	12,368.06	(541,777.63)	(529,943.98)	629,229.77	(529,943.98)	99,285.79	114,194.59
General Fund Reserves	08	(146,030.50)	(88,215.50)	(70,168.44)	(142,568.75)	(112,521.69)	(116,781.57)	24,306.19	46,613.13	599,885.58	46,613.13	646,498.71	646,498.71
Reserves for Cap. Outlay	09	100,000.00	117,677.00	157,913.22	180,958.35	180,958.35	180,958.35	(63,281.35)	(23,045.13)	564,070.67	(23,045.13)	541,025.54	541,025.54
Capital Outlay	10	75,500.00	120,723.00	80,509.51	75,500.00	80,577.00	80,509.51	40,146.00	-	-	-	-	933.63
Construction Fund	11	-	900,000.00	906,000.00	-	158,700.00	99,338.72	741,300.00	806,661.28	945,372.52	806,661.28	1,752,033.80	1,753,620.06
Agency Trust - Cash	90	-	-	-	-	-	-	-	-	-	-	-	250,115.98
General Fund - Restricted or Designated		46,969.50	536,906.87	568,205.63	142,589.60	336,413.66	266,281.89	200,493.21	301,923.74	2,824,231.03	301,923.74	3,126,154.77	3,393,794.46
Total General Fund		**4,961,195.00**	**5,759,845.00**	**5,935,898.74**	**5,041,083.21**	**5,504,073.19**	**5,160,660.99**	**255,771.81**	**775,237.75**	**6,310,351.51**	**775,237.75**	**7,085,589.26**	**6,297,228.75**
Gas Tax & Traffic Cong.	20	406,897.27	416,962.27	406,933.32	624,708.87	638,065.22	406,933.32	(221,102.95)	-	0.10	-	0.10	26,575.69
Local Transportation	21	200,000.00	233,457.00	209,709.52	218,828.00	283,657.00	283,657.00	(50,200.00)	(73,947.48)	339,533.51	(73,947.48)	265,586.03	245,665.12
Fines - Traffic Safety	24	76,208.95	54,467.68	59,040.57	76,208.95	78,289.67	59,040.57	(23,821.99)	-	86,328.65	-	86,328.65	86,701.86
Road, Street & Transit - Restricted		683,106.22	704,886.95	675,683.41	919,745.82	1,000,011.89	749,630.89	(295,124.94)	(73,947.48)	425,862.26	(73,947.48)	351,914.78	358,942.67
Total Road, Streets and Transit		***683,106.22***	***704,886.95***	***675,683.41***	***919,745.82***	***1,000,011.89***	***749,630.89***	***(295,124.94)***	***(73,947.48)***	***425,862.26***	***(73,947.48)***	***351,914.78***	***358,942.67***
Fire Assessment Spec. Rev	30	230,750.00	248,750.00	249,244.08	129,727.69	130,589.57	130,581.03	118,160.43	118,663.05	130,603.78	118,663.05	249,266.83	236,654.13
Landfill Access Fee - Debt Service	31	218,000.00	236,000.00	236,828.19	181,224.71	182,236.03	182,114.48	53,763.97	54,713.71	54,346.52	54,713.71	109,060.23	88,324.60
Developer Impact Fees	32	16,000.00	16,000.00	14,489.81	-	9,690.00	9,686.87	6,310.00	4,802.94	243,270.21	4,802.94	248,073.15	247,725.99
Special Revenue - Restricted		464,750.00	500,750.00	500,562.08	310,952.40	322,515.60	322,382.38	178,234.40	178,179.70	428,220.51	178,179.70	606,400.21	572,704.72
Total Special Revenue		**464,750.00**	**500,750.00**	**500,562.08**	**310,952.40**	**322,515.60**	**322,382.38**	**178,234.40**	**178,179.70**	**428,220.51**	**178,179.70**	**606,400.21**	**572,704.72**
Spec Grants Capital Outlay	60	2,267,393.35	2,888,301.35	2,551,256.46	2,267,393.35	2,780,692.04	2,487,453.05	107,609.31	63,803.41	161,947.96	63,803.41	225,751.37	-
Community Development Grants	65	5,700.00	5,700.00	261,416.06	-	10,750.00	7,457.05	(5,050.00)	253,959.01	299,175.97	253,959.01	553,134.98	318,050.59
Special Grants - Capital Projects		2,273,093.35	2,894,001.35	2,812,672.52	2,267,393.35	2,791,442.04	2,494,910.10	102,559.31	317,762.42	461,123.93	317,762.42	778,886.35	318,050.59
Special Grants - Operating & Capital Projects		***2,273,093.35***	***2,894,001.35***	***2,812,672.52***	***2,267,393.35***	***2,791,442.04***	***2,494,910.10***	***102,559.31***	***317,762.42***	***461,123.93***	***317,762.42***	***778,886.35***	***318,050.59***
Water Operating	70	1,590,366.41	1,590,366.41	1,486,009.23	1,590,366.41	1,632,125.43	1,486,009.23	(41,759.02)	-	-	-	-	-
Water Capital Projects	71	428,000.00	1,723,000.00	1,733,856.00	428,000.00	1,723,000.00	445,665.78	-	1,288,190.22	-	1,288,190.22	1,288,190.22	1,303,890.12
Water Debt Servicing	72	263,236.00	271,101.00	270,431.37	144,236.00	144,236.00	143,566.88	126,865.00	126,864.49	521,781.07	126,864.49	648,645.56	565,369.94
Water Reserves	74	476,897.59	(818,102.41)	(707,940.65)	-	-	-	(818,102.41)	(707,940.65)	5,587,286.97	(707,940.65)	4,879,346.32	6,235,901.98
Water Enterprise		2,758,500.00	2,766,365.00	2,782,355.95	2,162,602.41	3,499,361.43	2,075,241.89	(732,996.43)	707,114.06	6,109,068.04	707,114.06	6,816,182.10	8,105,162.04
Sewer Operating	80	1,632,426.18	1,632,426.18	1,197,670.77	1,632,426.18	1,601,945.76	1,197,670.77	30,480.42	-	-	-	-	-
Sewer Capital Outlay	81	5,428.00	217,428.00	431,839.97	5,428.00	441,122.47	431,839.97	(223,694.47)	-	-	-	-	61,455.58
Sewer Debt Servicing	82	278,605.72	280,430.72	(850,239.31)	284,033.72	-	140,754.58	280,430.72	(990,993.89)	100,000.00	(990,993.89)	(890,993.89)	174,365.58
Sewer Reserves	84	450,540.10	450,540.10	1,910,228.08	-	284,033.72	-	166,506.38	1,910,228.08	3,153,168.83	1,910,228.08	5,063,396.91	3,717,128.06
Sewer Enterprise Fund		2,367,000.00	2,580,825.00	2,689,499.51	1,921,887.90	2,327,101.95	1,770,265.32	253,723.05	919,234.19	3,253,168.83	919,234.19	4,172,403.02	3,952,949.22
Total Enterprise Funds		***5,125,500.00***	***5,347,190.00***	***5,471,855.46***	***4,084,490.31***	***5,826,463.38***	***3,845,507.21***	***(479,273.38)***	***1,626,348.25***	***9,362,236.87***	***1,626,348.25***	***10,988,585.12***	***12,058,111.26***
All Funds Combined		**13,507,644.57**	**15,206,673.30**	**15,396,672.21**	**12,623,665.09**	**15,444,506.10**	**12,573,091.57**	**(237,832.80)**	**2,823,580.64**	**16,987,795.08**	**2,823,580.64**	**19,811,375.72**	**19,605,037.99**

Approval:____John Mercier, Mayor

9/12/2016 12:39 PM

City of Yreka Financial Statement Groupings
Summary FY 15-16 YTD Fiscal Performance
as of June 30, 2016 - Preliminary Closing

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
1. GENERAL FUNDS					
Revenue					
801	REVENUE: PROP TAXES	961,500.00	1,028,500.00	1,043,501.81	15,001.81
807	MVLF IN LIEU	540,000.00	646,000.00	645,905.26	-94.74
810	SALES TAX	1,800,000.00	2,255,000.00	2,293,264.99	38,264.99
813	REVENUE: TOT TAXES	625,000.00	745,000.00	744,349.43	-650.57
814	REVENUE: FRANCHISE FEES	265,000.00	250,000.00	252,710.75	2,710.75
815	REVENUE - LICENSES AND PERMITS	157,550.00	157,550.00	185,547.68	27,997.68
825	REVENUE - FINES & FORFEITURES	6,500.00	6,500.00	22,041.47	15,541.47
830	REVENUE - USE OF MONEY & PROPERTY	18,300.00	81,200.00	105,864.55	24,664.55
850	REVENUE - INTERGOVERNMENTAL	126,000.00	131,000.00	170,990.65	39,990.65
870	REVENUE - USER FEES AND CHARGES	66,345.00	66,345.00	50,907.04	-15,437.96
880	ICA ALLOCATION	325,000.00	264,935.00	264,936.75	1.75
882	REVENUE - OTHER	70,000.00	127,815.00	155,878.36	28,063.36
898	INTERFUND TRANSFERS	0.00	0.00	0.00	0.00
1. GENERAL FUNDS	Revenue Totals	4,961,195.00	5,759,845.00	5,935,898.74	176,053.74
Expense					
100	MAYOR, COUNCIL, CITY MANAGER, CLERK	318,794.84	358,561.47	258,252.34	100,309.13
110	EXP. GENERAL GOVERNMENT	530,927.50	532,146.45	499,510.57	32,635.88
200	PUBLIC SAFETY - POLICE	2,403,734.82	2,561,744.51	2,524,434.75	37,309.76
210	PUBLIC SAFETY - FIRE	314,985.68	315,129.43	284,318.08	30,811.35

