No. S239958

IN THE SUPREME COURT OF THE STATE OF CALIFORNIA

CAL FIRE LOCAL 2881, *et al.*,
Petitioners and Appellants

v.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), *et al.*,
Defendant and Respondent,

and

THE STATE OF CALIFORNIA
Intervenor and Respondent.

SUPREME COURT
FILED

MAR 0 2 2018

Jorge Navarrete Clerk

Deputy

CALIFORNIA COURT OF APPEAL, First Appellate District, Division Three
Case No. A 142793

Alameda County Superior Court (The Honorable Evelio Grillo)
Case No. RG 12661622

REQUEST FOR JUDICIAL NOTICE

Christopher W. Waddell [SBN 095528]
Lance H. Olson [SBN 077634]
Deborah B. Caplan [SBN 196606]
Richard C. Miadich [SBN 224873]
OLSON, HAGEL & FISHBURN, LLP
555 Capitol Mall, Suite 400
Sacramento, CA 95814
Telephone: 916.442.2952
Facsimile: 916.442.1280

Counsel for Amicus Curiae
CALIFORNIANS FOR RETIREMENT SECURITY

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Counsel for Amicus Curiae
CALIFORNIANS FOR RETIREMENT SECURITY

REQUEST FOR JUDICIAL NOTICE

Amicus Curiae Californians for Retirement Security, pursuant to California Rule of Court 8.252(a) and Evidence Code sections 451, 452 and 459, makes this request that the Court take judicial notice of the documents identified below as Exhibits A through Z. This request is based on the Declaration of Richard C. Miadich, and the Memorandum of Points and Authorities set forth below.

The documents that are the subject of this motion are as follows:

Exhibit A: California Department of Finance, Historical Chart A-1, General Fund History Revenues and Transfers vs. Expenditures

Exhibit B: Excerpts from the Governor's Budget Summary, 2013-14

Exhibit C: Excerpts from the Governor's Budget Summary, 2014-15

Exhibit D: Excerpts from the Governor's Budget Summary, 2015-16

Exhibit E: Excerpts from the Governor's Budget Summary, 2016-17

Exhibit F: Excerpts from the Governor's Budget Summary, 2017-18

Exhibit G: Excerpts from the Governor's Budget Summary, 2018-19

Exhibit H: Excerpts from the Los Angeles County Employees' Retirement Association June 30, 2016 Actuarial Valuation

Exhibit I: Excerpts from the Los Angeles County 2017-18 Budget

Exhibit J: Excerpts from the San Diego County Employees Retirement Association June 30, 2016 Actuarial Valuation

Exhibit K: Excerpts from the San Diego County 2017-18 Budget

Exhibit L: Excerpts from the California Public Employees' Retirement System (CalPERS) June 30, 2016 Actuarial Valuations for Riverside County—Miscellaneous and Safety

Exhibit M:	Excerpts from the Riverside County 2017-18 Budget
Exhibit N:	Excerpts from the CalPERS June 30, 2016 Actuarial Valuation for Santa Clara County—Miscellaneous and Safety
Exhibit O:	Excerpts from the Santa Clara County 2017-18 Budget
Exhibit P:	Excerpts from the Los Angeles City Employees' Retirement System, June 30, 2016 Actuarial Valuation
Exhibit Q:	Excerpts from the City of Los Angeles Fire and Police Pension Plan June 30, 2016 Actuarial Valuation
Exhibit R:	Excerpts from the City of Los Angeles 2017-18 Budget
Exhibit S:	Excerpts from the City of Fresno Employees Retirement System, June 30, 2016 Actuarial Valuation
Exhibit T:	Excerpts from the City of Fresno Fire and Police Retirement System, June 30, 2016 Actuarial Valuation
Exhibit U:	Excerpts from the City of Fresno 2017-18 Budget
Exhibit V:	Excerpts from the CalPERS June 30, 2016 Actuarial Valuations for the City of Sacramento, Miscellaneous and Safety
Exhibit W:	Excerpts from the City of Sacramento 2017-18 Budget
Exhibit X:	Excerpts from the CalPERS June 30, 2016 Actuarial Valuations for the City of Long Beach, Miscellaneous and Safety
Exhibit Y:	Excerpts from the City of Long Beach 2017-18 Budget
Exhibit Z:	Excerpts from the CalPERS 2016-17 Comprehensive Annual Report

///

///

Dated: February 26, 2018

Respectfully submitted,

OLSON HAGEL & FISHBURN LLP

By: ______________________________
RICHARD C. MIADICH
Attorneys for Amicus Curiae

MEMORANDUM OF POINTS AND AUTHORITIES

California Rule of Court 8.252(a) authorizes a party on appeal to request judicial notice by a reviewing court under Evidence Code[1] section 459. Evidence Code section 459 permits the taking of judicial notice by a reviewing court of any matter specified in section 452. Section 452(c) grants this court discretion to take judicial notice of the official acts of the legislative, executive and judicial departments of California. Section 452(h) allows the reviewing court to take judicial notice of "facts and propositions that are not reasonably subject to dispute and are capable of immediate and accurate determination by resort to sources of reasonably indisputable accuracy."

As discussed below, the documents subject to this Request fall within section 452, and should therefore be judicially noticed by this Court pursuant to section 459. These documents are proper subjects for judicial notice and relevant to the Court's inquiry. For the reasons stated below, Amicus Curiae Californians for Retirement Security requests that this Court take judicial notice of documents covered by this Request.

The documents covered by this Request are excerpts from 1) official budget documents of the State of California and specified local public agencies; and 2) excerpts from actuarial valuations and financial reports prepared by the California Public Employees' Retirement System and

[1] Unless otherwise indicated, all further statutory references are to the Evidence Code.

specified local public retirement systems. These documents are relevant because Intervenor State of California has submitted argument to this Court in its briefing regarding the financial impact of required public agency pension contributions on public agency budgets. The documents covered by this Request bear upon Intervenor's argument. The information contained therein either is the product of official acts of the executive branch of State Government under Section 452 (c) or reflects facts and propositions that are subject to verification and not reasonably in dispute under Section 452(h).

Required Statements per California Rule of Court 8.252(a)

The documents identified in and subject to this Request are relevant to this appeal because they pertain to the subject matter of this case. These documents were not presented to the trial court and, with the exception of the Governor's Budget Summaries for Fiscal Years 2013-14 and 2014-15 were not in existence at the time the trial court issued its decision.

Dated: February 26, 2018

Respectfully submitted,

OLSON HAGEL & FISHBURN LLP

By: ______________________
RICHARD C. MIADICH
Attorneys for Amicus Curiae

SUPPORTING DECLARATION OF RICHARD C. MIADICH

I, RICHARD C. MIADICH, declare as follows:

1. I am the managing partner of Olson Hagel & Fishburn LLP, counsel for proposed amicus curiae Californians for Retirement Security. If called upon to do so, I could testify from my own personal knowledge as to the matters stated herein.

2. Exhibit A to this motion consists of true and correct copies of excerpts from a document entitled "Historical Chart A-1, General Fund History Revenues and Transfers vs. Expenditures," downloaded from the Department of Finance's website at http://www.dof.ca.gov/budget/summary_schedules_charts/documents/CHART-A-1.pdf.

3. Exhibit B to this motion consists of true and correct copies of excerpts from the Governor's 2013-14 Budget Summary, downloaded from the official California Budget website at http://www.ebudget.ca.gov/2013-14/pdf/BudgetSummary/StatewideExpenditures.pdf.

4. Exhibit C to this motion consists of true and correct copies of excerpts from the Governor's 2014-15 Budget Summary, downloaded from the official California Budget website at http://www.ebudget.ca.gov/2014-15/pdf/BudgetSummary/StatewideIssuesandVariousDepartments.pdf.

5. Exhibit D to this motion consists of true and correct copies of excerpts from the Governor's 2015-16 Budget Summary downloaded from the official California Budget website at http://www.ebudget.ca.gov/2015-16/pdf/BudgetSummary/StatewideIssuesandVariousDepartments.pdf.

6. Exhibit E to this motion consists of true and correct copies of excerpts from the Governor's 2016-17 Budget Summary downloaded from the official California Budget website at http://www.ebudget.ca.gov/2016-17/pdf/BudgetSummary/StatewideIssuesandVariousDepartments.pdf.

7. Exhibit F to this motion consists of true and correct copies of excerpts from the Governor's 2017-18 Budget Summary downloaded from the official California Budget website at http://www.ebudget.ca.gov/2017-18/pdf/BudgetSummary/StatewideIssuesandVariousDepartments.pdf.

8. Exhibit G to this motion consists of true and correct copies of excerpts from the Governor's 2018-19 Budget Summary downloaded from the official California Budget website at http://www.ebudget.ca.gov/2018-19/pdf/BudgetSummary/StatewideIssuesandVariousDepartments.pdf.

9. Exhibit H to this motion consists of true and correct copies of excerpts from the Los Angeles County Employees' Retirement Association ("LACERA") June 30, 2016 Actuarial Valuation, downloaded from LACERA's official website at https://www.lacera.com/archives/archivesInvestments/ActuarialReports/lacera_valuation/2016_actuarial_valuation.pdf.

10. Exhibit I to this motion consists of true and correct copies of excerpts from the Los Angeles County 2017-18 Budget, downloaded from the County's official website at http://ceo.lacounty.gov/pdf/budget/20117-18/2017-18%20Adopted%20Budget%20Charts.pdf.

11. Exhibit J to this motion consists of true and correct copies of excerpts from the San Diego County Employees Retirement Association ("SDCERA") June 30, 2016 Actuarial Valuation, downloaded from SDCERA's official website at http://www.sdcera.org/PDF/June_2016_valuation.pdf.

12. Exhibit K to this motion consists of true and correct copies of excerpts from the San Diego County 2017-18 Budget, downloaded from the County's official website at https://www.sandiegocounty.gov/content/dam/sdc/auditor/pdf/adoptedplan_17-19.pdf.

13. Exhibit L to this motion consists of true and correct copies of excerpts from the California Public Employees' Retirement System (CalPERS) June 30, 2016 Actuarial Valuations for Riverside County—Miscellaneous; Safety, downloaded from CalPERS' official website at https://www.calpers.ca.gov/docs/actuarial-reports/2016/riverside-county-miscellaneous-2016.pdf and https://www.calpers.ca.gov/docs/actuarial-reports/2016/riverside-county-safety-2016.pdf, respectively.

14. Exhibit M to this motion consists of true and correct copies of excerpts from the Riverside County 2017-18 Budget, downloaded from the County's official website at https://www.countyofriverside.us/Portals/0/Government//Budget%20Information/17-18/FY17-18_Recommended_Budget_Electronic_Version_REVISED.pdf.

15. Exhibit N to this motion consists of true and correct copies of excerpts from CalPERS' June 30, 2016 Actuarial Valuation for Santa Clara County—Miscellaneous; Safety, downloaded from CalPERS' official website at https://www.calpers.ca.gov/page/employers/actuarial-services/employer-contributions/public-agency-actuarial-valuation-reports and https://www.sccgov.org/sites/scc/gov/Documents/adopted-bdgt-condensed.pdf, respectively.

16. Exhibit O to this motion consists of true and correct copies of excerpts from the Santa Clara County 2017-18 Budget, downloaded from the County's official website at https://www.sccgov.org/sites/scc/gov/Documents/adopted-bdgt-condensed.pdf.

17. Exhibit P to this motion consists of true and correct copies of excerpts from the Los Angeles City Employees' Retirement System ("LA City ERA"), June 30, 2016 Actuarial Valuation, downloaded from LA City ERA's official website at http://www.lacers.org/aboutlacers/reports/Actuarial%20Valuations/2016%20Actuarial%20Valuation%20&%20Review.pdf.

18. Exhibit Q to this motion consists of true and correct copies of excerpts from the City of Los Angeles Fire and Police Pension Plan ("LAFPPP") June 30, 2016 Actuarial Valuation, downloaded from LAFPPP's official website at https://www.lafpp.com/sites/default/files/reports/financial/2016-annual-actuarial-valuation-pension-and-retiree-health.pdf.

19. Exhibit R to this motion consists of true and correct copies of excerpts from the City of Los Angeles 2017-18 Budget, downloaded from the City's official budget website at https://drive.google.com/file/d/0B4o0_mxqwWdORDA2SkFjSG9PX0E/view.

20. Exhibit S to this motion consists of true and correct copies of excerpts from the City of Fresno Employees Retirement System ("FERS"), June 30, 2016 Actuarial Valuation, downloaded from the FERS official website at http://www.cfrs-ca.org/Employee/Communications/documents/ERS-AAV_6_30_2016.pdf.

21. Exhibit T to this motion consists of true and correct copies of excerpts from the City of Fresno Fire and Police Retirement System ("FFPRS"), June 30, 2016 Actuarial Valuation, downloaded from FFPRS'

official website at http://www.cfrs-ca.org/Fire-Police/Communications/documents/FP-AAV_6_30_2016.pdf .

22. Exhibit U to this motion consists of true and correct copies of excerpts from the City of Fresno 2017-18 Budget, downloaded from the City's official website at https://www.fresno.gov/finance/wp-content/uploads/sites/11/2017/09/20172018AdoptedBudgetFINAL.pdf.

23. Exhibit V to this motion consists of true and correct copies of excerpts from the CalPERS June 30, 2016 Actuarial Valuations for the City of Sacramento, Miscellaneous and Safety, downloaded from CalPERS' official website at https://www.calpers.ca.gov/docs/actuarial-reports/2016/sacramento-city-miscellaneous-2016.pdf and https://www.calpers.ca.gov/docs/actuarial-reports/2016/sacramento-city-safety-2016.pdf , respectively.

24. Exhibit W to this motion consists of true and correct copies of excerpts from the City of Sacramento 2017-18 Budget, downloaded from the City's official website at https://www.cityofsacramento.org/-/media/Corporate/Files/Finance/Budget/2017-18-Budget/Approved/FY18-Approved_Final.pdf?la=en.

25. Exhibit X to this motion consists of true and correct copies of excerpts from the CalPERS June 30, 2016 Actuarial Valuations for the City of Long Beach, Miscellaneous and Safety, downloaded from CalPERS' official website at https://www.calpers.ca.gov/docs/actuarial-reports/2016/long-beach-city-miscellaneous-2016.pdf and https://www.calpers.ca.gov/docs/actuarial-reports/2016/long-beach-city-safety-2016.pdf, respectively.

26. Exhibit Y to this motion consists of true and correct copies of excerpts from the City of Long Beach 2017-18 Budget downloaded from the City's official website at http://www.longbeach.gov/globalassets/finance/media-library/documents/city-budget-and-finances/budget/budget-documents/fy-18-adopted-budget-webpage/fy-18-adopted-final-book.

27. Exhibit Z to this motion consists of true and correct copies of excerpts from the CalPERS 2016-17 Comprehensive Annual Report, downloaded from CalPERS' official website at https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf.

28. A proposed order regarding this motion is appended hereto.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date: February 26, 2018

RICHARD C. MIADICH
Attorneys for Amicus Curiae

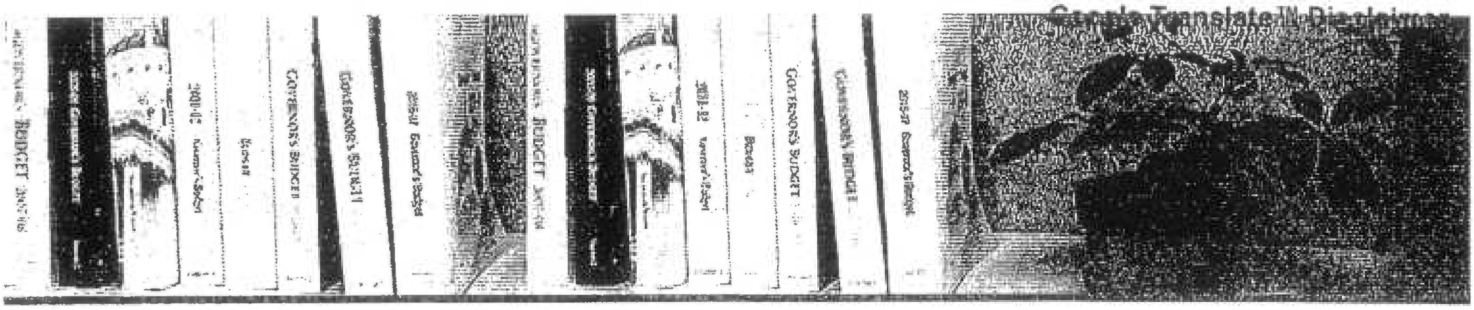
[PROPOSED] ORDER

GOOD CAUSE APPEARING THEREFOR, pursuant to California Rule of Court 8.252(a) and Evidence Code sections 451, 452 and 453, Respondents' Request that the Court take Judicial Notice is hereby GRANTED.

This court takes judicial notice of the documents identified in the Request for Judicial Notice in support of Amicus Curiae's Brief.

Dated: ____________ ______________________________________

EXHIBIT A



Summary Schedules and Historical Charts

Summary Schedules

These schedules *(in PDF format)* are published as part of the Governor's Budget Summary and are updated each January 10 with the release of the Governor's Budget. Schedules marked with an asterisk are also updated at budget enactment. The schedules summarize state revenues, expenditures, and other fiscal and personnel data, generally for the past, current, and budget year.

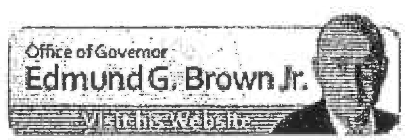
- **Statewide Financial Information:** Governor's Budget Summary
- **Schedule 1***: General Budget Summary
- **Schedule 2**: Summary of State Tax Collections
- **Schedule 3**: Comparative Yield of State Taxes
- **Schedule 4***: Positions and Salary Cost Estimates *(Revised)*
- **Schedule 5A**: Statement of Estimated Accounts Payable and Receivable
- **Schedule 5B**: Actual Past Year Cashflow
- **Schedule 5C**: Estimated Current Year Cashflow
- **Schedule 5D**: Estimated Budget Year Cashflow
- **Schedule 6***: Summary of State Population, Employees, and Expenditures *(Revised)*
- **Schedule 8***: Comparative Statement of Revenues
- **Schedule 9***: Comparative Statement of Expenditures
- **Schedule 10***: Summary of Fund Condition Statements
- **Schedule 11***: Statement of General Obligation Bond/Commercial Paper Debt of the State of CA
- **Schedule 12A**: State Appropriations Limit Summary
- **Schedule 12B**: Revenues to Excluded Funds
- **Schedule 12C**: Non-Tax Revenues in Funds Subject to Limit
- **Schedule 12D**: State Appropriations Limit Transfer from Excluded Funds to Included Funds
- **Schedule 12E**: State Appropriations Limit Excluded Appropriations

Historical Charts

These charts *(in PDF format)* are maintained by the Budget Operations Support Unit. They contain some of the same information in the Summary Schedules, in summary form. They also include more historical data.

- **Chart A**: Historical Data, General Fund Budget Summary
- **Chart A-1**: General Fund History, Revenues and Transfers vs. Expenditures
- **Chart B**: Historical Data, Budget Expenditures, All Funds

- **Chart C**: General Fund Program Distribution
- **Chart C-1**: Program Expenditures by Fund
- **Chart C-2**: General Fund Expenditures, Increase Over Prior Year
- **Chart C-3**: Proposition 98 Appropriations, General Fund
- **Chart C-4**: Non-Prop 98, General Fund Expenditures
- **Chart D**: General Fund Unanticipated Costs by Major Areas
- **Chart D-1**: General Fund Unanticipated Costs
- **Chart D-2**: Annual Deficiency/Unanticipated Costs Bill
- **Chart E**: All Education as a Percentage of General Fund Expenditures
- **Chart E-1**: Proposition 98 Appropriations, General Fund
- **Chart F**: Expenditures by Character, All Funds
- **Chart G**: Proposed, Revised, Enacted, Mid-Yr Revised, and Actual Budget Expenditure Data, All Funds
- **Chart H**: Historical, Proposed, Revised, Enacted, Mid-Yr Revised, Budget Expenditure Data, Gen Fund
- **Chart J**:Historical Data, Growth in Revenues, Transfers and Expenditures, Gen Fund
- **Chart K**: G.O. Bond Interest and Redemption, Agency Debt Service Costs
- **Chart K-1**: General Fund, G.O. Bond Interest and Redemption Costs
- **Chart K-2**: General Fund, Lease-Revenue Bond Interest and Redemption Costs
- **Chart K-3**: General Fund, G.O. and Lease-Revenue Bond Interest and Redemption Costs
- **Chart K-4**: General Obligation Bonds
- **Chart K-5**: California Municipal Bonds Rating History
- **Chart K-6**: History of California General Obligation Bond Ratings
- **Chart K-7**: Summary Chart: General Obligation Ballot Proposals
- **Chart K-8a**: Public Safety *(Prisons and Jails)* General Obligation Bond Proposals
- **Chart K-8b**: Seismic General Obligation Bond Proposals
- **Chart K-8c**: K–12 General Obligation Bond Proposals
- **Chart K-8d**: Higher Education General Obligation Bond Proposals
- **Chart K-8e**: Environmental Quality and Resources General Obligation Bond Proposals
- **Chart K-8f**: Other General Obligation Bond Proposals
- **Chart K-9**: General Obligation Bond Proposals by Program Areas
- **Chart L**: Historical Data, State Appropriations Limit
- **Chart M**: Historical Data, Positions
- **Chart M-1**: Historical Data, Positions, By Program Area and Percent Change
- **Chart P**: Historical Data, Dates for May Revision and Budget Bill Enactment
- **Chart P-1**: Historical Data, Budget Act Dates and Veto Information



Budget

- California Budget

CHART A-1

GENERAL FUND HISTORY REVENUES AND TRANSFERS VS. EXPENDITURES

($ in Millions)

FISCAL YEAR	REVENUES [1/]	EXPENDITURES [1/]
1945-46	$364.4	$232.4
1946-47	447.3	274.8
1947-48	471.7	412.6
1948-49	510.4	507.6
1949-50	551.2	573.6
1950-51	672.1	587.1
1951-52	734.0	635.5
1952-53	774.0	713.8
1953-54	798.1	808.7
1954-55	879.1	852.0
1955-56	1,005.0	922.6
1956-57	1,078.9	1,029.8
1957-58	1,110.8	1,146.5
1958-59	1,210.4	1,273.6
1959-60	1,491.1	1,434.8
1960-61	1,597.9	1,678.1
1961-62	1,728.2	1,697.4
1962-63	1,866.0	1,881.1
1963-64	2,235.4	2,064.1
1964-65	2,285.7	2,344.9
1965-66	2,544.6	2,579.6
1966-67	2,894.9	2,996.7
1967-68	3,682.3	3,256.6
1968-69	4,135.9	3,863.9
1969-70	4,330.5	4,406.4
1970-71	4,533.6	4,806.7
1971-72	5,394.8	4,978.6
1972-73	5,976.3	5,573.8
1973-74	6,977.5	7,245.2
1974-75	8,629.6	8,263.5
1975-76	9,639.0	9,409.9
1976-77	11,284.1	10,370.6
1977-78	13,622.5	11,613.1
1978-79	15,103.7	16,136.0
1979-80	17,871.5	18,421.0
1980-81	18,790.0	20,871.8
1981-82	20,824.3	21,445.3
1982-83	20,943.3	21,461.5
1983-84	23,515.5	22,575.2
1984-85	26,280.8	25,466.4
1985-86	27,801.8	28,570.9
1986-87	32,277.1	31,227.2
1987-88	32,264.9	32,751.8
1988-89	36,648.3	35,763.7
1989-90	38,749.5	39,455.9
1990-91	38,213.5	40,263.6
1991-92	42,026.5	43,327.0
1992-93	40,946.5	40,948.3
1993-94	40,095.4	38,957.9
1994-95	42,710.1	41,961.5
1995-96	46,296.1	45,393.1
1996-97	49,219.8	49,088.1

CHART A-1

GENERAL FUND HISTORY REVENUES AND TRANSFERS VS. EXPENDITURES

($ in Millions)

FISCAL YEAR	REVENUES [1]	EXPENDITURES [1]
1997-98	54,972.6	52,874.4
1998-99	58,615.3	57,827.1
1999-00	71,930.5	66,494.0
2000-01	71,428.1	78,052.9
2001-02	72,238.6	76,751.7
2002-03	80,563.6 [2]	77,482.1
2003-04	76,774.1 [3]	78,345.2 [4]
2004-05	82,209.5	79,804.0 [5]
2005-06	93,427.1 [6]	91,591.5
2006-07	95,415.4 [7]	101,413.0 [7]
2007-08	102,574.0 [8]	102,985.7 [8]
2008-09	82,772.1 [9]	90,940.4 [9]
2009-10	87,041.1 [9]	87,236.7 [9]
2010-11	93,488.9 [9]	91,549.1 [9]
2011-12	87,070.8 [9]	86,403.5 [9]
2012-13	99,915.2 [9]	96,562.1 [9]
2013-14	103,374.7 [9]	100,005.2 [9]
2014-15	111,789.4 [10]	113,447.7 [10]
2015-16	115,660.6 [11]	114,464.8
2016-17	118,668.8 [11]	119,087.4
2017-18	127,251.5 [11]	126,511.3
2018-19	129,791.5 [11]	131,690.1

1/ Up through 2012-13, past year actuals as displayed in the January 10 Budget are not updated after being published in Governor's Budget. Beginning in 2013-14, the past year actuals are updated at Budget Act.

2/ Includes Economic Recovery Bond of $9,242.0 million.

3/ Includes Economic Recovery Bond of $2.012 billion and Tobacco Bonds of $2.0 billion.

4/ Includes transfer of $2,012.0 million Economic Recovery Bond proceeds to the Deficit Recovery Fund.

5/ Includes General Fund expenditure offset of $2,012.0 million from Economic Recovery Bonds.

6/ Includes $525 million in Tobacco Bonds refinancing.

7/ Per Proposition 58, includes $471.8 million revenue transfer to Budget Stabilization Account for rainy day purposes and $471.8 million expenditure transfer to reduce Economic Recovery Bonds debt service.

8/ In 2007-08, includes the transfer of $1,494 million from the Budget Stabilization Account back to the General Fund under Control Section 35.60.