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
220	PLANNING AND DEVELOPMENT	450,124.93	454,299.46	435,000.06	19,299.40
300	PUBLIC WORKS - ENGINEERING AND ADMIN	83,488.66	67,252.47	50,534.88	16,717.59
350	PUBLIC WORKS - MECHANICAL MAINTENANCE	203,712.76	215,685.01	181,147.09	34,537.92
370	PUBLIC WORKS - SERVICE CENTER (ELIM)	0.00	0.00	0.00	0.00
400	CULTURAL & REC - PARKS AND REC	392,749.45	436,993.09	424,590.60	12,402.49
645	CAPITAL OUTLAY	35,500.00	216,100.00	156,711.75	59,388.25
760	INTERFUND TRANSFERS	307,064.57	346,161.30	346,160.87	0.43
1. GENERAL FUNDS	Expense Totals	5,041,083.21	5,504,073.19	5,160,660.99	343,412.20
1. GENERAL FUNDS	Net Position Change	-79,888.21	255,771.81	775,237.75	519,465.94

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
Summary for 'Auditor Fund' = 1. GENERAL FUNDS (945 detail records)					
2. STREETS FUNDS					
Revenue					
825	REVENUE - FINES & FORFEITURES	25,000.00	25,000.00	29,168.02	4,168.02
830	REVENUE - USE OF MONEY & PROPERTY	0.00	0.00	1,506.27	1,506.27
850	REVENUE - INTERGOVERNMENTAL	432,000.00	414,684.00	369,875.18	-44,808.82
870	REVENUE - USER FEES AND CHARGES	0.00	0.00	9,931.42	9,931.42
882	REVENUE - OTHER	0.00	0.00	0.00	0.00
898	INTERFUND TRANSFERS	226,106.22	265,202.95	265,202.52	-0.43
2. STREETS FUNDS	Revenue Totals	683,106.22	704,886.95	675,683.41	-29,203.54
Expense					
300	PUBLIC WORKS - ENGINEERING AND ADMIN	70,953.16	65,343.35	38,119.15	27,224.20
310	PUBLIC WORKS - STREET MAINTENANCE	198,591.54	203,671.15	100,462.03	103,209.12
311	PUBLIC WORKS - STREET SWEEPING	73,877.27	77,440.12	55,890.16	21,549.96
312	PUBLIC WORKS - STREET LIGHTING	118,336.80	121,920.46	61,767.89	60,152.57
313	PUBLIC WORKS - WEED CONTROL STREETS	9,549.67	10,210.95	7,523.63	2,687.32
314	PUBLIC WORKS - PUBLIC PARKING LOTS	1,020.00	1,140.00	1,140.00	0.00
320	PUBLIC WORKS - TRAFFIC SAFETY	76,208.95	78,289.67	59,040.57	19,249.10
340	TRANSPORTATION	200,000.00	181,829.00	181,829.00	0.00
390	PUBLIC WORKS - STORM DRAINS	109,380.43	115,339.19	112,021.06	3,318.13
645	CAPITAL OUTLAY	43,000.00	43,000.00	30,009.40	12,990.60
760	INTERFUND TRANSFERS	18,828.00	101,828.00	101,828.00	0.00
2. STREETS FUNDS	Expense Totals	919,745.82	1,000,011.89	749,630.89	250,381.00
2. STREETS FUNDS	Net Position Change	-236,639.60	-295,124.94	-73,947.48	221,177.46

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
Summary for 'Auditor Fund' = 2. STREETS FUNDS (287 detail records)					
3. SPECIAL REVENUE FUNDS					
Revenue					
811	OTHER TAXES	230,000.00	248,000.00	248,459.14	459.14
815	REVENUE - LICENSES AND PERMITS	16,000.00	16,000.00	13,440.36	-2,559.64
830	REVENUE - USE OF MONEY & PROPERTY	750.00	750.00	1,834.39	1,084.39
870	REVENUE - USER FEES AND CHARGES	218,000.00	236,000.00	236,828.19	828.19
898	INTERFUND TRANSFERS	0.00	0.00	0.00	0.00
3. SPECIAL REVENUE FUNDS	Revenue Totals	464,750.00	500,750.00	500,562.08	-187.92
Expense					
100	COLLECTION EXPENSE	12,436.42	14,269.62	14,148.68	120.94
210	PUBLIC SAFETY - FIRE	0.00	40.00	30.83	9.17
645	CAPITAL OUTLAY	0.00	0.00	0.00	0.00
740	PRINCIPAL ON LT DEBT	187,878.34	187,878.34	187,878.36	-0.02
745	INTEREST ON LT DEBT	110,637.64	110,637.64	110,637.64	0.00
760	INTERFUND TRANSFERS	0.00	9,690.00	9,686.87	3.13
3. SPECIAL REVENUE FUNDS	Expense Totals	310,952.40	322,515.60	322,382.38	133.22
3. SPECIAL REVENUE FUNDS	Net Position Change	153,797.60	178,234.40	178,179.70	-54.70

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)

Summary for 'Auditor Fund' = 3. SPECIAL REVENUE FUNDS (56 detail records)

4. CAPITAL & CDBG GRANTS

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
Revenue					
645	CAPITAL OUTLAY	0.00	0.00	192.01	192.01
830	REVENUE - USE OF MONEY & PROPERTY	5,700.00	5,700.00	261,416.06	255,716.06
850	REVENUE - INTERGOVERNMENTAL	2,167,607.00	2,705,515.00	2,368,278.10	-337,236.90
898	INTERFUND TRANSFERS	99,786.35	182,786.35	182,786.35	0.00
4. CAPITAL & CDBG GRANTS	Revenue Totals	2,273,093.35	2,894,001.35	2,812,672.52	-81,328.83
Expense					
200	PUBLIC SAFETY - POLICE	0.00	21,888.00	21,888.00	0.00
300	PUBLIC WORKS - ENGINEERING AND ADMIN	13,358.35	18,299.04	5,216.23	13,082.81
390	PUBLIC WORKS - STORM DRAINS	2,920.00	2,920.00	0.00	2,920.00
600	COMMUNITY DEVELOPMENT	0.00	10,750.00	7,457.05	3,292.95
645	CAPITAL OUTLAY	2,251,115.00	2,737,585.00	2,460,348.82	277,236.18
4. CAPITAL & CDBG GRANTS	Expense Totals	2,267,393.35	2,791,442.04	2,494,910.10	296,531.94
4. CAPITAL & CDBG GRANTS	Net Position Change	5,700.00	102,559.31	317,762.42	215,203.11

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
Summary for 'Auditor Fund' = 4. CAPITAL & CDBG GRANTS (231 detail records)					
5. WATER FUNDS					
Revenue					
830	REVENUE - USE OF MONEY & PROPERTY	15,000.00	15,000.00	33,308.20	18,308.20
850	REVENUE - INTERGOVERNMENTAL	0.00	0.00	22,685.50	22,685.50
870	REVENUE - USER FEES AND CHARGES	2,743,500.00	2,743,500.00	2,700,431.20	-43,068.80
882	REVENUE - OTHER	0.00	0.00	18,066.56	18,066.56
898	INTERFUND TRANSFERS	0.00	7,865.00	7,864.49	-0.51
5. WATER FUNDS	Revenue Totals	2,758,500.00	2,766,365.00	2,782,355.95	15,990.95
Expense					
100	COLLECTION EXPENSE	124,620.88	145,386.87	139,926.08	5,460.79
300	ENGINEERING	100,864.88	105,567.20	42,393.16	63,174.04
495	DEPRECIATION EXPENSE	0.00	0.00	0.00	0.00
500	WATER DISTRIBUTION EXPENSE	356,685.30	374,639.58	307,768.45	66,871.13
510	WATER TREATMENT AND CONSERVATION	575,195.35	591,831.78	585,428.76	6,403.02
510	COST OF POWER AND WATER	268,000.00	268,000.00	263,791.81	4,208.19
645	CAPITAL OUTLAY	428,000.00	1,723,000.00	445,665.78	1,277,334.22
690	CAPITALIZATION OF ASSETS	0.00	0.00	0.00	0.00
745	INTEREST ON LT DEBT	144,236.00	144,236.00	143,566.88	669.12
760	INTERFUND TRANSFERS	0.00	0.00	0.00	0.00
799	ICA EXPENSE	165,000.00	146,700.00	146,700.97	-0.97
5. WATER FUNDS	Expense Totals	2,162,602.41	3,499,361.43	2,075,241.89	1,424,119.54
5. WATER FUNDS	Net Position Change	595,897.59	-732,996.43	707,114.06	1,440,110.49