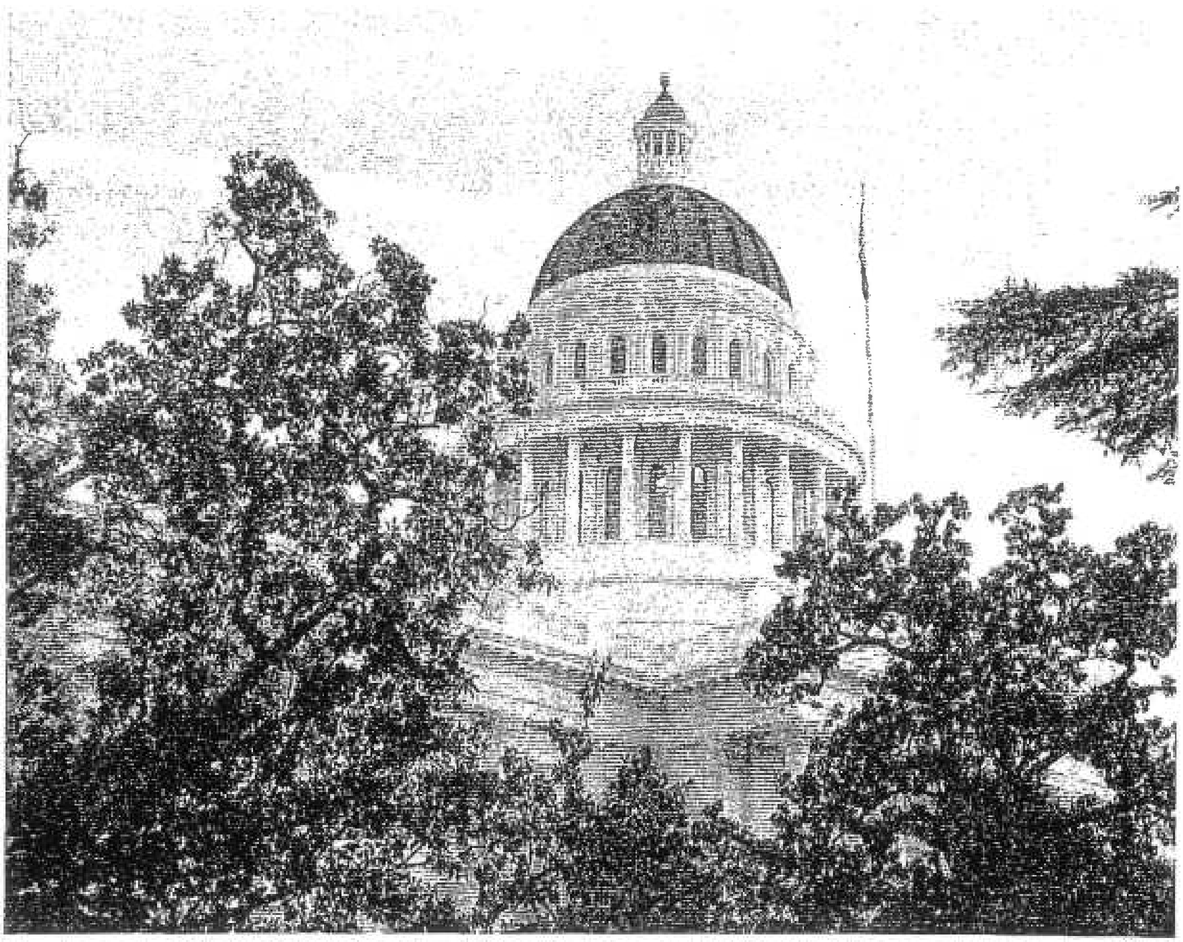
9/ Reflects the suspension of Proposition 58 transfer to the Budget Stabilization Account.

10/ Per Proposition 58, includes $1,606.4 million revenue transfer to Budget Stabilization Account for rainy day purposes and $1,606.4 million expenditure transfer to reduce Economic Recovery Bonds debt service.

11/ Beginning with 2015-16, this includes transfers (as a reduction in revenues) to the Budget Stabilization Account, to be used for the "Rainy Day Fund", pursuant to Prop. 2 of 2014.

EXHIBIT B

2013-14
Governor's Budget Summary



To the California Legislature
Regular Session 2012-13

Edmund G. Brown Jr. Governor
State of California

Statewide Expenditures

This Chapter describes items in the Budget related to statewide expenditures.

Infrastructure

Debt Service

General Obligation (GO) and lease revenue bonds, approved by the voters and the Legislature, are used to fund major infrastructure improvements. Since 2000, voters have approved over $100 billion of new GO bonds. The state has issued nearly $28 billion of new GO bonds since 2009 to fund major projects and programs, such as new road construction, flood control levees, new schools, and other public infrastructure. As the state issues the remaining voter-authorized bonds, debt service costs will continue to grow.

General Fund debt service expenditures, after various other funding offsets, will increase by $872.4 million (17.6 percent), to a total of $5.8 billion, over the current year expenditures. This increase is comprised of $779.7 million for GO debt service ($5.1 billion total) and $92.7 million for lease revenue bonds ($766.2 million total). The greater than normal year-over-year increase in GO debt service is the result of lower than normal current year debt service because the State Treasurer's Office was able to structure prior bond sales to accommodate the $1.9 billion Proposition 1A financing obligation that is due June 2013.

The Administration has taken actions to better manage this growing area of the Budget, such as requiring GO bond programs to demonstrate they have an immediate need for the additional bond proceeds prior to the issuance of new bonds. These efforts have helped reduce the amount of unspent bond proceeds in the state treasury from approximately $13.9 billion, as of December 2010, to just over $5 billion by the end of November 2012, excluding the fall 2012 GO bond sale. In addition, only the most critical new lease revenue bond funded projects have been approved. The Budget continues this approach.

The Budget proposes to lower the debt-service cost of transportation-related GO bonds by implementing a new weight fee revenue bond program that will authorize the direct payment of GO bond debt service from weight fees. Weight fees are supplemental vehicle registration charges applied to trucks. Currently, weight fees reimburse the General Fund for transportation GO bond debt service. This proposal will result in a higher-rated credit and thereby reduced debt service costs for transportation bonds. Finally, the Budget proposes extending the current use of miscellaneous State Highway Account revenues to offset qualified General Fund debt service costs for transportation projects (see the Transportation Chapter).

California Five-Year Infrastructure Plan

The Administration will release the 2013 Five-Year Infrastructure Plan later this year. The Plan will outline the Administration's infrastructure priorities for the next five years for the major state infrastructure programs, including high-speed rail and other transportation, resource programs, higher education, and K-12 education. Given the state's increased debt burden and General Fund constraints, the Plan will examine agencies' reported needs assessments, the use of General Fund-backed debt, and place less of a reliance on future voter-authorized GO bonds.

Employee Compensation

State Workforce

The 2013-14 state workforce is estimated at 348,045.8 positions, of which 215,972.9 are in the Executive Branch, 750 are in the Legislative Branch, 2,001.9 are in the Judicial Branch, and 129,321 are in Higher Education. Between 2010-11 and 2012-13, state government shrank by more than 30,000 positions. The Budget reflects the growth of 6,279.9 positions, primarily in higher education.

From February 2009 through June 2013, most state employees within the Executive Branch have been subject to unpaid leave days through furloughs and/or Personal Leave Programs, ranging from one to three days per month, totaling between 70 and 94 unpaid leave days. The unpaid days equate to a pay reduction of approximately 5 to 14 percent per month. In addition, state employees are contributing an additional amount toward retirement costs equal to 2 to 5 percent of their salary. These changes have provided savings of approximately $6 billion ($3.1 billion General Fund) to date.

In 2013-14, state employee salaries within the Executive Branch are projected to cost $15.7 billion ($7.4 billion General Fund), including the top step adjustment identified below. The state also provides pensions and contributions to health care benefits to its retired employees. Pay and benefits for rank-and-file employees are negotiated through the collective bargaining process. The state will begin engaging employee organizations in early 2013 to negotiate successor contracts. Contracts for 19 of the state's 21 bargaining units expire during the June 30-July 2, 2013 period.

Significant Adjustment:

- Current Labor Contracts and Excluded Employees—An increase of $502.1 million ($247 million General Fund) in 2013-14 for previously negotiated top step adjustments and health care benefit contribution increases for active employees. For most employees, the adjustment offsets the ongoing higher contribution for retirement costs previously implemented.

PENSIONS

Chapter 296, Statutes of 2012 (AB 340) established the Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA provides lower pension benefits and requires higher retirement ages for new employees in state and local government and schools hired after January 1, 2013. Additionally, state employees in designated bargaining units and associated excluded employees will make additional payroll contributions to their pension plans beginning July 1, 2013. Among other reforms, PEPRA eliminates pension spiking, limits post-retirement employment, and prohibits the purchase of non-qualified service credit (airtime).

Significant Adjustment:

- Pension Contributions—An increase of $95.2 million ($48.7 million General Fund) in 2013-14 for pension contributions. The 2013-14 total includes an additional $63.2 million ($42.2 million General Fund) directed toward the state's unfunded pension liability to reflect the savings resulting from increased employee contributions under PEPRA. This additional payment comes on top of significant savings already achieved due to prior-year increases in employee pension contributions. The state also makes separate pension contributions on behalf of school teachers and judges.

Figure SWE-01 below provides an historic overview of contributions to the California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), the Judges' Retirement System (JRS), and the Judges' Retirement System II (JRS II) for pensions and retiree health care benefits.

Figure SWE-01
State Retirement Contributions
(dollars in millions)

	CalPERS Total	CalPERS GF	Retiree Health & Dental Total	Retiree Health & Dental GF	CalSTRS Total	CalSTRS GF	JRS Total	JRS GF	JRS II Total	JRS II GF
2004-05	2,480	1,364	801	801	1,149	1,149	127	126	21	21
2005-06	2,403	1,322	887	887	1,081	1,081	121	119	24	24
2006-07	2,765	1,521	1,006	1,006	959	959	129	129	27	27
2007-08	2,999	1,650	1,114	1,051	1,623	1,623 [1]	162	160	37	37
2008-09	3,063	1,685	1,183	1,147	1,133	1,133	189	186	40	40
2009-10	2,861	1,573	1,182	1,146	1,191	1,191	184	182	32	32
2010-11	3,230	1,777	1,387	1,351	1,200	1,200	166	164	54	54
2011-12	3,174	1,746	1,504	1,466	1,259	1,259	195	193	58	58
2012-13[3]	3,449	1,761 [2]	1,351	1,315 [2]	1,303	1,303	161	159	53	53
2013-14[3]	3,537	1,803	1,517	1,513	1,358	1,358	189	187	57	57

1/ Includes repayment of $500 million from 2003-04 Supplemental Benefit Maintenance Account withholding/lawsuit loss (interest payments not included).

2/ Beginning in 2012-13, California State University pension and health care costs are only included in the Higher Education section and not in this table.

3/ Estimated as of the 2013-14 Governor's Budget.

Improving the Budget Process Through Zero-Basing and Other Tools

Executive Order B-13-11 directed the Department of Finance to modify the state budget process to increase efficiency and focus on accomplishing program goals. The Administration completed several zero-base reviews—for the state hospitals and the state prisons—which led to significant changes being included in the 2012 Budget. The Budget reflects continued implementation of the Executive Order, including:

- The Department of Consumer Affairs is requiring each of its boards, bureaus, and divisions to determine appropriate enforcement and licensing performance measures, with updated data to be provided in each year's budget.
- The California Department of Human Resources is implementing streamlined services for departments. The Department has also expanded the use of consortium examinations, accelerated the approval process for routine personnel issues, streamlined the selection process for career executive assignments, and modernized the training classes and resources available online.
- Both the Department of Transportation (Caltrans) and the Department of Public Health (DPH) are undertaking a multiyear process to zero-base their budgets. The Budget reflects changes to the Local Assistance and Planning Programs within Caltrans, including the consolidation of five programs into a single Active Transportation Program which will simplify and enhance funding for pedestrian and bicycle projects. The results of the first year of the DPH review will be provided this spring.

Additional departments will be undertaking reviews in the coming months, including the Department of Veterans Affairs, the Department of Resources Recycling and Recovery, and the Department of Toxic Substances Control.

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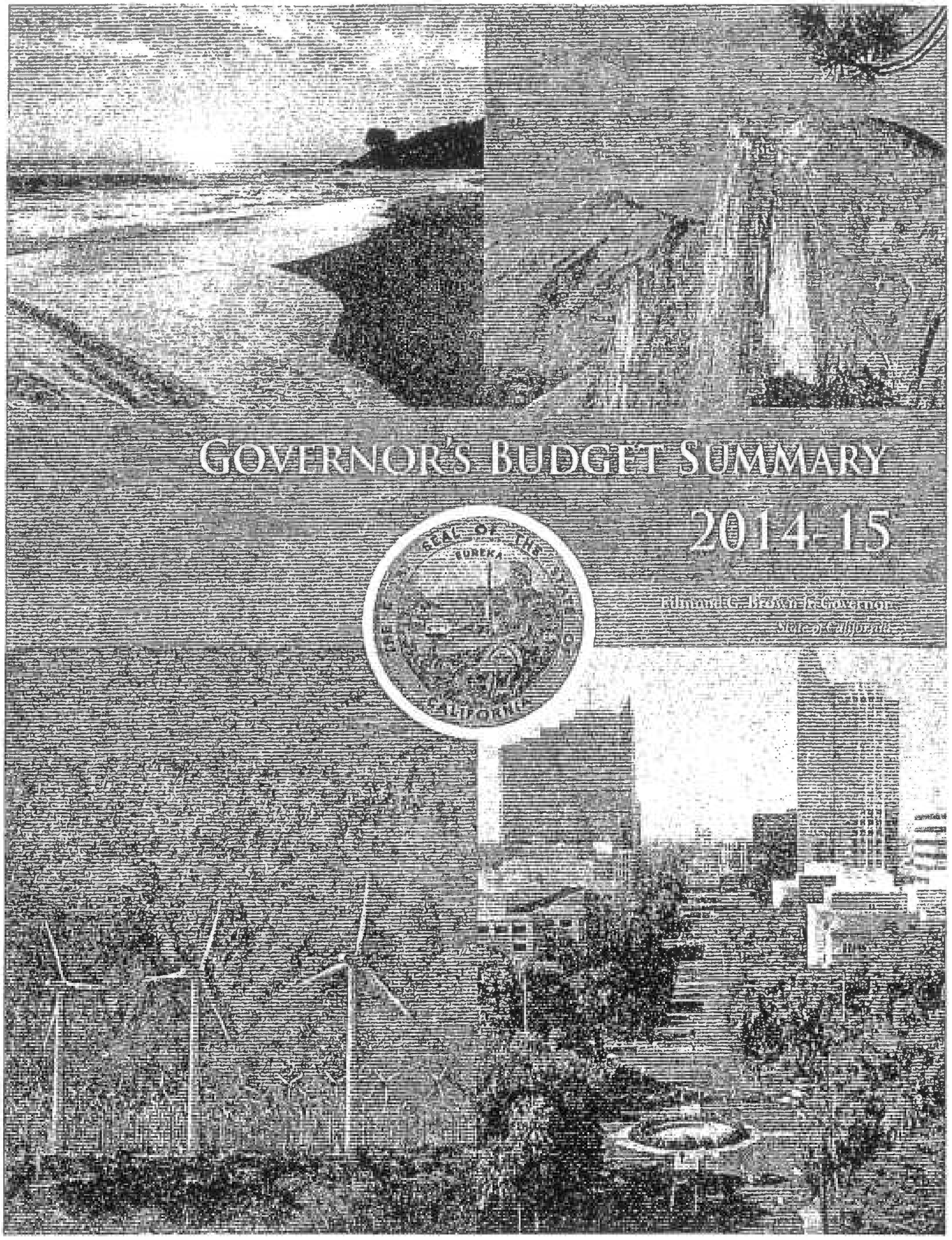
EXHIBIT C



To the California Legislature
Regular Session 2013-14

Statewide Issues and Various Departments

This Chapter describes items in the Budget related to statewide issues and various departments.

Infrastructure

Debt Service

General Obligation (GO) and lease revenue bonds are used to fund major infrastructure improvements. California voters have approved over $95 billion of new GO bonds since 2000, and since 2009 the state has issued nearly $40 billion of new GO bonds. These bonds fund projects and programs such as new road construction, flood control levees, new schools, and other public infrastructure. As the state issues the remaining voter-authorized bonds, debt service costs will continue to grow.

General Fund debt service expenditures, after various other funding offsets, will increase by $416.5 million (7.5 percent), to a total of $6 billion, over current-year expenditures. This increase is comprised of $382.2 million for GO debt service ($5.3 billion total) and $34.3 million for lease revenue bonds ($673.7 million total). The projected increase in total General Fund debt service is attributed to recent bond sales and the planned issuance of additional bonds over the next year.

The Administration has taken actions to better manage this growing area of the Budget, such as requiring GO bond programs to demonstrate an immediate need for additional bond proceeds prior to issuing new bonds. These efforts have helped reduce the amount of unspent GO bond proceeds in the state treasury from approximately $13.9 billion, as of December 2010, to just under $3.5 billion by the end of October 2013, excluding the recent fall 2013 GO bond sales. In addition, only the most critical new lease revenue bond funded projects have been approved.

California Five-Year Infrastructure Plan

In conjunction with the release of the Governor's Budget, the Administration is releasing the 2014 Five-Year Infrastructure Plan. The Plan outlines the Administration's infrastructure priorities for the next five years for the major state infrastructure programs, including transportation and high-speed rail, state institutions, judicial branch, natural resource programs, and education. Given the state's increased debt burden and General Fund constraints, the Plan proposes only limited, new lease-revenue bond authorizations. The Plan also highlights the significant shortfall in resources for maintenance of existing state facilities and the resulting problems. The Budget proposes an $815 million ($800 million General Fund) package of one-time investments in maintenance of state infrastructure, including the following:

- Highway Users Tax Account Loan Repayment: $337 million
- K-12 Schools Emergency Repair Program: $188 million
- California Community Colleges: $175 million
- Department of Parks and Recreation: $40 million
- Department of Corrections and Rehabilitation: $20 million
- Judicial Branch: $15 million
- Department of Developmental Services: $10 million
- Department of State Hospitals: $10 million
- Department of General Services: $7 million
- State Special Schools: $5 million
- Department of Forestry and Fire Protection: $3 million
- California Military Department: $3 million
- Department of Food and Agriculture: $2 million

Major Regulations

Chapter 496, Statutes of 2011 (SB 617), requires an in-depth economic analysis for all new major regulations. Beginning November 1, 2013, all state agencies promulgating a regulation with an economic impact over $50 million dollars in any 12-month period are required to conduct a Standardized Regulatory Impact Assessment. These assessments must discuss the regulation's effect on employment, businesses and consumers, incentives for innovation, and investment in California. The assessment also must study alternative ways of achieving the regulation's goals and compare them to the proposed regulation.

The Department of Finance created standards for agencies to analyze their major regulations. Finance will review each agency's assessment and provide comments to the department. These assessments will allow for a comprehensive discussion of the quantitative and qualitative costs and benefits of a regulation. They will provide more data on the effects of a regulation. The assessments and Finance's comments will be part of the public rulemaking record, and are intended to help the state and affected parties understand the impacts of regulatory choices.

Making Government More Efficient

Government should always look for ways to improve the delivery of services for the most value. This practice became acute—and necessary to balance the budget—during the recent economic decline. Specifically, the 2011 Budget Act included ongoing, operational efficiency savings, some of which were achieved by consolidating departments, boards and commissions, reducing state cell phones and the state vehicle fleet, and lowering department rates for technology services and rental space.

As the economy recovers, there is also an opportunity to invest in more efficient business practices, which can produce additional savings in the long term. The Budget builds on existing efficiencies and efforts to bring government closer to the people. It also includes new approaches to consolidate departments and programs, and coordinate services that will enhance performance for the public. Following are some of the ongoing and new initiatives:

- Coordinate the care of Medicare and Medi-Cal dual-eligibility clients.
- Eliminate the Managed Risk Medical Insurance Board and transfer programs to the Department of Health Care Services.

- Centralize management for the admittance of patients to the state hospitals.
- Reorganize the state's drinking water programs in the Department of Public Health and State Water Resources Control Board.
- Prioritize statewide infrastructure planning and spending.
- Enhance Data Center infrastructure to support future growth and consolidation of information technology systems to leverage economies of scale.

Employee Compensation

Thirteen of the state's collective bargaining contract agreements reached in the summer of 2013 included salary increases tied to the concept of a revenue-based "trigger." Per the contracts, the ability to provide the 2014-15 salary increases is based on the Director of Finance's determination at the 2014-15 May Revision that revenues are sufficient to fully fund existing statutory and constitutional obligations, existing fiscal policy, and the cost of the trigger-based salary increases.

For the majority of these contracts, if the trigger is pulled, employees will receive a salary increase of 2 percent in 2014-15 and 2.5 percent in 2015-16. If the trigger is not pulled, they will receive a 4.5 percent salary increase in 2015-16. Other trigger-based contracts operate in a similar manner but have different economic terms, such as smaller salary increases and/or one-time bonuses.

The Budget assumes the necessary conditions for the trigger-based salary increases in 2014-15 will be met and therefore includes $173.1 million ($82.4 million General Fund) to fund them. A final determination will be made at the May Revision based on the latest revenue projections and updated expenditure information available.

Additionally, the Administration is extending the same general salary increases negotiated for the majority of rank and file members described above to unrepresented state managers and supervisors to avoid salary compaction issues. Managers and supervisors associated with Bargaining Unit 5 – California Association of Highway Patrolmen and Bargaining Unit 6 – California Correctional Peace Officers Association will receive the salary adjustment extended to their rank and file counterparts. The Budget includes $98.6 million ($40.3 million General Fund) in 2014-15 for these salary increases.

Finally, the Budget also includes funding to address salary parity and inequity issues involving specific state managers and supervisors, particularly related to scientists and engineers.

State Employees' Retirement

Chapter 296, Statutes of 2012 (AB 340), established the Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA provided lower pension benefits and required higher retirement ages for new employees in state and local government and schools hired after January 1, 2013. Additionally, state employees in designated bargaining units and associated excluded employees began making additional payroll contributions to their pension plans beginning July 1, 2013, and others will make additional contributions beginning July 1, 2014.

Under PEPRA, these additional contributions must go toward the state's unfunded liability, which was $45.5 billion as of June 30, 2012. As a result, it is estimated that the state will contribute an additional $67.1 million during 2013-14 and $108.4 million in 2014-15 toward the state's unfunded liability. The Budget estimates approximately $4 billion in total funding for state employee pensions in 2014-15.

Figure SWE-01 below provides an historical overview of contributions to the CalPERS, the California State Teachers' Retirement System (CalSTRS), the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and retiree health care benefits.

Teachers' Retirement

For more than 100 years, the California State Teachers' Retirement System (CalSTRS) has provided retirement benefits to California school teachers. However, the existing funding approach cannot deliver the benefits that will be owed in the long term. CalSTRS faces a growing $80.4 billion unfunded liability and is expected to exhaust its assets in approximately 30 years. CalSTRS estimates that stabilizing the system could cost more than $4.5 billion a year, which could overwhelm other education priorities as well as other policy initiatives.

CalSTRS, like other public retirement systems in California, saw benefits increase then experienced severe investment losses in 2008-09, exposing large liabilities. Other retirement systems have the authority to charge employers—government agencies—more money to make up their funding gaps. For CalSTRS, school district and teacher contributions to the pension fund were established in statute and can be changed only by the Legislature. Because CalSTRS cannot act on its own, the Administration will begin working with the Legislature, school districts, teachers, and the pension system on a plan of shared responsibility to achieve a fully funded, sustainable teachers' pension system within 30 years. It is expected that this plan will be adopted as part of the 2015-16 Budget.

A new funding strategy should phase in contribution increases for employees, employers, and the state to allow parties to prepare for cost increases. Because retirement benefits are part of total compensation costs, school districts and community colleges should anticipate absorbing much of any new CalSTRS funding requirement. The state's long-term role as a direct contributor to the plan should be evaluated.

Figure SWE-01

State Retirement Contributions*

(dollars in millions)

	CalPERS[1]	CSU CalPERS	Retiree Health & Dental	CSU Retiree Health	CalSTRS	JRS	JRS II	LRS
2005-06	2,403		887		1,081	121	24	0
2006-07	2,765		1,006		959	129	27	0
2007-08	2,999		1,114		1,623 [2]	162	37	0
2008-09	3,063		1,183		1,133	189	40	0
2009-10	2,861		1,182		1,191	184	32	0
2010-11	3,230		1,387		1,200	166	54	0
2011-12	3,174		1,505		1,259	195	58	0
2012-13	2,948 [3]	449 [3]	1,365 [3]	222 [3]	1,303	160	51	0
2013-14[4]	3,219	474	1,420	246	1,360	188	52	1
2014-15[4]	3,531	478	1,559	270	1,424	179	56	1

1/ In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

2/ Includes repayment of $500 million from 2003-04 Supplemental Benefit Maintenance Account withholding/lawsuit loss (interest payments not included).

3/ Beginning in 2012-13, CSU pension and health care costs are displayed separately.

4/ Estimated as of the 2014-15 Governor's Budget. 2014-15 General Fund costs are $1,842 million for CalPERS, $477 million for CSU CalPERS, $1,553 million for Retiree Health & Dental, and $177 million for JRS. The remaining totals are all General Fund.

* The chart does not include contributions for University of California pension, retiree health, and retiree dental costs or CSU retiree dental costs.

Workers' Compensation

California law requires employer responsibility for benefits arising from employment related injuries. For the most part, workers' compensation benefits for state employees are self-funded with the State Compensation Insurance Fund acting as the third party administrator.

State employees' workers' compensation costs have increased significantly over the past several years. Cumulative workers' compensation costs were about $460 million in 2008-09 and have risen to about $656 million in 2012-13. Departments have largely absorbed these costs over the years; however, as costs continue to rise, some departments are finding it more difficult to do so. In recognition of these ongoing costs, the Budget proposes $81.1 million ($80.7 million General Fund) to augment the California Department of Corrections and Rehabilitation and the Department of Forestry and Fire Protection for some workers' compensation costs. The Administration will continue to evaluate the factors driving these significant cost increases and the steps necessary to address this growth in the short and long term.

Reduce Reliance on Contractors

The state has at times relied on contractors to provide services, particularly in the areas of information technology and health care, where there may not be the relevant expertise or the required numbers in the state workforce at the time to meet its needs. In recognition that these contracted services can be more costly, and that there is value and utility in training and developing state employees to perform ongoing tasks, the Administration continues to identify ways that the state can reduce its reliance on contractors. The Budget includes numerous proposals that transfer contracted positions to state employees. Examples can be found in departments of Health Care Services, Managed Health Care, Public Health, Child Support Services, and Technology.

Department of Consumer Affairs

The Department of Consumer Affairs (DCA) oversees a wide variety of boards and bureaus that certify, register, and license individuals and entities that provide goods and/or services in the state. The overall purpose of DCA is to promote a fair and competitive marketplace in which consumers are protected. DCA provides exams and licensing as well as mediation and enforcement of consumer complaints. When appropriate, cases are referred to the Attorney General's office or other law enforcement authorities for administrative action, civil and/or criminal prosecution.

There are currently 26 boards, 9 bureaus, 2 committees, a certification program, and a commission under the broad authority of DCA.

Performance-Based Budgeting

Executive Order B-13-11 directed the Department of Finance to modify the state budget process to increase efficiency and focus on accomplishing program goals. Pursuant to this Executive Order, Finance and DCA developed a multi-year plan to evaluate the performance of DCA's programs. This plan included program evaluation of enforcement and licensing functions, development of strategic plans, and reporting of enforcement and licensing data.

- Program Evaluation of Enforcement and Licensing Functions—In the last year, DCA initiated a pilot evaluation of two of its programs, the Dental Board of California and the Bureau of Security and Investigative Services (BSIS). The evaluation of the Dental Board and the BSIS resulted in the implementation of several process improvement initiatives designed to reduce investigative cycle times. DCA will continue to further define, track and report on its performance measures.

- Development of Strategic Plans—DCA requires all of its boards and bureaus to have up-to-date strategic plans. Since July 2012, DCA has worked with 17 boards and bureaus to update or develop new strategic plans, and is currently working with the other boards and bureaus to complete plans.

- Reporting of Enforcement and Licensing Data—The 2013-14 Governor's Budget highlighted DCA's enforcement targets and provided two years of enforcement performance data (2010-11 and 2011-12). The 2014-15 Budget includes enforcement data for 2011-12 and 2012-13. The enforcement data show the amount of time it takes between a complaint being received by a board or bureau and its resolution. DCA is currently unable to uniformly track and report licensing data for its boards and bureaus. However, DCA's licensing and enforcement information technology system, BreEZe, will be utilized to uniformly track licensing data of the boards and bureaus. BreEZe is scheduled to be fully implemented in December 2015, which will allow DCA to display 2015-16 actual licensing data in the 2017-18 Governor's Budget. In addition, DCA will display licensing targets next year in the 2015-16 Governor's Budget.

Enforcement and Licensing Resources

As part of DCA's performance-based budgeting effort, the Budget includes $12.4 million special fund and 90 positions for enforcement workload and $466,000 special fund and 11 positions for licensing workload. The increased workload is primarily driven by growth in DCA's licensee populations resulting in increased enforcement case processing time and license application processing time. These additional resources are intended to reduce those processing times. In addition, the Budget requires DCA to report to the Legislature and the Department of Finance on the impact these additional resources have on reducing enforcement case processing time and license application processing time.

Department of Technology

The Department of Technology is the central information technology (IT) organization for California. It is responsible for the approval and oversight of all statewide IT projects; provides centralized IT services and training to government entities; promulgates statewide IT security policies and procedures; and has responsibility over telecommunication and IT procurements.