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
Summary for 'Auditor Fund' = 5. WATER FUNDS (264 detail records)					
6. SEWER FUNDS					
Revenue					
830	REVENUE - USE OF MONEY & PROPERTY	3,500.00	3,500.00	14,416.63	10,916.63
850	REVENUE - INTERGOVERNMENTAL	0.00	212,000.00	232,648.31	20,648.31
870	REVENUE - USER FEES AND CHARGES	2,363,500.00	2,363,500.00	2,440,612.19	77,112.19
898	INTERFUND TRANSFERS	0.00	1,825.00	1,822.38	-2.62
6. SEWER FUNDS	Revenue Totals	2,367,000.00	2,580,825.00	2,689,499.51	108,674.51
Expense					
100	COLLECTION EXPENSE	91,803.90	104,275.11	98,448.88	5,826.23
300	ENGINEERING	69,215.70	75,687.59	57,591.78	18,095.81
495	DEPRECIATION EXPENSE	0.00	0.00	0.00	0.00
510	COST OF POWER AND WATER	227,000.00	227,000.00	175,925.37	51,074.63
550	WASTEWATER COLLECTION EXPENSE	362,450.41	374,551.50	202,153.49	172,398.01
560	WASTEWATER TREATMENT EXPENSE	721,956.17	702,196.56	545,315.47	156,881.09
645	CAPITAL OUTLAY	5,428.00	441,122.47	431,839.97	9,282.50
690	CAPITALIZATION OF ASSETS	0.00	0.00	0.00	0.00
740	PRINCIPAL ON LT DEBT	72,000.00	72,000.00	0.00	72,000.00
745	INTEREST ON LT DEBT	212,033.72	212,033.72	140,754.58	71,279.14
760	INTERFUND TRANSFERS	0.00	0.00	0.00	0.00
799	ICA EXPENSE	160,000.00	118,235.00	118,235.78	-0.78
6. SEWER FUNDS	Expense Totals	1,921,887.90	2,327,101.95	1,770,265.32	556,836.63
6. SEWER FUNDS	Net Position Change	445,112.10	253,723.05	919,234.19	665,511.14

ACCOUNT	DESCRIPTION	Adopted Bdgt	Revised Operating Bdgt	Current Period	Favorable or (Unfavorable)
Summary for 'Auditor Fund' = 6. SEWER FUNDS (244 detail records)					
Grand Total		-883,979.48	237,832.80	-2,823,580.64	-3,061,413.44

CITY OF YREKA
CITY COUNCIL AGENDA MEMORANDUM

To:	Yreka City Council
Prepared by:	Rhetta Hogan, Finance Director
Agenda title:	Acceptance of the June 30, 2016, Report on GASB 45 Retiree Benefit Actuarial Valuation prepared by Bickmore
Meeting date:	September 15, 2016

Discussion OPEB Benefits:
Employee compensation packages for the City of Yreka employees include California Public Employees Retirement System ("CalPERS") pensions and CalPERS' Public Employers Medical Care Health Act ("PEMCHA") healthcare benefits ("OPEB" – Other [than pensions] Post- Employment Benefits) at retirement.

In July 2004 the Governmental Accounting Standards Board issued Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires governmental entities to begin accounting for postemployment benefits on an accrual basis. Under these accounting rules, public entities that sponsor postemployment benefits are required to account for the cost of those benefits using accrual accounting rather than the previously more common pay-as-you-go accounting. This means that each employee's benefit "accrues" throughout their working lifetime and that employers are required to show the annual accruals as a current year expense.

As required, the City of Yreka implemented GASB 45 for the fiscal year beginning July 1, 2008 by recognizing the costs and recording the liabilities on its Statement of Net Position in its annual financial reports. In order to calculate costs and liabilities, in accordance with GASB 45, the City prepares triennial Actuarial Valuations of Postemployment Health Benefits. The most recent valuation is as of June 30, 2016 and provides financial reporting information for fiscal years ending 2016, 2017 and 2018.

The Actuarial Valuation of Postemployment Health Benefits is prepared using the "Pay-as-you-Go" Scenario with a discount rate of 4.0% (as of September 8, 2016, the US Treasury 30-year bond yield was 2.318%). The City confirmed with Bickmore in preparation of the report that no OPEB trust has been established and indicated that OPEB financing will likely continue on a pay-as-you-go basis for the foreseeable future.

The 4.0% assumed reinvestment scenario provided by Bickmore is primarily used for cities that only contribute OPEB costs in the amount of the actual

Approved by: ______________________
Steven Baker, City Manager

payments on behalf of retirees and is called the "Pay-as-you-Go" Scenario. The table below projects the City's cash flow outlay for the "Pay-as-you-Go" Scenario.

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2016	$ 15,839	$ -	$ 15,839	$ 20,045	$ -	$ 20,045	$ 35,884
2017	16,698	1,199	17,897	21,649	6,261	27,910	45,807
2018	17,088	2,680	19,768	15,024	13,917	28,941	48,709
2019	17,650	4,400	22,050	17,209	25,977	43,186	65,236
2020	18,217	6,350	24,567	7,864	39,611	47,475	72,042
2021	18,787	8,421	27,208	8,872	58,152	67,024	94,232
2022	19,352	10,744	30,096	9,985	61,660	71,645	101,741
2023	19,914	12,981	32,895	11,198	61,485	72,683	105,578
2024	20,467	15,077	35,544	12,521	72,639	85,160	120,704
2025	21,010	17,311	38,321	13,978	52,082	66,060	104,381
2026	21,534	19,458	40,992	-	47,082	47,082	88,074
2027	22,026	21,629	43,655	-	53,523	53,523	97,178
2028	22,488	23,906	46,394	-	56,476	56,476	102,870
2029	22,915	26,165	49,080	-	56,572	56,572	105,652
2030	23,300	28,431	51,731	-	70,045	70,045	121,776

However, the unfunded OPEB liability valuation using the "Pay-as-you-Go" Scenario grows expontentially, as the City is not funding the current liability of its active employees, nor the incurred liability of its annuitants and active employees. The City is now in a "catch-up" mode, that will mirror the experience that the City has seen with its pension liability. GASB75, effective for fiscal years beginning after June 15, 2017, will compel the City begin to start funding the OPEB liability for its active and retired annuitants.

Today most government agencies are now contributing towards narrowing this funding gap by contributions funds into an irrevocable trust for pre-funding post-retirement health care benefits will result in the following benefits to the City:

And aside from the GASB75, pronouncement, the benefits to the City for reduction of the City's total OPEB liability are:

- ***A reduction in total current and future liability***
- ***A reduction in the actuarial accrued liability***
- ***A reduction in annually recorded OPEB expenses (ARC)***

- ***Offsets medical cost inflation for pay-as-you-go retirees from investment flexibility compared to restrictions on general fund investments (Govt. Code 53216.1)***
- ***Compliance with financial policy and best practices recommendations supported by the Government Finance Officers Association and other public finance standard setting bodies.***
- ***Enhanced reviews from credit rating agencies resulting in future lower borrowing costs***
- ***Other investment benefits as mentioned above in the Pension Benefits section of this staff report***

Analgious to the street deferred maintenance problem where repair costs increase exponentially; the "Pay-as-you-Go" (or deferral of not contributing cash into a OPEB trust) account will cost the City far more than a measured incremental approach of investing in an OPEB trust plan.

Next Steps:
The City needs to consider both its pension and OPEB obligations very seriously and examine all options to reduce pension and OPEB obligations and annual costs, with respect to upcoming GASB75 implementation.

And as such, the Audit and Investment Committee will begin exploring options for funding both its Pension and OPEB liabilities. The committee will make recommendations when feasible, and legally permissible, to ensure responsive pension and OPEB reform measures that ensure the long-term fiscal viability and resiliency.

Specifically, GASB Statement 75, issued in June 2015, will impact the liabilities and/or expenses developed in future valuations and require changes beginning with the City's fiscal year beginning July 1, 2017 (FY 2017-18). Reporting for GASB Statement 75 will supercede GASB45 for Employers Postemployment Benefits Other Than Pensions reporting. The City will need to be ready to address this new Governmental Accounting Standard and ready to consider participation in an some form of an OPEB trust.

Also in 2017-18, it is hoped that the the City will also have realized the peak of pension plan rates hikes and be ready to be address through payroll costs the current share of the active employees share of the OPEB cost (a GASB75 requirement). The City will still need to recover the annuitants and previous years actives share of OPEB costs as a "side-fund" that may or may not be realistic to expense across payroll costs.

Fiscal Impact:
The basic results of Bickmore's June 30, 2016 valuation of OPEB liabilities for the City calculated under GASB 45 are compiled on employee and retiree demographic data provided to Bickmore from both the City and CalPERS. These valuation results are applied to develop the annual required contribution (ARC), annual OPEB expense (AOE)

and the net OPEB obligati on (NOO) to be reported by the City in accordance with GASB 45 for the fiscal years ending June 30, 2016, June 30, 2017 and June 30, 2018. All valuation results are compiled using the "Pay-as-you-Go" Scenario with a 4.0% assumed investment return.

Annual Required Contribution (ARC) end of fiscal year:
2016 is $198,608
2017 is $212,915
2018 is $204,184

Annual OPEB Expense (AOE) end of fiscal year:
2016 is $181,712
2017 is $192,829
2018 is $204,184

Net OPEB Obligation (NOO) end of fiscal year:
2016 is $567,347
2017 is $714,369
2018 is $869,844

Unfunded Actuarial Accrued Liabilities (AAL), *which is the also the same is the Actuarial Accrued Liability, as the City is not setting aside any funds in an OPEB trust* at the end of fiscal year:
2016 is $1,663,026
2017 is $1,805,936
2018 is $1,948,288

Actual present value of future benefits at the end of fiscal year is:
2016 is $2,932,266 ($2,405,360 actives and $526,906 retirees)
2017 is $3,013,672 ($2,501,574 actives and $512,098 retirees)
2018 is $3,088,412 ($2,594,177 actives and $494,235 retirees)

Recommendation and Requested Action:
Acceptance of the June 30, 2016, Report on GASB 45 Retiree Benefit Actuarial Valuation prepared by Bickmore

Note: Acceptance of this report with any comments or changes will result in issuance of the report in final form by Bickmore to the City.

Attachments:

June 28, 2016

Mr. Steve Baker
City Manager
City of Yreka
701 Fourth Street
Yreka, CA 96097

Re: June 30, 2016 Report on GASB 45 Retiree Benefit Actuarial Valuation

Dear Mr. Baker:

We are pleased to enclose our report providing the results of the June 30, 2016 actuarial valuation of other post-employment benefit (OPEB) liabilities for the City of Yreka (the City). The report's text describes our analysis and assumptions in detail. *This report should be considered a draft until the City has had an opportunity to review and comment. Once any issues have been discussed and resolved, we will issue our final report.*

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, 2016, 2017 and 2018.

The majority of the exhibits included in this report reflect our understanding that the City intends to 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 calculated on a prefunding basis as an Appendix to this report, should the City wish to consider a prefunding approach in the future.

The City reported no changes to the benefits provided under this program since the 2013 valuation was prepared. Retiree medical benefits, described in Table 3A, are based on an "equal" PEMHCA resolution providing the minimum allowable employer contribution. Please review our summary to be sure we have interpreted the benefits correctly.

This report introduces an "implicit subsidy" liability, not previously required to be valued by the City under GASB 45. This report also includes analysis of any projected excise tax in the year 2020 or later relating to retiree coverage in high cost plans, per the Affordable Care Act. Discussion of these changes is included in the report.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of City employees 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

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A. Executive Summary

This report presents the results of the June 30, 2016 actuarial valuation of the City of Yreka (the City) other post-employment benefit (OPEB) programs. 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). This report reflects the valuation of two distinct types of OPEB liability, described further in Section C.

- An "explicit subsidy" exists when the employer contributes directly toward retiree healthcare premiums. In this program, benefits include a monthly subsidy toward medical premiums for eligible retirees. Future excise taxes expected to be paid for "high cost" coverage are also explicit costs and are included with explicit liabilities.
- An "implicit subsidy" exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. Pre-Medicare retirees able to continue medical coverage at the same premium rates as are charged for active employees creates an implicit benefit subsidy under GASB 45. *This is the first valuation required to include the implicit subsidy liability*.

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. With the City's approval, this valuation uses a discount rate of 4.0% for pay-as-you-go calculations, the same rate used in the prior valuation. Prefunding results are illustrated in Appendix 1 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.

Exhibits presented in the body of this report are based on our understanding that the results of this June 30, 2016 valuation will be applied in determining the annual OPEB expense for the City's fiscal years ending June 30, 2016, 2017, and 2018. The City confirmed that no OPEB trust has been established and indicated that OPEB financing will likely continue on a pay-as-you-go basis for the foreseeable future. On this basis, the Actuarial Accrued Liability and Assets as of January 1, 2016 are as shown below:

Subsidy	Explicit	Implicit	Total
Discount Rate	4.0%	4.0%	4.0%
Actuarial Accrued Liability	$ 943,082	$ 792,015	$ 1,735,097
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	943,082	792,015	1,735,097
Funded Ratio	0.0%	0.0%	0.0%

Results for the fiscal year ending June 30, 2016 are summarized at the top of the following page.

Executive Summary
(Concluded)

Subsidy	Explicit	Implicit	Total
Annual Required Contribution (ARC) for FYE 2016	$ 88,711	$ 96,507	$ 185,218
Expected employer paid benefits for retirees	15,839	-	15,839
Current year's implicit subsidy credit	-	20,045	20,045
Expected contribution to OPEB trust	-	-	-
Expected net OPEB obligation at June 30, 2016	490,885	76,462	567,347

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. We also 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 current valuation results to those from the prior valuation is provided on page 6, followed by a brief description of changes. 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;
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Establishment of and recurring City contributions to an irrevocable OPEB trust;
- Implementation of GASB 75, the new OPEB accounting standard, which should be not later than the City's fiscal year ending June 30, 2018. One important change moves 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 July 1, 2019. 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. The underlying intent of GASB 45 is to systematically recognize the projected cost of OPEB during the years employees are working, rather than over the years when the benefits would be paid.

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 Tables 1B, 1D and 1F).

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.

We reiterate that GASB 45 applies only to the expense to be charged to an agency's income statements and to providing other related liability disclosures. While the Annual Required Contribution typically comprises the majority of the annual OPEB expense, it is a theoretical, not a required contribution amount. 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 funding also affects the selection of the discount rate used for valuing the liabilities.

New GASB Statement 75, issued in June 2015, will impact the liabilities and/or expenses developed in future valuations and require changes beginning with the City's fiscal year end 2018 reporting. Those calculations are outside the scope of this report.

C. Sources of OPEB Liabilities

General Types of OPEB

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave[1] or other direct retiree payments which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit subsidy". 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 insurance, this results in an "implicit subsidy" of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

This chart shows the sources of funds needed to cover expected claims for pre-Medicare retirees

Expected retiree claims		
Premium charged for retiree coverage		*Covered by higher active premiums*
Retiree portion of premium	Agency portion of premium Explicit subsidy	Implicit subsidy

For actuarial valuations dated prior to March 31, 2015, an exception allowed plan employers with a very small membership in a large "community-rated" healthcare program to avoid reporting of implicit subsidy liability. Following a change in Actuarial Standards of Practice, GASB no longer offers this exception. *This change had a significant impact on the City's OPEB liability*.

OPEB Obligations of the City

The City offers continuation of medical, dental and vision coverage to its retiring employees. Neither dental nor vision coverage creates an OPEB liability to the City. For medical coverage:

- **Explicit subsidy liabilities**: The City contributes directly toward retiree medical premiums. Liabilities for these benefits, described in Table 3A, are included in the valuation.
- **Implicit subsidy liabilities**: Employees are covered by the CalPERS medical program. The same monthly premiums are charged for active employees and pre-Medicare retirees; CalPERS has confirmed that their claims experience is considered together in setting these premium rates. We determine the implicit rate subsidy for pre-Medicare retirees as the projected difference between retiree medical claim costs by age and premiums charged for retiree coverage. See Table 4 and Addendum 1 Bickmore Healthcare Claims Age Rating Methodology.

  Different monthly premiums are charged for Medicare-eligible members and CalPERS has confirmed that only the claims experience of these Medicare eligible members is considered in setting these premium rates. We assumed that this premium structure is adequate to cover the expected claims of these retirees (i.e., no implicit subsidy of retiree medical premiums).

[1] Unless unused sick leave credits are converted to provide or enhance a defined benefit OPEB.

D. Valuation Process

The valuation has been based on employee census data and benefits initially submitted to us by the City in May 2016 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. Final payments for currently active employees may not be made for 70 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' Cost Allocations	Actives and Retirees
plus Normal Cost	Current Year's Cost Allocation	Actives only
plus Present Value of Future Normal Costs	Future Years' Cost Allocations	Actives only
equals Present Value of Projected Benefits	Total Benefit Costs	Actives and Retirees

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).

E. Basic Valuation Results

The following chart compares the results of the June 30, 2016 valuation of OPEB liabilities to the results of the June 30, 2013 valuation.

Funding Policy	**Pay-As-You-Go Basis**			
Valuation date	**7/1/2012**	**6/30/2016**		
Subsidy	Explicit	Explicit	Implicit	Total
Discount rate	4.00%	4.00%	4.00%	4.00%
Number of Covered Employees				
Actives	48	49	49	49
Retirees	13	11	3	11
Total Participants	61	60	52	60
Actuarial Present Value of Projected Benefits				
Actives	$ 1,030,479	$ 1,052,374	$ 1,352,986	$ 2,405,360
Retirees	462,365	389,663	101,359	491,022
Total APVPB	1,492,844	1,442,037	1,454,345	2,896,382
Actuarial Accrued Liability (AAL)				
Actives	492,129	553,419	690,656	1,244,075
Retirees	462,365	389,663	101,359	491,022
Total AAL	954,494	943,082	792,015	1,735,097
Actuarial Value of Assets	-	-	-	-
Unfunded AAL (UAAL)	954,494	943,082	792,015	1,735,097
Normal Cost	47,592	46,312	61,643	107,955
Percent funded	0.0%	0.0%	0.0%	0.0%
Reported covered payroll	2,367,102	2,761,363	2,761,363	2,761,363
UAAL as percent of payroll	40.3%	34.2%	28.7%	62.8%

Note: The Explicit Subsidy AAL as of July 1, 2015 includes approximately $41,000 in projected excise tax liability for retirees expected to be covered by "high cost" plans under the Affordable Care Act.

Changes Since the Prior Valuation

Even if all of our previous assumptions were met exactly as projected, liabilities often increase over time as active employees get closer to the date their benefits are expected to begin. Given the uncertainties involved and the long term nature of these projections, our prior assumptions are not likely ever to be exactly realized. Nonetheless, it is helpful to review why results are different than we anticipated.

In comparing results shown in the exhibit above, we can see that the Unfunded Actuarial Accrued Liability (UAAL) increased by roughly $781,000 (from $954,000 to $1,735,000) between June 30, 2013 and June 30, 2016. During this period, however, we anticipated additional cost accruals for active employees, increased values from the passage of time and some benefit payments to retirees. From this activity, we expected the UAAL to *increase* by $223,000 from $954,000 to $1,177,000. Thus, the actual UAAL of $1,735,000 is $558,000 higher than expected. The difference between the actual UAAL and expected UAAL is primarily a result of the factors described on the following page.