Significant Adjustments:

- Information Technology Security Compliance—The Budget provides $684,000 in 2014-15 to fund 5 limited-term positions for a 2-year pilot project within the Office of Information Security. The pilot project will audit state departments' compliance with mandated state and federal IT security policies, which are in place to protect the state's critical IT infrastructure and information assets from loss, theft, and misuse.
- Data Center Growth—The Budget includes $6.7 million to increase the power and cooling capacity of the Gold Camp Data Center in order to accommodate future customer demand. The Data Center continues to absorb large IT systems as departments centralize their IT systems and data processing to the Department of Technology, resulting in reduced costs to departments, more secure systems and applications, and the use of current and more efficient technology to meet business needs.

Franchise Tax Board

The Franchise Tax Board (FTB) administers the state's personal income tax and corporation tax. Activities include tax return processing, filing enforcement, audit, and collection of delinquent amounts owed.

Significant Adjustments:

- Enterprise Data to Revenue Project—The Budget provides $75.1 million General Fund, including $68.5 million for vendor payments, and 71 positions for fourth-year implementation activities related to the project. The six-year project will modernize FTB's tax program operations and systems by automating return processing, data capture, and validation of information. The project will provide improved access to tax account information for FTB's tax programs and for FTB users through secure online taxpayer folders.
- Accounts Receivable Management Program—The Budget provides $7.7 million General Fund to continue 101 limited-term positions for an additional two years to further reduce the accounts receivable inventory. This is expected to generate $108 million General Fund revenues in 2014-15.

Financial Information System for California

The Financial Information System for California (FI$Cal) is a multi-year information technology project that will replace and integrate the functions of numerous aging financial management systems in state government. The new single system will include budgeting, accounting, procurement, and cash management functions. Development of the FI$Cal system resides with four partner agencies: Department of Finance, State Controller's Office (SCO), State Treasurer's Office (STO), and Department of General Services (DGS).

The FI$Cal system is currently scheduled to be deployed in five waves (Pre-Wave and Waves 1 – 4). Pre-Wave was implemented in July 2013 to seven departments. Wave 1 is scheduled to be rolled out July 2014 to another 30 departments, including the Department of Justice and Board of Equalization. However, based on lessons learned from the Pre-Wave launch and in preparing for Wave 1, the Project identified significant risks with Wave 2 deployment scheduled for July 2015. As a result, the project will go forward with Wave 1 as currently planned but will defer some Wave 2 departments and functionality to subsequent waves. This approach will increase the total costs of the project, however, it will reduce the complexity of initial waves and significantly enhance successful implementation of the FI$Cal system.

Significant Adjustment:

- DGS Departmental Functions Move to Wave 2—An additional $4.3 million in 2014-15 as a result of an increase in project scope to replace DGS's aging financial system that was previously scheduled to interface with the FI$Cal system.

STATE CONTROLLER'S OFFICE

The State Controller, among other responsibilities, administers the statewide payroll system that issues pay to approximately 294,000 state employees.

Significant Adjustment:

- 21st Century Project—The Budget proposes $6.5 million ($3.6 million General Fund, $2.9 million other funds, and 5 positions) on a one-time basis in 2014-15 to address litigation and related support efforts associated with the payroll system.

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EXHIBIT D

2015-16
Governor's Budget Summary

Edmund G. Brown Jr. Governor, State of California

To the California Legislature
Regular Session 2015-16

Statewide Issues and Various Departments

This Chapter describes items in the Budget that are statewide issues or related to various departments.

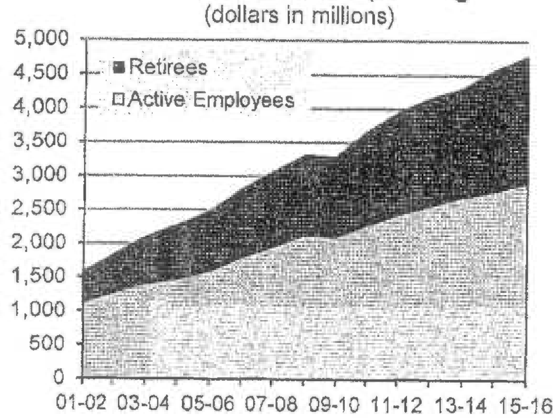
Sustaining State Health Care Benefits While Curbing Costs

The Administration, Legislature, and public employees have taken significant steps recently to reform public pension systems, protecting the retirement security of government workers and maintaining a key recruitment and retention tool for the public-sector workforce. In 2012, Governor Brown signed the Public Employees' Pension Reform Act, which increased cost-sharing for employees, extended retirement ages, and restructured pension formulas. In 2014, Governor Brown signed into law a new funding plan to close a $74 billion shortfall for teacher pensions that increased contributions from the state, school districts, and teachers. With funding plans and cost containments in place for the state's pension plans, the state must turn its attention to the $72 billion unfunded liability that exists for retiree health care benefits.

The Status Quo Must Change

State health care benefits remain one of the fastest growing areas of state government. Figure SWE-01 shows how these costs have tripled since 2001. This far outpaces population and inflation growth during the same period. In total, the state is projected to spend approximately $4.8 billion on health care benefits in 2015-16 for more than

Figure SWE-01
State Health Care Spending
(dollars in millions)



800,000 state employees, retirees, and their family members—about what the state will spend on pensions. In particular, retiree health care costs are growing at an unsustainable pace. The Budget includes nearly $1.9 billion for retiree health care benefits for 2015-16. These payments are fourfold what the state paid in 2001 ($458 million) and now represent 1.6 percent of the General Fund. Fifteen years ago, retiree health care benefits made up 0.6 percent of the General Fund.

Yet, the state's employee and retiree health care has received limited attention in recent years. At a time when many public and private sector employers are examining benefit design changes to address ongoing cost pressures and an Affordable Care Act penalty—the "Cadillac Tax" set to apply in 2018 to high-cost health plans—the state must do more to contain costs.

Cost increases have also impacted state employees. The average amount a state employee pays for health care premiums has doubled in the last 10 years. In contrast, when employees retire, the state subsidizes a larger share of premiums—providing retirees with a health care contribution equal to 100 percent of the average premium costs of the highest enrolled plans.

As a result of these significant cost increases, the Administration is proposing a plan to make health care costs more affordable to the state and, ultimately, its employees. The plan balances a sustainable benefit program with a competitive workforce. The plan preserves retiree health benefits when the private sector is scaling back, maintains health plans, and continues the state's substantial support for employee health care. The plan builds on proven solutions from other states and the federal government. The main components of the plan are described below.

Eliminating the Unfunded Liability

Eliminating the $72 billion unfunded liability for retiree health care will be expensive, complex, and take many decades. Currently, the state pays retiree health care costs on a pay-as-you-go basis. Unlike pension funding, this means the state and employees do not set aside funds during an employee's working years to pay for future benefits. Consequently, funds are not invested and there are no investment returns to help pay for future costs for retirees. Absent any change, the $72 billion liability is expected to increase significantly over the next five years to more than $90 billion. Though the state has established prefunding agreements with three of its labor unions, the state must go further to eliminate this liability.

Paying down the retiree health care unfunded liability is a shared responsibility between employers and employees. The Budget calls for employees and employers to equally share in the prefunding of the normal costs of retiree health care, similar to the new pension-funding standard. The normal costs represent the actuarially determined value of retiree health care benefits that are earned by the employee during a current year. The Administration will seek to phase in this critical, cost-sharing agreement as labor contracts come up for renewal. Once fully implemented, this plan will increase state costs by approximately $600 million annually but ultimately decrease the retiree health care liability, saving billions of dollars in the long term.

Balancing Benefits with Costs

Prefunding retiree health care alone cannot be the only solution to address the growth of state health care benefit costs. The cost structure of these benefits must also be addressed.

Previous efforts at cost containment have fallen short and have not provided employers and employees lower-cost and more affordable health care plans. The current "platinum" level of health coverage leaves the state—and employees—vulnerable to the pending Cadillac Tax. The plan requires the California Public Employees' Retirement System (CalPERS) to offer a High Deductible Health Plan as an option for employees, and the Administration will provide contributions to an employee's Health Savings Account (HSA) to defray higher out-of-pocket expenses for employees who choose the lower-cost plan. HSAs are a tool to help both employers and employees manage health care costs and provide employees with additional savings opportunities. HSAs have federal tax advantages, dollars roll over annually and are not lost if not spent, and they are portable —meaning employees can take an HSA from one job to another and not lose its value.

In addition, the plan will pursue changes to lower the state's premium subsidy, currently based on a formula using the average premiums of the four highest enrolled plans, to encourage employees to select lower-cost health plans.

The plan also calls for encouraging healthy behavior of employees and retirees to prevent the mounting costs of chronic disease care. Governor Brown signed Chapter 445, Statutes of 2012 (AB 2142), a CalPERS-sponsored initiative, which authorized CalPERS to pursue premium credits and penalties for health promotion and disease prevention. Implementing AB 2142 must be a priority for the state's cost containment effort.

Reserving Benefits for Career Workers and Family Members

Consistent with pension reforms that extended retirement ages, employees should work longer to receive state contributions for health benefits in retirement. Most state employees now must work between 10-20 years to receive state subsidies for retiree health care. Beginning with newly hired workers, the plan would only extend this generous benefit to career employees who have accrued 15-25 years of service. Additionally, newly hired workers should not expect a higher subsidy for health care premiums in retirement than what they received during their working years.

The plan also calls for the implementation of practices common outside of the state, such as additional dependent tiers for insurance coverage and surcharges for spouses of state employees who remain on state health plans but can obtain health care coverage through their employers.

CalPERS recently completed a first-ever verification audit of family-member eligibility, resulting in significant savings. The Administration supports ongoing monitoring to ensure the state is enrolling only eligible family members for health care coverage. The Budget also calls on CalPERS to increase efforts to ensure seniors are enrolling in federally subsidized Medicare plans and not remaining on more expensive state-paid plans.

Increasing Transparency and Accountability

The total costs of health care for state employees and retirees necessitate a more full public discussion. The Budget includes several measures to boost transparency of state health care benefit expenses and increase public discussion and legislative engagement.

Many tenets of the plan involve the collective bargaining process. Some will require changes to long-held policies and must be administratively or statutorily instituted. The Administration is committed to working with stakeholders to achieve this plan and bring sustainability to the state's health care benefits program.

Improving the State's Civil Service System

The state's current civil service system is a complicated, inflexible, and highly bureaucratic set of rules, regulations, and policies that has been slow to adapt to generational and demographic changes in the workforce and to emerging trends in the workplace. As a result, California is not optimally positioned to consistently recruit and retain the best and brightest, properly train and support employees to perform to their highest potential, and plan for the succession of future leaders—all key characteristics of a strong and nimble civil service system.

For well over two decades, there have been various calls to improve the state's civil service system. In the 1990s, reports issued from the Legislative Analyst's Office, the Little Hoover Commission, and the California Constitution Revision Commission identified significant problems and potential ways to address them. The California Performance Review in 2004 examined the various components of state government and resulted in several hundred recommendations. The Human Resources Modernization Project, initiated in 2007, sought to produce systemic civil service reforms as well. Unfortunately, many of the previously recommended reforms have failed to be implemented.

The Governor's Reorganization Plan #1 (GRP 1), effective July 2012, merged overlapping functions and aligned resources of the State Personnel Board and the Department of Personnel Administration by creating a new California Department of Human Resources (CalHR). The GRP 1's intent was to better position the state to coordinate civil service issues in a more efficient and streamlined approach.

Building upon the implementation of GRP 1, the state now needs a comprehensive strategy to systemically improve the civil service system. Administrative efforts will be focused on updating and streamlining the state's job classifications; modernizing recruitment, examination, and hiring practices; developing more robust employee and management training programs; reforming probation policies; and improving employee and management evaluation processes. The Administration will also review the state's processes and policies with the goal to eliminate antiquated, unnecessary, and/or duplicative processes and procedures and streamline overly onerous and bureaucratic ones.

Employee groups and the Legislature are important stakeholders in this effort and will be consulted as this reform effort progresses. The Administration will determine which efforts the state can address through the collective bargaining process versus administrative or legislative changes.

Employee Compensation

The Budget includes an additional $560 million ($200 million General Fund) in 2015-16 for employee compensation and health care costs for active state employees. Included in these costs are collectively bargained salary increases for many of the state's rank-and-file employees and state managers and supervisors. Funding has also been included for anticipated 2016 calendar year health care premium increases.

Teachers' Retirement

In 2014, the Governor signed into law a comprehensive funding strategy to address the $74 billion unfunded liability at the California State Teachers' Retirement System (CalSTRS). Consistent with this strategy, the Budget includes $1.9 billion General Fund in 2015-16 for CalSTRS. The funding strategy positions CalSTRS on a sustainable path forward, eliminating the unfunded liability in about 30 years. Based on a model of shared responsibility, the state, school districts, and teachers all have increased their contributions to the system beginning in 2014-15. Specifically, contributions to the system in 2015-16 will increase to 4.9 percent for the state, 9.2 percent for most teachers, and 10.7 percent for school districts. The state also makes an additional contribution of 2.5 percent of teacher compensation to CalSTRS for the Supplemental Benefits Maintenance Account.

State Employees' Retirement

The Budget includes $5 billion ($2.9 billion General Fund) in 2015-16 for state contributions to CalPERS for state pension costs. These costs include the impact of the demographic assumptions adopted by the CalPERS Board in February 2014, which reflect a mortality increase of 2.1 years for males and 1.6 years for females.

Figure SWE-02 provides a historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits.

Figure SWE-02

State Retirement and Health Care Contributions[1]

(dollars in millions)

	CalPERS[2]	CSU CalPERS	CalSTRS	JRS	JRS II	LRS	Active Health & Dental[3]	Retiree Health & Dental	CSU Retiree Health
2006-07	2,765		959	129	27	0	1,792	1,005	
2007-08	2,999		1,623 [4]	162	37	0	1,948	1,114	
2008-09	3,063		1,133	189	40	0	2,127	1,183	
2009-10	2,861		1,191	184	32	0	2,101	1,182	
2010-11	3,230		1,200	166	54	0	2,277	1,387	
2011-12	3,174		1,259	195	58	0	2,439	1,505	
2012-13	2,948 [5]	449 [5]	1,303	160	51	0	2,567	1,365 [5]	222 [5]
2013-14	3,269	474	1,360	188	52	1	2,697	1,383	225
2014-15[6]	4,042	543	1,486	179	63	1	2,786	1,521	263
2015-16[6]	4,429	604	1,928	190	67	1	2,915	1,600	264

1/ The chart does not include contributions for University of California pension or retiree health care costs.