Basic Valuation Results
(Concluded)

- The requirement to begin recognizing the implicit subsidy of medical coverage for current and future retirees prior to becoming eligible for Medicare accounts for a $792,000 increase in the AAL. In developing this liability, we added assumptions regarding expected claims cost by age and gender as well as expected future increases in medical premiums.

Other factors contributing to the difference between the actual and expected UAAL are:

- An $92,000 *increase* in the AAL due to revised assumptions for future disability and service retirements and updates in assumed future rates of mortality; and
- A $116,000 decrease in the AAL due to a decrease in the percentage of employees assumed to elect coverage in retirement, from 60% to 50% if the employee is currently enrolled in coverage, and from 40% to 30% if the employee is currently waiving coverage through the City;
- A $7,000 *decrease* in the AAL from lowering our assumption of the percentage of employees assumed to cover a spouse on a City medical plan in retirement, from 75% to 70%; and
- A $203,000 *decrease* in the UAAL from favorable plan experience relative to prior assumptions. 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. The largest contributors to this experience gain were the deaths of 3 retirees at younger than expected ages and the voluntary discontinuance of coverage by a 4th retiree prior to age 65.

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 developed 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; a 4.0% rate is 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:

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

The ARC's for each of the fiscal years ending June 30, 2016, 2017 and 2018 are developed in Tables 1A, 1C and 1E.

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, with 24 years remaining to determine the ARC for the fiscal year beginning July 1, 2015. Amortization payments are determined on a level percent of pay basis.[2]

[2] With a pay-as-you-go funding policy and/or one where the UAAL is amortized on a level percent of pay basis, if all assumptions are met, the UAAL will increase, rather than decrease, over time.

Funding Policy
(Concluded)

Funding of the Implicit Subsidy

The implicit subsidy liability created when expected retiree medical claims exceed the retiree premiums was described earlier in Section C. In practical terms, when the City pays the premiums for active employees each year, their premiums include an amount expected to be transferred to cover the portion of the retirees' claims not covered by their premiums. This transfer represents the current year's implicit subsidy. Paragraph 13.g. of GASB 45 allows for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer's contribution to the ARC. We have estimated the portion of this year's premium payment attributable to the implicit subsidy and recommend netting this amount against the funding requirement for the implicit subsidy (see Tables 1B, 1D and 1F).

The following hypothetical example illustrates this treatment:

Hypothetical Illustration Of Implicit Subsidy Recognition	For Active Employees	For Retired Employees	Total
Annual Agency Contribution Toward Premiums	$ 425,000	$ 15,000	$ 440,000
Current Year's Implicit Subsidy Adjustment	$ (30,000)	$ 30,000	$ -
Adjusted contributions reported in Financial Stmts	$ 395,000	$ 45,000	$ 440,000

While total Agency contributions paid toward active and retired employee healthcare premiums in this example are the same, by shifting the recognition of the current year's implicit subsidy from actives to retirees, this amount may be recognized as a contribution toward the OPEB ARC.

Suppose the City were to consider establishing an OPEB trust and begin making contributions to it. There is a larger question about whether or not the City would ever choose to prefund the implicit subsidy liability. Some possible options include:

- Pay-as-you-go financing for both the explicit and implicit subsidy liabilities.
  In this report, we assumed the City would follow this approach.
- Prefunding 100% of the ARC developed for the explicit subsidy liability, but not prefund the implicit subsidy liability. Separate discount rates could be used, i.e., 6.5% to determine the explicit subsidy ARC and 4.0% to develop the implicit subsidy ARC.
- Prefunding 100% of the ARC relating to both the explicit subsidy and implicit subsidy liabilities (see Appendix 1 for this illustration).
- Prefunding 100% of the ARC relating to both the explicit subsidy and implicit subsidy liabilities, but intentionally allocate the entire trust contribution to more quickly pay-off the explicit subsidy liability, rather than allocating any toward the implicit subsidy liability. We believe this approach would also allow the implicit subsidy liability to be developed using the prefunding discount rate of 6.5%.

We are available to review these options further with the City.

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 valuation of the retirement plan covering City employees. Other assumptions, such as age related healthcare claims, 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, as more experience develops.

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 4.0% discount rate. This is 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 assuming the City were to begin funding 100% of the ARC. 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 and on and the percentage of the ARC expected to be funded each year.

H. Certification

This report presents the results of our actuarial valuation of the other post-employment benefits provided by the City of Yreka. 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: June 28, 2016

______________________________________ ______________________________________

Catherine L. MacLeod, FSA, FCA, EA, MAAA J. Kevin Watts, FSA, FCA, MAAA

Table 1

Results for fiscal years ending 2016, 2017 and 2018: The basic results of our June 30, 2016 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) to be reported by the City in accordance with GASB 45 for the fiscal years ending June 30, 2016, June 30, 2017 and June 30, 2018.[3]

As noted earlier in this report, the development of the ARC reflects our assumption that the City will contribute only the amount needed to pay retiree benefits each year. We assume that this will include recognition of the current year's implicit subsidy as a contribution against the annual OPEB expense. 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.

Employees reflected in future years' costs: The counts of active employees and retirees shown in Table 1A, 1C and 1E 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 already 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 June 2013 in this June 2016 valuation.

We note that the number of retirees which create an implicit subsidy liability are lower than the number of those which create an explicit subsidy liability. CalPERS medical premiums for retirees over age 65 and covered by Supplemental Medicare plans are not subsidized by active employee medical premiums, so do not create an implicit subsidy liability.

[3] As indicated previously, GASB 75 will change the development of the OPEB liability and expense information to be reported by the City in its financial statements for the fiscal year ending June 30, 2018. That information will need to be developed at a later date and is outside the scope of this report.

Table 1A
Summary of Valuation Results and ARC Calculation for FYE 2016

The table provides separate valuation results for Explicit and Implicit OPEB benefits determined on a pay-as-you-go basis. 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.

Funding Policy	**Pay-As-You-Go Basis**		
Valuation date	**6/30/2016**		
Subsidy	Explicit	Implicit	Total
For fiscal year beginning	7/1/2015	7/1/2015	7/1/2015
For fiscal year ending	6/30/2016	6/30/2016	6/30/2016
Expected long-term return on assets	4.0%	4.0%	4.0%
Discount rate	4.0%	4.0%	4.0%
Number of Covered Employees			
Actives	49	49	49
Retirees	11	3	11
Total Participants	60	52	60
Actuarial Present Value of Projected Benefits			
Actives	$ 1,052,374	$ 1,352,986	$ 2,405,360
Retirees	405,502	121,404	526,906
Total APVPB	1,457,876	1,474,390	2,932,266
Actuarial Accrued Liability (AAL)	-	-	-
Actives	507,107	629,013	1,136,120
Retirees	405,502	121,404	526,906
Total AAL	912,609	750,417	1,663,026
Actuarial Value of Assets	-	-	-
Unfunded AAL (UAAL)	912,609	750,417	1,663,026
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30	30
Remaining period (in years)	24	24	24
Determination of Amortization Payment			
UAAL	$ 912,609	$ 750,417	$ 1,663,026
Factor	21.5242	21.5242	21.5242
Payment	42,399	34,864	77,263
Annual Required Contribution (ARC)	-		
Normal Cost	46,312	61,643	107,955
Amortization of UAAL	42,399	34,864	77,263
Interest to fiscal year end	-	-	-
Total ARC at fiscal year end	88,711	96,507	185,218
Projected covered payroll	$ 2,761,363	$ 2,761,363	$ 2,761,363
Normal Cost as a percent of payroll	1.7%	2.2%	3.9%
ARC as a percent of payroll	3.2%	3.5%	6.7%
ARC per active ee	1,810	1,970	3,780

Table 1B
Expected OPEB Disclosures for FYE 2016

The following exhibit develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation as of June 30, 2016 reflecting the assumed pay-as-you-go financing policy described in this report.

	Pay-As-You-Go Basis		
Fiscal Year End	**6/30/2016**	**6/30/2016**	**6/30/2016**
Subsidy	Explicit	Implicit	Total
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	$ 88,711	$ 96,507	$ 185,218
b. Interest on Net OPEB Obligation (Asset)	16,861	-	16,861
c. Adjustment to the ARC	(20,367)	-	(20,367)
d. **Annual OPEB Expense (a. + b. + c.)**	85,205	96,507	181,712
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	15,839	-	15,839
b. Estimated current year's implicit subsidy	-	20,045	20,045
c. Estimated contribution to OPEB trust	-	-	-
d. **Total Expected Employer Contribution**	15,839	20,045	35,884
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	69,366	76,462	145,828
Net OPEB Obligation (Asset), beginning of fiscal year	421,519	-	421,519
Net OPEB Obligation (Asset) at fiscal year end	490,885	76,462	567,347

In the table above, we assumed that the City will contribute the current year's retiree benefit payments and take credit for the current year's implicit subsidy as an OPEB contribution. No other OPEB contributions were projected to be made.

Notes on calculations above:

- Interest on the net OPEB obligation (or asset), shown above in item 1.b. is equal to the applicable discount rate (4.0%) multiplied by the net OPEB obligation (or asset) at the beginning of the year.
- The Adjustment to the ARC, shown above in item 1.c., is always the opposite sign of the net OPEB obligation or asset and exists to avoid double-counting of the amounts previously expensed but imbedded in the current ARC. This adjustment is calculated as *the opposite of* the net OPEB obligation (or asset) at the beginning of the year, plus interest on that amount (item 1.b.) with the sum then divided by the same amortization factor used to determine the ARC for this year (see the prior page for these factors).

Table 1C
ARC Calculation for FYE 2017

In this table, the June 30, 2016 valuation results have been adjusted (rolled forward) one year based on the underlying actuarial assumptions. These results are used to develop the amortization payment and the annual required contribution (ARC) for the fiscal year ending June 30, 2017.

Funding Policy	**Pay-As-You-Go Basis**		
Valuation date	**6/30/2016**		
Subsidy	Explicit	Implicit	Total
For fiscal year beginning	7/1/2016	7/1/2016	7/1/2016
For fiscal year ending	6/30/2017	6/30/2017	6/30/2017
Expected long-term return on assets	4.0%	4.0%	4.0%
Discount rate	4.0%	4.0%	4.0%
Number of Covered Employees			
Actives	49	49	49
Retirees	11	3	11
Total Participants	60	52	60
Actuarial Present Value of Projected Benefits			
Actives	$ 1,094,469	$ 1,407,105	$ 2,501,574
Retirees	405,883	106,215	512,098
Total APVPB	1,500,352	1,513,320	3,013,672
Actuarial Accrued Liability (AAL)			
Actives	575,556	718,282	1,293,838
Retirees	405,883	106,215	512,098
Total AAL	981,439	824,497	1,805,936
Actuarial Value of Assets	-	-	-
Unfunded AAL (UAAL)	981,439	824,497	1,805,936
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30	30
Remaining period (in years)	23	23	23
Determination of Amortization Payment			
UAAL	$ 981,439	$ 824,497	$ 1,805,936
Factor	20.7235	20.7235	20.7235
Payment	47,359	39,786	87,145
Annual Required Contribution (ARC)			
Normal Cost	47,817	63,646	111,463
Amortization of UAAL	47,359	39,786	87,145
Interest to fiscal year end	-	-	-
Total ARC at fiscal year end	95,176	103,432	198,608
Projected covered payroll	$ 2,851,107	$ 2,851,107	$ 2,851,107
Normal Cost as a percent of payroll	1.7%	2.2%	3.9%
ARC as a percent of payroll	3.3%	3.6%	7.0%
ARC per active ee	1,942	2,111	4,053

Table 1D
Expected OPEB Disclosures for FYE 2017

This table develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation as of June 30, 2017 reflecting the assumed pay-as-you-go financing policy described earlier in this report.

	Pay-As-You-Go Basis		
Fiscal Year End	**6/30/2017**	**6/30/2017**	**6/30/2017**
Subsidy	Explicit	Implicit	Total
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	$ 95,176	$ 103,432	$ 198,608
b. Interest on Net OPEB Obligation (Asset)	19,635	3,058	22,693
c. Adjustment to the ARC	(24,635)	(3,837)	(28,472)
d. **Annual OPEB Expense (a. + b. + c.)**	90,176	102,653	192,829
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	17,897	-	17,897
b. Estimated current year's implicit subsidy	-	27,910	27,910
c. Estimated contribution to OPEB trust	-	-	-
d. **Total Expected Employer Contribution**	17,897	27,910	45,807
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	72,279	74,743	147,022
Net OPEB Obligation (Asset), beginning of fiscal year	490,885	76,462	567,347
Net OPEB Obligation (Asset) at fiscal year end	563,164	151,205	714,369

In the table above, we assumed that the City will contribute the current year's retiree benefit payments and take credit for the current year's implicit subsidy as an OPEB contribution. No other OPEB contributions were projected to be made.

Notes on calculations above:

- Interest on the net OPEB obligation (or asset), shown above in item 1.b. is equal to the applicable discount rate (4.0%) multiplied by the net OPEB obligation (or asset) at the beginning of the year.
- The Adjustment to the ARC, shown above in item 1.c., is always the opposite sign of the net OPEB obligation or asset and exists to avoid double-counting of the amounts previously expensed but imbedded in the current ARC. This adjustment is calculated as *the opposite of* the net OPEB obligation (or asset) at the beginning of the year, plus interest on that amount (item 1.b.) with the sum then divided by the same amortization factor used to determine the ARC for this year (see the prior page for these factors).

Table 1E
ARC Calculation for FYE 2018

In this table, the June 30, 2016 valuation results have been adjusted (rolled forward) two years based on the underlying actuarial assumptions. These results are used to develop the amortization payment and the annual required contribution (ARC) for the fiscal year ending June 30, 2018.

Funding Policy	**Pay-As-You-Go Basis**		
Valuation date	**6/30/2016**		
Subsidy	Explicit	Implicit	Total
For fiscal year beginning	7/1/2017	7/1/2017	7/1/2017
For fiscal year ending	6/30/2018	6/30/2018	6/30/2018
Expected long-term return on assets	4.0%	4.0%	4.0%
Discount rate	4.0%	4.0%	4.0%
Number of Covered Employees			
Actives	49	49	49
Retirees	11	3	11
Total Participants	60	52	60
Actuarial Present Value of Projected Benefits			
Actives	$ 1,137,049	$ 1,457,128	$ 2,594,177
Retirees	405,420	88,815	494,235
Total APVPB	1,542,469	1,545,943	3,088,412
Actuarial Accrued Liability (AAL)			
Actives	647,109	806,944	1,454,053
Retirees	405,420	88,815	494,235
Total AAL	1,052,529	895,759	1,948,288
Actuarial Value of Assets	-	-	-
Unfunded AAL (UAAL)	1,052,529	895,759	1,948,288
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30	30
Remaining period (in years)	22	22	22
Determination of Amortization Payment			
UAAL	$ 1,052,529	$ 895,759	$ 1,948,288
Factor	19.9149	19.9149	19.9149
Payment	52,851	44,979	97,830
Annual Required Contribution (ARC)			
Normal Cost	49,371	65,714	115,085
Amortization of UAAL	52,851	44,979	97,830
Interest to fiscal year end	-	-	-
Total ARC at fiscal year end	102,222	110,693	212,915
Projected covered payroll	$ 2,943,768	$ 2,943,768	$ 2,943,768
Normal Cost as a percent of payroll	1.7%	2.2%	3.9%
ARC as a percent of payroll	3.5%	3.8%	7.2%
ARC per active ee	2,086	2,259	4,345

Table 1F
Expected OPEB Disclosures for FYE 2018

This table develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation as of June 30, 2018 reflecting the assumed pay-as-you-go financing policy described earlier in this report.

	Pay-As-You-Go Basis		
Fiscal Year End	**6/30/2018**	**6/30/2018**	**6/30/2018**
Subsidy	Explicit	Implicit	Total
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	$ 102,222	$ 110,693	$ 212,915
b. Interest on Net OPEB Obligation (Asset)	22,527	6,048	28,575
c. Adjustment to the ARC	(29,410)	(7,896)	(37,306)
d. **Annual OPEB Expense (a. + b. + c.)**	95,339	108,845	204,184
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	19,768	-	19,768
b. Estimated current year's implicit subsidy	-	28,941	28,941
c. Estimated contribution to OPEB trust	-	-	-
d. **Total Expected Employer Contribution**	19,768	28,941	48,709
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	75,571	79,904	155,475
Net OPEB Obligation (Asset), beginning of fiscal year	563,164	151,205	714,369
Net OPEB Obligation (Asset) at fiscal year end	638,735	231,109	869,844

In the table above, we assumed that the City will contribute the current year's retiree benefit payments and take credit for the current year's implicit subsidy as an OPEB contribution. No other OPEB contributions were projected to be made.

Notes on calculations above:

- Interest on the net OPEB obligation (or asset), shown above in item 1.b. is equal to the applicable discount rate (4.0%) multiplied by the net OPEB obligation (or asset) at the beginning of the year.
- The Adjustment to the ARC, shown above in item 1.c., is always the opposite sign of the net OPEB obligation or asset and exists to avoid double-counting of the amounts previously expensed but imbedded in the current ARC. This adjustment is calculated as *the opposite of* the net OPEB obligation (or asset) at the beginning of the year, plus interest on that amount (item 1.b.) with the sum then divided by the same amortization factor used to determine the ARC for this year (see the prior page for these factors).

Table 2
Summary of Employee Data

The City reported 49 active employees; of these, 31 are currently participating in the medical program while 18 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		2					2	4%
25 to 29	2	4	3	1			10	20%
30 to 34		2	1	1			4	8%
35 to 39		1		1			2	4%
40 to 44			1	4	1	1	7	14%
45 to 49	1	1		2	1		5	10%
50 to 54				1	1	3	5	10%
55 to 59			1	5	2	5	13	27%
60 to 64					1		1	2%
65 to 69							0	0%
70 & Up							0	0%
Total	3	10	6	15	6	9	**49**	**100%**
Percent	6%	20%	12%	31%	12%	18%	**100%**	

	July 2013 Valuation	July 2015 Valuation
Annual Covered Payroll	$2,367,102	$2,761,363
Average Attained Age for Actives	44.57	47.10
Average Years of Service	11.24	13.65

There are also 10 retirees and 1 surviving spouse currently covered and receiving benefits under this program. The following chart summarizes the ages of current retirees in the City plan.