2/ In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

3/ These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and CSU.

4/ Includes repayment of $500 million from 2003-04 Supplemental Benefit Maintenance Account withholding/lawsuit loss (interest payments not included).

5/ Beginning in 2012-13, CSU pension and health care costs are displayed separately.

6/ Estimated as of the 2015-16 Governor's Budget. 2015-16 General Fund costs are estimated to be $2,318 million for CalPERS, $603 million for CSU CalPERS, $1,595 million for Retiree Health & Dental, and $1,367 million for Active Health and Dental. The remaining totals are all General Fund.

Department of Technology

The Department of Technology, in collaboration with other state departments, has been designing a new Information Technology (IT) project planning and approval process to replace one that has been in use for decades. The traditional process has not provided adequate support for departments to develop realistic cost and schedule estimates at the conception of an IT project. As a result, many projects have experienced significant cost and schedule increases over their lifetime. Additionally, departments invest significant time, effort, and resources in preparing project proposals prior to receiving any input from control agencies, such as the Department of Technology.

Recognizing these weaknesses in the project approval process, the Department of Technology is leading an effort, referred to as the State Technology Approval Reform project, or STAR, to improve the planning and procurement approval phases of IT projects and ultimately increase the likelihood of successful implementation of needed IT systems. STAR will result in approved projects having a strong business case, clear business objectives, appropriate solutions, and more accurate costs and schedules. STAR will also improve communication and collaboration at the beginning of and throughout an IT effort, and develop different approval models that are flexible enough to help expedite approvals for low-risk projects and build additional support for more complex, high-risk projects.

The new approval process will consist of several stages. The first stage, which requires the development of a business analysis justifying a department's business plan, has been in effect since September 2013. The second stage will be effective July 1, 2015 and will require departments to consider a variety of solutions, including business process changes and IT system development that will meet their stated business needs. Should an IT project require a system integration vendor, during stage three, departments are responsible for developing detailed requirements that will help the state and vendor community better understand the scope and magnitude of the IT effort. The requirements will feed into a Request for Proposal to be used in stage four when departments complete the procurement process to select a vendor to build their system. Upon completion of these stages, departments will be better positioned to build a system that ultimately meets the needs of their clients and has stayed within estimated cost and schedule. Stages three and four are currently being refined by the Department of Technology and are anticipated to be implemented during the budget year.

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

The California Department of Food and Agriculture (CDFA) promotes and protects a safe, healthy food supply for California residents and enhances the worldwide trade of California's agricultural products. These goals are pursued through the use of efficiencies, innovation, and sound science, with a commitment to environmental stewardship.

Significant Adjustments:

- California Animal Health and Food Safety (CAHFS) Laboratory Network—The Budget includes $4.3 million General Fund for the continued efficacy of the CAHFS laboratory network and to meet the operational needs of the new South Valley Animal Health Laboratory in Tulare. The CAHFS laboratory network protects California's animal agriculture sector from animal disease. The laboratory network is the backbone of California's early warning system to safeguard public health from food-borne pathogens, toxins, and diseases common to animals and humans, and to protect the health of California's livestock and poultry populations. State law requires the CDFA to contract with the University of California, Davis School of Veterinary Medicine to establish and operate animal disease diagnostic laboratories for the purpose of conducting tests and examinations for, and diagnoses of, livestock and poultry diseases.
- California Fairs—CDFA is responsible for fiscal and policy oversight of the network of California fairs. General Fund support for California fairs was eliminated in 2011. Three years later, 15 fairs are fiscally challenged and at risk of closing. In recognition of the impact California fairs have on local economies and their educational and social benefits, the Budget includes $3.1 million General Fund to assist with fair operations, improve the financial stability of smaller fairs statewide, and provide funding to support additional fair board training. The Budget also includes a one-time allocation of $7 million General Fund for deferred maintenance at California fairs, which is part of a larger statewide effort to address the state's infrastructure needs. (See the Infrastructure Section of this Chapter.)
- Healthy Soils—As the leading agricultural state in the nation, it is important for California's soils to be sustainable and resilient to climate change. Increased carbon in soils is responsible for numerous benefits including increased water holding capacity, increased crop yields and decreased sediment erosion. In the upcoming year, the Administration will work on several new initiatives to increase carbon in soil and establish long term goals for carbon levels in all California's agricultural soils. CDFA will coordinate this initiative under its existing authority provided by the Environmental Farming Act.

Hazardous Material Transportation Safety

Rail shipments of oil, including North Dakota Bakken oil, are expected to significantly increase from 6 million barrels to approximately 140 million barrels over the next several years. These shipments and the shipments of other hazardous materials by rail pose significant risks of accidents, especially in rural areas of the State that lack adequate emergency infrastructure to respond. As part of the Administration's ongoing efforts to improve the safety of the transportation of fossil fuels and other hazardous materials in California, the Budget includes $10 million Regional Railroad Accident Preparedness and Immediate Response Fund for the Office of Emergency Services to coordinate with local agencies to better prepare for, and respond to, emergencies involving hazardous materials transported by railroad tank cars. This additional funding will come from the reestablishment of a fee on hazardous materials transported by railroad tank cars throughout California. The Office of Emergency Services will utilize this funding to purchase equipment, such as hazardous materials response trucks, for regional use and to coordinate training and exercises with local response agencies.

Infrastructure

Debt Service

General Obligation (GO) and lease revenue bonds are used to fund major infrastructure improvements. California voters have approved over $103.2 billion of new GO bonds since 2000, including the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1) approved in November 2014. Since 2009, the state has issued nearly $48 billion of new GO bonds. The bonds' proceeds fund projects and programs such as new road construction, flood control levees, and other public infrastructure. As the state issues the remaining voter-authorized bonds, debt service costs will continue to grow.

Estimated General Fund debt service expenditures, after various other funding offsets, will increase by $339 million (6 percent), to a total of $6 billion, over current-year expenditures. This increase is comprised of $285.9 million for GO debt service ($5.4 billion total) and $53.2 million for lease revenue bonds ($657.4 million total). The projected increase in total General Fund debt service is attributed to recent bond sales and the planned issuance of additional bonds over the next year.

The Administration continues to take actions to better manage this growing area of the Budget, such as requiring GO bond programs to demonstrate an immediate need for additional bond proceeds prior to issuing new bonds. These efforts have helped reduce the amount of unspent GO bond proceeds in the state treasury from approximately $13.9 billion, as of December 2010, to just under $2 billion by the end of November 2014, excluding the recent fall 2014 GO bond sales. In addition, only the most critical new lease revenue bond funded projects have been approved.

California Five-Year Infrastructure Plan

In conjunction with the release of the Governor's Budget, the Administration is releasing the 2015 Five-Year Infrastructure Plan. The Plan outlines the Administration's infrastructure priorities for the next five years for the major state infrastructure programs, including transportation and high-speed rail, state institutions, judicial branch, natural resource programs, and education. The Plan continues to highlight the significant shortfall in resources for maintenance of existing state facilities and the resulting problems. The Budget proposes a $478 million ($125 million General Fund) package of one-time investments in maintenance of community colleges, universities, and state infrastructure. The General Fund investments are:

- California State University: $25 million
- University of California: $25 million
- Department of Parks and Recreation: $20 million
- Department of Corrections and Rehabilitation: $15 million
- Department of State Hospitals: $7 million
- Network of California Fairs: $7 million
- Department of Developmental Services: $7 million
- Department of General Services: $5 million
- Department of Forestry and Fire Protection: $2 million
- Office of Emergency Services: $3 million
- State Special Schools: $3 million
- California Military Department: $2 million
- Department of Veterans Affairs: $2 million
- Department of Food and Agriculture: $2 million

EXHIBIT E

Governor's Summary

2016-17

To the California Legislature
Regular Session 2015-16

Edmund G. Brown Jr. Governor
State of California

Statewide Issues and Various Departments

This Chapter describes items in the Budget that are statewide issues or related to various departments.

State Employee and Teacher Retirement

The Budget includes $5.5 billion ($3.2 billion General Fund) for state contributions to the California Public Employees' Retirement System (CalPERS) for state pension costs. These costs include the third and final phase-in of retirement rates to address the impact of demographic assumptions adopted by the CalPERS Board in February 2014.

In 2014, the Governor signed into law a comprehensive funding strategy to address the unfunded liability at the California State Teachers' Retirement System (CalSTRS), which is currently estimated to be $72.7 billion. Consistent with this strategy, the Budget includes $2.5 billion General Fund in 2016-17 for CalSTRS. The funding strategy positions CalSTRS on a sustainable path forward, eliminating the unfunded liability in about 30 years. Based on a model of shared responsibility, the state, school districts, and teachers all increased their contributions to the system beginning in 2014-15. Specifically, the funding plan in 2016-17 increases the state contribution to 6.3 percent of teacher compensation, 10.2 percent for most teachers, and 12.6 percent for school districts. The state also makes an additional contribution of 2.5 percent of teacher compensation to CalSTRS for the Supplemental Benefits Maintenance Account.

Figure SWE-01 provides a historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits. Pension and health care costs continue to increase and put additional pressure on the budget, with retiree health care costs—estimated at more than $2 billion in 2016-17—growing more than 80 percent over the last 10 years.

Figure SWE-01
State Retirement and Health Care Contributions[1]
(Dollars in Millions)

	CalPERS[2]	CSU CalPERS	CalSTRS	JRS	JRS II	LRS	Active Health & Dental[3]	Retiree Health & Dental	CSU Retiree Health
2007-08	$2,999		$1,623 [4]	$162	$37	$0	$2,020	$1,114	
2008-09	3,063		1,133	189	40	0	2,146	1,183	
2009-10	2,861		1,191	184	32	0	2,120	1,182	
2010-11	3,230		1,200	166	54	0	2,277	1,387	
2011-12	3,174		1,259	195	58	0	2,439	1,505	
2012-13	2,948 [5]	$449 [5]	1,303	160	51	0	2,567	1,365 [5]	$222 [5]
2013-14	3,269	474	1,360	188	52	1	2,697	1,383	225
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256
2015-16[6]	4,338	585	1,935	190	67	1	2,938	1,585	264
2016-17[6]	4,829	636	2,468	202	68	1	3,131	1,744	291

1/ The chart does not include contributions for University of California pension or retiree health care costs.

2/ In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

3/ These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and CSU.

4/ Includes repayment of $500 million from Supplemental Benefit Maintenance Account lawsuit.

5/ Beginning in 2012-13, CSU pension and health care costs are displayed separately.

6/ Estimated as of the 2016-17 Governor's Budget. 2016-17 General Fund costs are estimated to be $2,534 million for CalPERS, $636 million for CSU CalPERS, $2,030 million for Retiree Health & Dental, and $1,554 million for Active Health and Dental. The remaining totals are all General Fund.

Employee Compensation

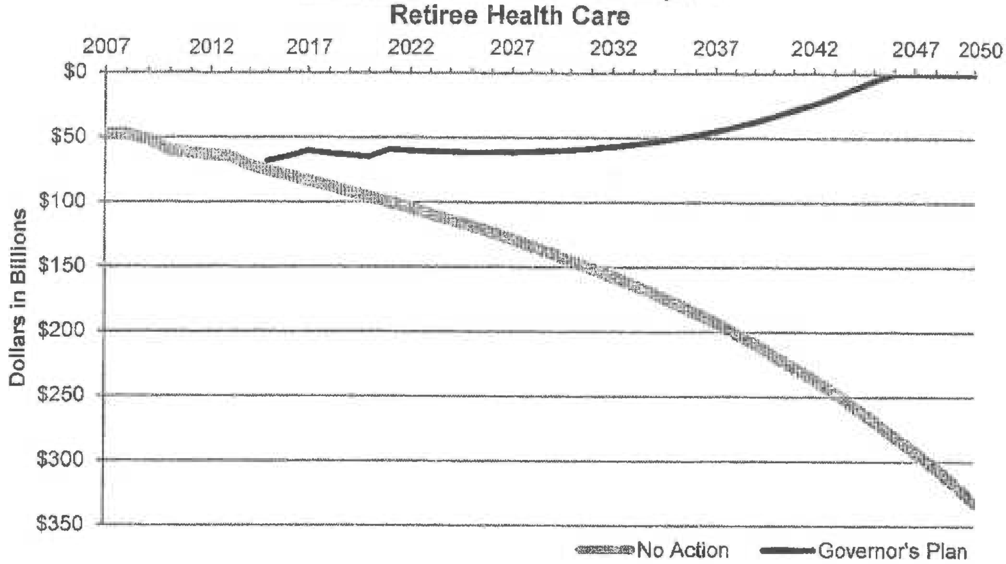
The Administration continues to actively bargain with four of the state's employee bargaining units, representing correctional peace officers, firefighters, scientists, and craft and maintenance workers. With the exception of firefighters, each of these units' memorandum of understanding (MOU) with the state expired in early July 2015. For firefighters, the bargaining unit has exercised its option to reopen the contract, pursuant to existing provisions within its MOU. Additionally, in the upcoming calendar year, the Administration will begin collective bargaining negotiations with 15 of the state's 21 bargaining units, whose contracts with the state will expire in early July 2016.

For current and upcoming bargaining negotiations, the Administration remains focused on several key priorities aimed at eliminating the state's $72 billion in unfunded retiree health care obligations. These strategies include the state and employees equally sharing in the prefunding of normal costs for future retiree health care benefits, and modifying the state's contribution and vesting schedules for retiree health care for future workers. The effort builds on progress the Administration made last year, including a prefunding agreement with Bargaining Unit 9 (professional engineers), as well as legislative changes that lock prefunding contributions in a trust fund to pay for future retiree health care obligations, tighten enrollment eligibility, and improve transparency and oversight of the state's health care program administered by CalPERS.