Retirees by Age		
Current Age	**Number**	**Percent**
Below 50		0%
50 to 54		0%
55 to 59	1	9%
60 to 64	3	27%
65 to 69	4	36%
70 to 74		0%
75 to 79	2	18%
80 & up	1	9%
Total	**11**	**100%**
Average Attained Age for Retirees:		67.9

Table 2- Summary of Employee Data (Concluded)

The chart below reconciles the number of actives and retirees included in the June 30, 2013 valuation of the City plan with those included in the June 30, 2016 valuation:

Reconciliation of City Plan Members Between Valuation Dates					
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2013	32	14	13	0	59
New employees	6	5			11
Terminated employees	(3)				(3)
New retiree, elected coverage	(1)		1		0
New retiree, waiving coverage	(1)	(2)			(3)
Previously covered, now waiving	(3)	3	(1)		(1)
Previously waiving, now covered	1	(1)			0
Deaths (with possible survivor)			(3)	1	(2)
Data corrections		(1)			(1)
Number reported as of June 30, 2016	**31**	**18**	**10**	**1**	**60**

Overall, the plan population has remained fairly stable. From the above, we observe that:

- There were 4 new retirements since June 2013.
  - 2 had medical coverage through the City and 1 elected to continue their coverage in retirement, a 50% participation rate.
  - 2 were not covered under the City's medical program while employed and neither elected coverage in retirement, a 0% participation rate.
- There were 4 retirees previously covered retirees whose coverage has ended.
  - 3 retirees passed away during the past three years, all at relatively young ages; the surviving spouse of 1 elected to continue coverage.
  - 1 retiree dropped coverage prior to becoming eligible for Medicare.

While the number of retirees is small and therefore not highly credible, we do consider this experience in setting our assumption about rates of future retiree participation (see Table 4)

Table 3A
Summary of Retiree Benefit Provisions

OPEB provided: The City reported the following OPEB: retiree medical, dental, and vision insurance coverage. Only medical coverage is subsidized by the City.

Benefits excluded from this valuation: If dental and/or vision coverage is selected, the retiree must pay 100% of the premiums. Since no OPEB liability is expected with respect to dental or vision coverage for retirees, neither is considered in this valuation.

Access to City medical 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: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

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.

The employee must begin his or her retirement benefit ("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.

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's current PEMHCA resolution on file with CalPERS, executed in 2001, defines the City's contribution toward the cost of medical plan premiums for *active and retired* employees to be the PEMHCA minimum employer contribution (MEC)[4]. The MEC is $125 per month in 2016.

Current premium rates: The 2016 CalPERS monthly medical plan rates in the Northern California Counties 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 Northern 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+
PERS Choice PPO	$ 795.57	$ 1,591.14	$ 2,068.48	$ 366.38	$ 732.76	$ 1,210.10
PERS Select PPO	727.47	1,454.94	1,891.42	366.38	732.76	1,169.24
PORAC Association Plan	699.00	1,399.00	1,789.00	442.00	881.00	1,271.00

[4] It is our understanding that there is a pre-tax flexible benefit plan in place for active employees that provides premiums in excess of the MEC and these additional payments are not required to be provided to retired employees to meet PEMHCA requirements.

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, 2015, issued January 2016, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

<u>Health Care Coverage</u>

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	June 30, 2016
Funding Method	Entry Age Normal Cost, level percent of pay[5]
Asset Valuation Method	Market value of assets ($0; no OPEB trust has been established)
Discount Rate	4.0% 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

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. 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.

Mortality Before Retirement

Mortality rates in these tables are from the CalPERS experience study, adjusted as described above.

These rates were then adjusted on a generational basis by Bickmore Scale 2014 to anticipate future mortality improvement each year until the expected payments in any future year occur.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths		
Age	Male	Female
15	0.00020	0.00015
20	0.00028	0.00018
30	0.00051	0.00027
40	0.00070	0.00047
50	0.00147	0.00103
60	0.00340	0.00201
70	0.00619	0.00408
80	0.01157	0.00918

CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial		
Age	Male	Female
15	0.00020	0.00015
20	0.00031	0.00021
30	0.00061	0.00037
40	0.00083	0.00060
50	0.00162	0.00118
60	0.00357	0.00218
70	0.00637	0.00427
80	0.01178	0.00938

[5] 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 for 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

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00103	0.00085
50	0.00475	0.00480
60	0.00785	0.00481
70	0.01541	0.01105
80	0.04556	0.03271
90	0.14423	0.10912
100	0.32349	0.29541
110	0.97827	0.97516
115	1.00000	1.00000

Disabled Miscellaneous

CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality From Jan 2014 Experience Study Report		
Age	Male	Female
20	0.00548	0.00339
30	0.00717	0.00469
40	0.00887	0.00565
50	0.01594	0.01192
60	0.02530	0.01363
70	0.03394	0.02460
80	0.07108	0.05326
90	0.16458	0.14227

Disabled Police

CalPERS Public Agency Disabled Police Post-Retirement Mortality From Jan 2014 Experience Study Report		
Age	Male	Female
20	0.00548	0.00339
30	0.00206	0.00162
40	0.00240	0.00193
50	0.00520	0.00508
60	0.00888	0.00598
70	0.01974	0.01579
80	0.05761	0.04431
90	0.14475	0.10997

Termination Rates

Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued January 2014						
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

Police Safety Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued January 2014						
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

Table 4 - Actuarial Methods and Assumptions (Continued)

Service Retirement Rates

The following miscellaneous retirement formulas apply:

If hired prior to 1/1/2013:	2% @ 55
If hired on or after 1/1/2013, Classic:	2% @ 55
If hired on or after 1/1/2013, PEPRA:	2% @ 62

The following police safety retirement formulas apply:

If hired prior to 1/1/2013:	2% @ 50
If hired on or after 1/1/2013, Classic:	2% @ 50
If hired on or after 1/1/2013, PEPRA:	2.7% @ 57

Sample rates of retirement are shown below for each formula.

Miscellaneous Employees: 2% at 55 formula
From CalPERS Experience Study Report Issued January 2014

Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0140	0.0180	0.0210	0.0250	0.0270	0.0310
55	0.0480	0.0610	0.0740	0.0880	0.1000	0.1170
60	0.0670	0.0860	0.1030	0.1230	0.1390	0.1640
65	0.1550	0.1970	0.2380	0.2850	0.3250	0.3860
70	0.1300	0.1650	0.2000	0.2400	0.2720	0.3230
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula
From CalPERS Experience Study Report Issued January 2014

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

Police Safety Employees: 2% at 50 formula
From CalPERS Experience Study Report Issued January 2014

Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0050	0.0050	0.0050	0.0050	0.0170	0.0890
53	0.0440	0.0440	0.0440	0.0440	0.0900	0.2170
56	0.0670	0.0670	0.0670	0.0670	0.1300	0.2890
59	0.1390	0.1390	0.1390	0.1390	0.1760	0.3120
62	0.1300	0.1300	0.1300	0.1300	0.1620	0.2910
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Table 4 - Actuarial Methods and Assumptions (Continued)

Police Safety Employees: 2.7% at 57 formula From CalPERS Experience Study Report Issued January 2014						
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

Disability Retirement Rates

CalPERS Public Agency Miscellaneous Disability From Jan 2014 Experience Study Report		
Age	Male	Female
20	0.00017	0.00010
25	0.00017	0.00010
30	0.00019	0.00024
35	0.00049	0.00081
40	0.00122	0.00155
45	0.00191	0.00218
50	0.00213	0.00229
55	0.00221	0.00179
60	0.00222	0.00135

CalPERS Public Agency Police Combined Disability From Jan 2014 Experience Study Report	
Age	Unisex
20	0.00010
25	0.00175
30	0.00496
35	0.00818
40	0.01140
45	0.01461
50	0.01925
55	0.04909
60	0.06212

Healthcare Trend

Medical plan premiums and claims costs by age are assumed to increase once each year. 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**
2017	7.50%	2021	5.50%
2018	7.00%	2022	5.00%
2019	6.50%	2023	4.50%
2020	6.00%	& later	4.50%

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

Table 4 - Actuarial Methods and Assumptions (Continued)

Participation Rate	*Participating actives*: 50% are assumed to continue their current plan election in retirement. *Non-participating actives:* 30% are assumed to elect coverage at a later date. *Retired participants*: Existing medical plan elections are assumed to continue until the retiree's death.
Spouse Coverage	*Active employees:* 70% are assumed to be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives. *Retired participants*: Existing elections for spouse coverage are assumed to continue 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.
Excise tax on high-cost plans	The expected value of excise taxes for high cost plan coverage for retirees, now expected to be effective in the year 2020, was included in this valuation. Annual threshold amounts for 2018 under the Affordable Care Act (ACA) were assumed to increase at the General Inflation Rate. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold.

2018 Thresholds	Ages 55-64	All Other Ages
Single	11,850	10,200
Other than Single	30,950	27,500

Note: Thresholds for disability retirements are assumed to be set at a level high enough to prevent taxation on disabled retiree benefits.

Development of Age-related Medical Premiums	Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in Bickmore's Age Rating Methodology provided in Addendum 1 to this report. Representative claims costs derived from the dataset provided by CalPERS for retirees not currently covered or not expected to be eligible for Medicare appear below:

Table 4 - Actuarial Methods and Assumptions (concluded)

Expected Monthly Claims by Medical Plan for Selected Ages					
	Male				
Medical Plan	50	53	56	59	62
PERS Choice–Other Northern California	752	887	1,031	1,181	1,343
PERS Choice–Out of State	396	467	542	622	707
PERS Select–Other Northern California	761	897	1,042	1,194	1,358
Other PPO State Employer	609	718	834	956	1,086
Medical Plan	**Female**				
PERS Choice–Other Northern California	932	1,024	1,102	1,191	1,313
PERS Choice–Out of State	491	539	580	627	691
PERS Select–Other Northern California	943	1,036	1,114	1,204	1,327
Other PPO State Employer	754	828	892	963	1,062

All current and future Medicare-eligible retirees are assumed to be covered by plans that are rated based solely on the experience of Medicare retirees. Therefore, no implicit subsidy is calculated for Medicare-eligible retirees.