Figure SWE-02 shows that retiree health care unfunded liabilities will increase to more than $300 billion over the next 30 years under the current pay-as-you-go approach. The Governor's plan will erase the unfunded liability over that same period, ultimately saving the state billions of dollars in the long term.

Figure SWE-02

Eliminating Unfunded Liability for Retiree Health Care



The Budget includes $220 million ($27 million General Fund) in 2016-17 for employee compensation and health care costs for active state employees. Included in these costs are collectively bargained salary increases for the state's rank-and-file employees represented by Bargaining Unit 9, which the Administration is extending to state managers and supervisors related to these employees. In addition, the Budget sets aside an additional $350 million ($300 million General Fund) to fund potential employee compensation increases subject to good faith bargaining under the Ralph C. Dills Act.

Improving the State's Civil Service System

California state government continues to face many challenges as an employer in the ever-changing marketplace. A year ago, the Governor launched Civil Service Improvement, a comprehensive effort to systematically improve and modernize the state's civil service system. The Administration continues to implement reforms which were approved in 2015. These measures included simplifying the state's hiring processes, broadening the pool of potential candidates eligible for a civil service appointment, increasing transparency, and eliminating outdated and overly bureaucratic statutes governing departmental position authority.

However, the improvement process is far from complete. With more than 40 percent of the state workforce entering retirement age by 2018, more work is needed to develop and support the next generation of employees.

The state is in the process of making improvements to the application process for civil service jobs. Job candidates will soon be able to take more examinations online and submit their applications and résumés for job vacancies electronically. But the process remains unnecessarily cumbersome and confusing, especially to external applicants. The Administration plans to eliminate antiquated and duplicative classifications to allow state departments to hire from a broader applicant pool.

Once the state hires new employees, it also needs to improve training for these workers to meet the fast-evolving needs of 21st century California. A workforce training program is being developed to increase professional development and to give more experiential training through internships and partnerships. The state's leadership training will reflect modern trends in public administration and strengthen the state's culture of accountability.

To further support the Civil Service Improvement efforts, the Budget includes 16 positions and $1.9 million ($600,000 General Fund) for the California Department of

Human Resources (CalHR). With these resources, CalHR will develop and implement statewide solutions for workforce and succession planning, recruitment, and training.

The Administration will also continue making meaningful progress on simplifying the state's arcane and outdated job classification system, working with each department to create a workforce development plan, and improving the state's outreach and recruitment efforts.

Infrastructure

Debt Service

General Obligation (GO) and lease revenue bonds are used to fund major infrastructure improvements such as new road construction, flood control levees, and other critical public infrastructure. California voters have approved more than $103.2 billion of new GO bonds since 2000, including the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1) approved in November 2014. As the state issues the remaining voter-authorized bonds, debt service costs will continue to increase.

Estimated General Fund debt service expenditures in 2016-17, after various other funding offsets, will increase by $60.3 million over current-year expenditures, to a total of $5.4 billion. This increase is comprised of $13.5 million for GO debt service ($4.8 billion total) and $46.8 million for lease revenue bonds ($579 million total) and is attributed to recent bond sales and the planned issuance of additional bonds over the next year.

The Administration continues to take actions to better manage this growing area of the Budget, such as requiring GO bond programs to demonstrate an immediate need for additional bond proceeds prior to issuing new bonds. These efforts have helped reduce the amount of unspent GO bond proceeds in the state treasury from approximately $13.9 billion as of December 2010, to just less than $1.7 billion by the end of October 2015, excluding the recent fall 2015 bond sales. In addition, only the most critical new lease revenue bond funded projects have been approved, thus minimizing new debt service while continuing to make needed investments.

California Five-Year Infrastructure Plan

In conjunction with the release of the Governor's Budget, the Administration is releasing the 2016 Five-Year Infrastructure Plan. The Plan outlines the Administration's infrastructure priorities for the next five years including investments in transportation and high-speed rail, state institutions, the judicial branch, natural resource programs, state office infrastructure, and education.

State office infrastructure in Sacramento—including the State Capitol Annex—is aged, inefficient, and inadequate to meet the state's needs in the years to come. The Annex, completed in 1952, is undersized to meet current demands for legislative hearings and office space, and its antiquated building systems are prone to failure and expensive to maintain. A 2015 study of Sacramento state office infrastructure documented serious deficiencies with other existing buildings that will require their replacement or renovation. To address these needs, the Budget proposes a $1.5 billion transfer from the General Fund to a new State Office Infrastructure Fund to be used for the long-deferred renovation or replacement of state office buildings in the Sacramento region.

The $1.5 billion will improve the safety and capacity of the Capitol Annex building, as well as make significant first steps towards addressing other state office space deficiencies. Initial projects include replacement of the Natural Resources Agency building and construction of a new building on O Street in Sacramento to replace the vacant Department of Food and Agriculture Annex and to better use that existing parcel of state-owned land. Using cash for this investment rather than borrowing will allow projects to proceed more quickly because the bond sale calendar will not dictate construction schedules. As a result, the state will avoid $1.3 billion in interest and related bond administration costs and there will be greater opportunities to incorporate mixed use into the projects.

Additionally, the Budget allocates one-time resources of $807 million—$500 million General Fund, $289 million Proposition 98 General Fund, and $18 million Motor Vehicle Account—to address the most critical statewide deferred maintenance needs. The proposed investments in deferred maintenance are as follows:

- California Community Colleges: $289 million (Proposition 98 General Fund)
- Department of Water Resources: $100 million for levee repairs
- Department of State Hospitals: $64 million
- Judicial Branch: $60 million
- Department of Parks and Recreation: $60 million
- Department of Corrections and Rehabilitation: $55 million

- California State University: $35 million
- University of California: $35 million
- Department of Developmental Services—Porterville Facility: $18 million
- Department of Fish and Wildlife: $15 million
- California Military Department: $15 million
- Department of General Services: $12 million
- California Highway Patrol: $10 million (Motor Vehicle Account)
- Department of Motor Vehicles: $8 million (Motor Vehicle Account)
- Department of Veterans Affairs: $8 million
- Department of Forestry and Fire Protection: $8 million
- State Special Schools: $4 million
- Network of California Fairs: $4 million
- California Science Center: $3 million
- Hastings College of the Law: $2 million
- Office of Emergency Services: $800,000
- California Conservation Corps: $700,000
- Department of Food and Agriculture: $300,000
- San Joaquin River Conservancy: $200,000

SUPPLEMENTAL TRANSFER TO THE RAINY DAY FUND

The Budget proposes a $2 billion transfer from the General Fund to the Budget Stabilization Account in addition to the current projected amounts required by Section 20 of Article XVI of the California Constitution. In total, this $3.6 billion transfer brings the balance of the Rainy Day Fund to $8 billion in 2016-17, or 65 percent of its maximum. In the event the amounts required to be transferred for 2015-16 and 2016-17 exceed the current estimate in the Governor's Budget (as part of the Proposition 2 "true up" process), this supplemental transfer will be first applied towards meeting the additional requirement.

Department of Technology

The Department of Technology is the central information technology (IT) organization for the State of California. The Department is responsible for the approval and oversight of statewide IT projects, statewide IT professional development, and centralized IT services to state and local governments. The Department promulgates statewide IT security policies and procedures, and has responsibility over telecommunication and reportable IT project procurements. To support the Department, the Budget includes total funding of $364.4 million ($4.5 million General Fund).

Significant Adjustments:

- Information Security—The Budget includes an increase of $1.6 million and 11 positions to expand an information security pilot program into a permanent audit unit that will review all departments for compliance with information security requirements.
- Project Oversight—The Budget includes an increase of $1.7 million and 12 positions to provide project oversight and procurement support to departments to improve the quality, value, and likelihood that IT projects undertaken by the state will be successful.

Public Employment Relations Board

The Public Employment Relations Board administers and enforces California public sector collective bargaining laws, promotes improved public sector employer-employee relations, and provides a timely and cost-effective method through which employers, employee organizations, and employees can resolve their labor relations disputes. To support the Board and its activities, the Budget includes total funding of $10.3 million ($10.2 million General Fund).

Significant Adjustment:

- Reducing Backlogs—The Budget includes an increase of $885,000 General Fund and 5 positions to reduce backlogs and contribute toward meeting statutory timelines.

Department of Fair Employment and Housing

The Department of Fair Employment and Housing is responsible for protecting the people of California from employment, housing and public accommodations discrimination, and acts of hate violence. The Department has jurisdiction over both private and public entities operating within the state, including corporate entities, private sector contracts granted by the state, and all state departments and local governments. To support the Department, the Budget includes total funding of $25.9 million ($20.2 million General Fund).

Significant Adjustment:

- Enforcement Resources—The Budget includes an increase of $2.5 million General Fund and 21 positions to allow the Department to meet its federal and state requirements to provide thorough and timely investigations of discrimination complaints.

Office of Emergency Services

The principal objective of the Office of Emergency Services (OES) is to protect lives and property, build capabilities, and support communities for a resilient California. The OES collaborates with local governments in preparing for and responding to hazards and threats. During an emergency, the OES functions as the Governor's immediate staff to provide guidance and coordinate the state's responsibilities while responding to disasters such as fires, floods, earthquakes, and terrorism. To support the OES, the Budget includes total funding of approximately $1.5 billion ($166.5 million General Fund).

Significant Adjustment:

- Enhanced Services—The Budget proposes an increase of $35.2 million General Fund to support the Office of Emergency Services' responsibility for emergency preparedness and response. This proposal includes a one-time $20 million General Fund augmentation to purchase wildland fire engines, which will be placed throughout the state as part of the State Fire and Rescue Mutual Aid System. In addition, this proposal includes $4.2 million General Fund for both the Fire and Rescue Branch and the Law Enforcement Branch to expand the capacity to respond to major fires and other natural and man-made disasters throughout the state. This also includes $5 million General Fund to support Statewide Disaster Programs.

Medical Marijuana Regulations

The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for the licensing and enforcement of the cultivation, manufacture, transportation, storage, and distribution of medical marijuana in California.

The Budget includes $5.4 million Medical Marijuana Regulation and Safety Act Fund in 2015-16 to fund initial regulatory activities. In addition, the Budget includes $12.8 million General Fund, $10.6 million Medical Marijuana Regulation and Safety Act Fund, $1.2 million other special funds, and 126 positions to implement the regulation of medical marijuana in California. Specific proposals include:

- Department of Consumer Affairs—$1.6 million in 2015-16 and $3.8 million from the Medical Marijuana Regulation and Safety Act Fund and 25 positions in 2016-17 to create the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs. The Bureau will regulate the transportation, storage, distribution, and sale of medical marijuana within the state and will also be responsible for licensing, investigation, enforcement, and coordination with local governments.

- Department of Public Health—$457,000 in 2015-16 and $3.4 million from the Medical Marijuana Regulation and Safety Act Fund and 14 positions in 2016-17 to the Department of Public Health for the licensing and regulation of medical marijuana product manufacturers and testing laboratories.

- Department of Food and Agriculture—$3.3 million in 2015-16 and $3.4 million from the Medical Marijuana Regulation and Safety Act Fund and 18 positions in 2016-17 to the Department of Food and Agriculture to provide Medical Cannabis Cultivation Program administrative oversight, promulgate regulations, issue medical marijuana cultivation licenses, and perform an Environmental Impact Report. In addition, the Department of Food and Agriculture will be responsible, with assistance from the Board of Equalization, to establish a "seed-to-sale" program to report the movement of medical marijuana products throughout the distribution chain using unique identifiers.

- Department of Pesticide Regulation—$700,000 Pesticide Regulation Fund and 3 positions in 2016-17 to the Department of Pesticide Regulation to develop guidelines for the use of pesticides in the cultivation of medical marijuana.
- Department of Fish and Wildlife—$7.6 million General Fund and 31 positions in 2016-17 for the Department of Fish and Wildlife to expand and make permanent the statewide multi-agency task force established in 2014 to address environmental impacts of medical marijuana cultivation and work with the State Water Resources Control Board (Water Board) and Department of Food and Agriculture to regulate water diversions.
- State Water Resources Control Board—$5.7 million ($5.2 million General Fund and $472,000 Waste Discharge Permit Fund) and 35 positions in 2016-17 for the Water Boards to develop and implement a regulatory program to address the environmental impacts of medical cannabis cultivation. This program will protect instream flows for fish from water diversions related to marijuana cultivation.

Precision Medicine

The Budget provides $10 million on a one-time basis to the Office of Planning and Research (OPR) to further the efforts of the California Initiative to Advance Precision Medicine (CIAPM), and build on the $3 million appropriation made in the 2014 Budget Act. Hosted by the University of California (UC) San Francisco and University of California Health through an interagency agreement with OPR, CIAPM currently funds two demonstration projects: the Kids Cancer Comparison Project, led by UC Santa Cruz, and the Precision Diagnosis of Acute Infectious Disease project, led by UC San Francisco, with both projects representing multi-institution collaboration and in-kind support. The $10 million augmentation will fund additional demonstration projects in precision medicine over a multi-year period and facilitate additional multi-institution and private-sector partnerships, with a portion of this funding subject to nonstate matching funds. Projects will be expected to demonstrate concrete results and findings related to uses of precision medicine within a 24-month period.

Department of Industrial Relations

The Department of Industrial Relations works to improve working conditions, enforces laws relating to wages, hours, conditions of employment, and workers' compensation, and adjudicates workers' compensation claims.