Changes Since the Prior Valuation:

Assumed Wage Inflation: Decreased from 3.25% to 3.0%

General Inflation Rate: Decreased from 3.0% to 2.75%

Demographic assumptions: Rates of assumed mortality, termination, disability and retirement rates 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 the rates in the midpoint year of the CalPERS 2014 experience study (2008), then projected on a generational basis by Bickmore Scale 2014.

Participation Rate: The assumed percentage of active employees assumed to elect coverage in retirement were reduced from 60% to 50%, if currently covered, and from 40% to 30% if not currently covered, based on a review of historical retiree elections.

Spouse Coverage: The percentage of active employees who are assumed to elect coverage for their spouse in retirement was decreased from 75% to 70% based on a review of retiree elections.

Age-Related Medical Premiums: We introduced methodology for developing age-related medical premiums based on updated research and data sponsored by the Society of Actuaries. We added an implicit subsidy analysis for pre-Medicare retirees covered by the CalPERS medical program and added a healthcare trend.

Excise Tax Impact: We projected the potential impact of the excise tax on high cost retiree coverage per the Affordable Care Act.

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).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2016	$ 15,839	$ -	$ 15,839	$ 20,045	$ -	$ 20,045	$ 35,884
2017	16,698	1,199	17,897	21,649	6,261	27,910	45,807
2018	17,088	2,680	19,768	15,024	13,917	28,941	48,709
2019	17,650	4,400	22,050	17,209	25,977	43,186	65,236
2020	18,217	6,350	24,567	7,864	39,611	47,475	72,042
2021	18,787	8,421	27,208	8,872	58,152	67,024	94,232
2022	19,352	10,744	30,096	9,985	61,660	71,645	101,741
2023	19,914	12,981	32,895	11,198	61,485	72,683	105,578
2024	20,467	15,077	35,544	12,521	72,639	85,160	120,704
2025	21,010	17,311	38,321	13,978	52,082	66,060	104,381
2026	21,534	19,458	40,992	-	47,082	47,082	88,074
2027	22,026	21,629	43,655	-	53,523	53,523	97,178
2028	22,488	23,906	46,394	-	56,476	56,476	102,870
2029	22,915	26,165	49,080	-	56,572	56,572	105,652
2030	23,300	28,431	51,731	-	70,045	70,045	121,776

The amounts shown in the Explicit Subsidy section 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").

The amounts shown in the Implicit Subsidy section reflect the expected excess of retiree medical (and prescription drug) claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.

Appendix 1
Prefunding Illustration for the FYE 2017

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, 2017. Amortization of the unfunded actuarial accrued liability is developed on the same basis as described in Section F.

	Pay-As-You-Go	Prefunding
Valuation date	**6/30/2016**	
For fiscal year beginning	7/1/2015	7/1/2015
For fiscal year ending	6/30/2016	6/30/2016
Discount rate	4.0%	6.5%
Actuarial Present Value of Projected Benefits		
Actives	$ 49	$ 1,418,079
Retirees	11	417,554
Total APVPB	60	1,835,633
Actuarial Accrued Liability (AAL)		-
Actives	1,136,120	824,065
Retirees	526,906	417,554
Total AAL	1,663,026	1,241,619
Actuarial Value of Assets	-	-
Unfunded AAL (UAAL)	1,663,026	
Factor	107,955	16.78323
Annual Required Contribution (ARC)		
Normal Cost	107,955	61,524
Amortization of UAAL	77,263	73,979
Interest to 01/00	-	-
Total ARC at fiscal year end	185,218	135,503
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	$ 185,218	$ 135,503
b. Interest on Net OPEB Obligation (Asset) at beginning of year	16,861	27,399
c. Adjustment to the ARC	(20,367)	(26,748)
d. **Annual OPEB Expense (a. + b. + c.)**	181,712	136,154
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	15,839	15,839
b. Estimated contribution to OPEB trust	-	99,619
c. **Total Expected Employer Contribution**	35,884	135,503
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	145,828	651
Net OPEB Obligation (Asset), beginning of fiscal year	421,519	421,519
Net OPEB Obligation (Asset) at fiscal year end	567,347	422,170

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 also provided in Tables 1A, 1C and 1E
Annual OPEB Cost and Net OPEB Obligation:	See Tables 1B, 1D and 1F
Actuarial Methods and Assumptions:	See Table 4
Funding Status and Funding Progress:	See Section E – Basic Valuation Results

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)
6/30/2010	$ -	$ 729,259	$ 729,259	0.0%	$ 2,696,496	27.0%
6/30/2013	$ -	$ 954,494	$ 954,494	0.0%	$ 2,367,102	40.3%
6/30/2016	$ -	$ 1,735,097	$ 1,735,097	0.0%	$ 2,761,363	62.8%

These values are shown separately for explicit and implicit subsidy liabilities in Section E of the report.

Required Supplementary Information:	Three Year History of Amounts Funded See chart below:

OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	$ 91,283	$ 18,200	19.9%	$ 342,227
6/30/2015	*$ 96,810*	*$ 17,518*	*18.1%*	*$ 421,519*
6/30/2016	*$ 181,712*	*$ 35,884*	*19.7%*	*$ 567,347*
6/30/2017	*$ 192,829*	*$ 45,807*	*23.8%*	*$ 714,369*
6/30/2018	*$ 204,184*	*$ 48,709*	*23.9%*	*$ 869,844*

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

To see separate values for explicit and implicit subsidy funding, refer to Tables 1B, 1D and 1E.

Addendum 1: Bickmore Age Rating Methodology

Both accounting standards (e.g. GASB 45) and actuarial standards (e.g. ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds, and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant*. For example, a claims cost curve might show that, if a 50 year old male has $1 in claims, then on average a 50 year old female has claims of $1.25, a 30 year male has claims of $0.40, and an 8 year old female has claims of $0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Table 4 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Table 4.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.

Addendum 2: 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.

Actuarial Value of Assets –The actuarial value of assets is the value used by the actuary to offset the AAL for valuation purposes. The actuarial value of assets may be the market value of assets or may be based on a methodology designed to smooth out short-term fluctuations in market values.

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

Glossary (Continued)

Discount Rate – The rate of return that could be earned on an investment in the financial markets; for GASB 45 purposes, the discount rate should be based on the expected long-term yield of investments used to finance the benefits. The discount rate is used to adjust the dollar value of future projected benefits into a present value equivalent as of the valuation date.

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
Excise Tax – The Affordable Care Act created a 40% excise tax on the value of "employer sponsored coverage" that exceeds certain thresholds. The tax is first effective is 2020.

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

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

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a 'blended' group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.

Glossary (Concluded)

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 a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as 'belonging' to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 45 requires (a) the assets to be segregated and restricted in a trust or similar arrangement, (b) employer contributions to the trust to be irrevocable, (c) the assets be dedicated to providing benefits to retirees and their beneficiaries, and (d) that the assets be legally protected from creditors of the employer and/or plan administrator. See also "Actuarial Value of Assets"

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) – 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)

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

CITY OF YREKA
CITY COUNCIL AGENDA MEMORANDUM

To:	Yreka City Council
Prepared by:	Joan Smith Freeman, Mayor Pro Tem
Agenda title:	Discussion/Possible Action – Councilmember Freeman's request for consideration of Opposition to Measure H.
Meeting date:	September 15, 2016

Discussion:

Attached is information regarding opposing Measure H that Councilmember Freeman asked to be placed on the agenda for consideration.

Implementing Measure H:

- Conflicts with the State's management of Spring Water
- Could limit water user's exercise of these State's water rights
- Would require judicial review, even if adopted
- Attempts to exercise power over spring water uses while redefining "groundwater sources" (which is regulated by the State Water Resources Control Board)

Recommendation:

Yreka City Council Oppose Measure H

Approved by:
Steven Baker, City Manager

Rebuttal to Argument in Favor of Measure H

What the proponents for Measure H fail to address is that the proposed Groundwater Management Initiative (Measure H) language does not differentiate between groundwater sources and spring water sources. This definition conflicts with existing State law which already includes spring water in certain State-decreed surface waters of Siskiyou County.

Implementing Measure H:

- conflicts with the States management of spring water
- could limit water user's exercise of these State water rights
- would require judicial review, even if adopted
- attempts to exercise power over spring water uses while redefining "groundwater sources" (which is regulated by the State Water Resources Control Board)

Although water bottling entities are exempt from permitting requirements, Siskiyou County ordinances allow the County to manage groundwater extraction and ensure that irresponsible groundwater activities do not occur. Additionally, through the state mandated Sustainable Groundwater Management Act (SGMA), Siskiyou County will have an additional tool for monitoring and managing groundwater activities throughout the County and ensuring that unnecessary groundwater extraction does not occur. Implementation of Measure H would require a redundant process for groundwater extraction and could complicate Siskiyou County's studies and groundwater management monitoring under SGMA.

*This is the language submitted to the County Elections Clerk on behalf of the Siskiyou County Board of Supervisors.