Significant Adjustments:

- Private Attorney General Act Resources—The Labor and Workforce Development Agency receives notices for approximately 6,000 Private Attorney General Act cases per year. The Budget includes an increase of $1.4 million Labor and Workforce Development Fund and 9 positions for the Department of Industrial Relations to review and investigate additional cases and evaluate proposed settlement agreements to determine if they are consistent with the Act. The Budget also includes $207,000 Labor and Workforce Development Fund and 1 attorney at the Agency to oversee the program. The Budget additionally includes proposed legislation to streamline the administration of the Act.
- Retaliation Complaint Investigation Caseload—The Budget includes an increase of $3.2 million Labor Enforcement and Compliance Fund and 19.5 positions to address a significant increase in caseload, eliminate the current backlog of old cases, and provide an appropriate number of supervisory staff. From 2011 to 2014, the unit experienced a 48-percent increase in caseload and over 2,400 cases remained open at the end of 2014.
- Wage Claim Adjudication Hearings—The Budget includes an increase of $1.8 million Labor Enforcement and Compliance Fund and 9 positions to address a growing backlog of wage claim adjudication hearings. The growing complexity of labor law has resulted in higher wage claims comprised of multiple violations. As a result, hearings are taking longer. In 2014, it took an average of four months for a hearing to be held after an initial conference failed to result in a settlement. In busier offices, this can take as long as eight months.

EXHIBIT F

2017-18 GOVERNOR'S BUDGET SUMMARY

Edmund G. Brown Jr. Governor
State of California

To the California Legislature
Regular Session 2017-18

Statewide Issues and Various Departments

This Chapter describes items in the Budget that are statewide issues or related to various departments.

Employee Compensation and Collective Bargaining

The Budget includes $1.2 billion ($602 million General Fund) for employee compensation, health care costs for active state employees, and retiree health care prefunding for active employees. Included in these costs are salaries and benefit increases as a result of contract negotiations and pay increases related to minimum wage changes in Chapter 4, Statutes of 2016 (SB 3). Funding is also included for 2018 calendar year increases in health care premiums and enrollment.

Through the collective bargaining process, the Administration remains focused on addressing the state's $74 billion unfunded liability for retiree health benefits. The strategy for addressing the liability includes equal cost-sharing between the employee and employer to prefund retiree health benefits, and for new employees, extending the period to qualify for retiree health benefits, and reducing the employer subsidy for retiree health benefits. Agreements reached in the past year have all included these retiree health provisions.

Since the 2016 Budget Act, the Administration has negotiated successor contract agreements with the bargaining units represented by the Service Employees International Union (SEIU), Attorneys and Administrative Law Judges, Public Safety Officers, Craft and

Maintenance Workers, Stationary Engineers, Health and Social Service Professionals, Psychiatric Technicians, and Firefighters. The Administration will continue bargaining with the unit representing Physicians and Dentists, the only bargaining unit that remains without an agreement.

Additionally, as part of Chapter 2, Statutes of 2016 (AB 133), the 2015 Budget Act included a one-time allocation of $240 million to pay down the state's unfunded liability for retiree health care. This amount was to be apportioned to the trust fund accounts of bargaining units that had reached a memorandum of understanding with the Administration by November 1, 2016, and where such agreement includes employer and employee contributions for prefunding retiree health care. Pursuant to the requirements of AB 133, the $240 million appropriation has been apportioned to the Attorneys and Administrative Law, California Highway Patrol, Correctional Officers, Public Safety Officers, Professional Engineers, and Professional Scientists units.

Currently, the state has approximately $400 million set aside in the prefunding trust fund to pay for future retiree health benefits. By the end of 2017-18, the trust fund balance will more than double and approach $1 billion in assets.

State Retirement Contributions

The Administration remains committed to the long-term sustainability of the state retirement systems and to ensuring the benefits promised its employees are paid out during their retirement years.

Presently, like many other public pension funds, the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) are struggling to keep funding on track to pay for future benefits. Weak investment returns in a low-interest rate environment have exposed the volatility of portfolios heavily reliant on stock returns. This dynamic is compounded by a maturing membership, with active employees—who pay into the system—nearly equaling the number of retirees drawing benefits. An increase in retiree life expectancy is also increasing costs. When the financial markets fall, the pension systems must spread the losses over a relatively small number of employees—driving substantial increases in contribution rates as a percentage of payroll. CalPERS and CalSTRS are facing negative cash flows, meaning the systems have to sell assets to pay for benefits. Additionally, because both systems are less than 100 percent funded, contributions above the normal cost—the cost associated with employee benefits earned in a given year—are necessary to continue to pay down unfunded liabilities.

To address these issues, both CalPERS and CalSTRS have been evaluating the long-term investment assumptions—or discount rate—that the pension systems use to estimate contributions from employers, including the state. Lowering expectations for long-term investment earnings will trigger contribution increases for employers and most employees.

The Budget includes $5.3 billion ($2.8 billion General Fund) for state contributions to CalPERS for state pension costs. In addition, the Budget includes $672 million General Fund for California State University retirement costs. These estimates include the effect of the recent CalPERS board decision to reduce the current 7.5 percent discount rate to 7 percent over the next three budget years. The reduction of the discount rate results in additional state contributions of approximately $172 million ($105 million General Fund) in 2017-18, increasing to $2 billion ($1.1 billion General Fund) when the discount rate changes are fully implemented. Total state pension contributions are expected to reach $9.7 billion ($5.6 billion General Fund) by 2023-24 due to changes in the discount rate, scheduled contribution increases under existing funding policies, and payroll growth.

The Budget also includes $2.8 billion General Fund for state contributions to CalSTRS. The Budget assumes CalSTRS will adopt new mortality assumptions, implement a discount rate reduction, and exercise its authority to increase state contributions by 0.5 percent, resulting in an additional $153 million in General Fund contributions. The proposed funding is consistent with the funding strategy signed into law in 2014, and positions CalSTRS on a sustainable path forward, eliminating the unfunded liability in about 30 years.

Figure SWE-01 provides a historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits.

Secure Choice Retirement Savings Program

Chapter 804, Statutes of 2016 (SB 1234), authorized the Secure Choice Retirement Savings Investment Board to implement the California Secure Choice Retirement Savings Program—a state-administered retirement savings program for private sector employees

Figure SWE-01

State Retirement and Health Care Contributions [1/]

(Dollars in Millions)

	CalPERS[2/]	CSU CalPERS	CalSTRS	JRS	JRS II	LRS	Active Health & Dental[3/]	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding[4/]
2008-09	$3,063		$1,133	$189	$40		$2,146	$1,183		
2009-10	2,861		1,191	184	32		2,120	1,182		$3
2010-11	3,230		1,200	166	54		2,277	1,387		2
2011-12	3,174		1,259	195	58		2,439	1,505		0
2012-13	2,948 [5/]	$449 [5/]	1,303	160	51		2,567	1,365 [5/]	$222 [5/]	0
2013-14	3,269	474	1,360	188	52	$1	2,697	1,383	225	22
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256	38
2015-16	4,338	585	1,935	190	67	1	2,968	1,556	264	51
2016-17[6/]	4,754	621	2,473	202	68	1	3,101	1,647	273	323 [7/]
2017-18[6/]	5,278	672	2,787	197	67	1	3,250	1,783	295	189

[1/] The chart does not include contributions for University of California pension or retiree health care costs.

[2/] In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

[3/] These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and CSU.

[4/] Amount reflects the employer contribution to pay down the OPEB unfunded liability.

[5/] Beginning in 2012-13, CSU pension and health care costs are displayed separately.

[6/] Estimated as of the 2017-18 Governor's Budget. 2017-18 General Fund costs are estimated to be $2,783 million for CalPERS, $672 million for CSU CalPERS, $2,074 million for Retiree Health & Dental, $1,526 million for Active Health and Dental, and $100 million for Other Post-Employment Benefits (OPEB) Prefunding. The remaining totals are all General Fund.

[7/] Amount includes a one-time prefunding contribution of $240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

in California with no access to workplace retirement savings plans. According to the feasibility study sponsored by the Board, there are approximately 6.8 million workers who do not have access to a workplace retirement plan. The program offers all eligible workers an opportunity for retirement savings at a low cost to provide financial security during their retirement years. The Budget provides an initial $15 million General Fund loan to fund the necessary start-up and administrative costs to implement the program. Additional General Fund loans will be provided in future years, as the program ramps up activities. Each loan will be repaid from the administrative fee charged to participants.

CIVIL SERVICE IMPROVEMENT

The Administration continues to pursue strategies to improve the state's civil service system that enable state departments to quickly recruit, hire, train, and develop employees through a merit-based process. Since the 2016 Budget Act, the Administration has furthered these efforts by implementing a web-based job analysis library for personnel officers, expanding the leadership competency training program for supervisors and managers, and consolidating approximately 2,000 human resource policy memoranda into a single and searchable online resource. To further these efforts, the Budget includes $2.8 million in reimbursement authority for the Department of Human Resources to expand the capacity of the statewide training center, providing additional streamlined and tailored instruction for civil service employees. The Budget also establishes a statutory framework to further ongoing class consolidation efforts, which will increase promotional opportunities for employees while ensuring sufficient probation periods remain in place. The proposed statutory language will also provide departments—and job candidates—with hiring flexibility, by refreshing eligibility lists more frequently to respond to a dynamic workforce.

INFORMATION TECHNOLOGY SECURITY

The Administration remains committed to keeping data about government operations safe and secure. In 2015, the Governor issued an Executive Order to establish the California Cybersecurity Information Center through the Office of Emergency Services as a coordinating entity for state agencies involved in protecting the state's computer networks and technology infrastructure. Several units at the Department of Technology are dedicated to preventing and responding to attacks on the state's Data Center, which houses the majority of the state's server capacity and network infrastructure. The Department of Technology's Office of Information Security audits departments for compliance with state security policies and the Military Department's Cyber Network Defense Team performs security assessments to identify vulnerabilities in departments' information technology infrastructure. Additionally, the Administration funds individual departments for information technology security operations as part of departments' state operations appropriations.

The Budget includes $9.9 million ($5.3 million General Fund) to strengthen the state's information technology security operations across various departments.

Cannabis Regulation

The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for the licensing and enforcement of the cultivation, manufacture, transportation, storage, and distribution of medical cannabis in California. Proposition 64, the Adult Use of Marijuana Act, made the recreational use of cannabis legal to people over the age of 21. In addition, Proposition 64 makes it legal to sell and distribute cannabis as a regulated business beginning on January 1, 2018.

Proposition 64 levies new excise taxes on the cultivation and retail sale of both recreational and medical cannabis as of January 1, 2018. The cultivation tax is $9.25 per ounce of flower and $2.75 per ounce of leaves, to be paid on all recreational and medicinal cultivation of cannabis, and will be adjusted for inflation beginning in 2020. In addition, there will be a 15-percent tax on the retail price of cannabis. Recreational cannabis will also be subject to state and local sales taxes. Medical cannabis, on the other hand, is exempt from existing state and local sales taxes.

The amount and timing of revenues generated from the new excise taxes are highly uncertain and will depend on various factors including state and local regulations, how cannabis prices and consumption change in a legal environment, and future federal policies and actions toward the cannabis industry. Under Proposition 64, revenues generated from the new excise taxes will be allocated for various purposes, as specified by Proposition 64, including regulatory costs, youth substance use programs, environmental clean-up resulting from illegal cannabis growing, programs to reduce driving under the influence of cannabis and other drugs, and to reduce negative impacts on public health or safety resulting from the legalization of recreational cannabis.

As the state moves forward with the regulation of both medical cannabis and recreational cannabis, one regulatory structure of cannabis activities across California is needed. Implementing the current medical and recreational cannabis statutes separately will result in duplicative costs of an additional $25 million for a second track and trace system. Additionally, a separate regulatory framework for each would lead to confusion among licensees and regulatory agencies, undermining consumer protection and public safety.

The Budget includes $52.2 million for the regulation of cannabis in 2017-18 to fund regulatory activities, processing of licenses, and enforcement. Since cannabis license fees will not be collected until January 1, 2018, the General Fund provided loans to the Marijuana Control Fund to cover the initial implementation and regulatory costs for cannabis-related activities. It is anticipated that these loans will be repaid in 2018-19.

Specific proposals include:

- Department of Consumer Affairs—$22.5 million to enhance the Bureau of Medical Cannabis Regulation within the Department of Consumer Affairs. The Bureau will regulate the transportation, storage, distribution, and sale of cannabis within the state and will also be responsible for licensing, investigation, enforcement, and coordination with local governments.
- Department of Public Health—$1 million for the licensing and regulation of medical cannabis product manufacturers.
- Department of Food and Agriculture—$23.4 million to provide Cannabis Cultivation Program administrative oversight, promulgate regulations, issue cannabis cultivation licenses, and perform an Environmental Impact Report. In addition, the Department of Food and Agriculture is responsible, with assistance from the California Department of Technology and the Board of Equalization, for establishing a track and trace program to report the movement of medical cannabis products throughout the distribution chain using unique identifiers.
- Board of Equalization—$5.3 million in 2017-18 to notify businesses of the new tax requirements and update its information technology systems to register businesses and process tax returns from retail sales. Proposition 64 requires the Board of Equalization to administer an excise tax on cannabis sales and a cultivation tax on all harvested cannabis that enters the commercial market.
- Department of Health Care Services—$5 million in 2016-17 for the public information program specified in Proposition 64. The program, to be established and implemented no later than September 1, 2017, will cover a number of health-related topics pertaining to cannabis and cannabis products.

State Fleet Zero-Emission Vehicles

Building upon the Governor's Executive Order B-16-12, which mandated specified increases to the number of zero-emission vehicles purchased for use in the state fleet, the Administration released an updated Action Plan in October 2016. It commits the state to further increasing the percentage of zero-emission vehicles purchased annually, starting at 15 percent in 2017-18 and reaching 50 percent by 2019-20. To more effectively implement the new directive, the Budget includes $6.6 million ($3.3 million General Fund) for engineering assessments associated with electric vehicle charging infrastructure at state facilities. The Department of General Services will be required to certify it has maximized all available funding from non-state sources in advance of supporting these activities with state funds.

Public Utilities Commission

The California Public Utilities Commission regulates privately owned telecommunications, electric, natural gas, and water companies, in addition to overseeing railroad/rail transit, moving and transportation companies. The Commission is the only agency in the state charged with protecting private utility consumers and overseeing that customers have safe, reliable utility service at reasonable rates. The Budget includes $1.8 billion for the Commission.

During the last legislative session, the Governor signed a package of legislation enacting various reforms to improve safety, governance, accountability and transparency of the Commission. In an accompanying signing message, the Governor also called on the Commission to take additional actions to further improve transparency and accountability, including appointing an Ethics Ombudsman; establishing a web portal for the Public Advisor to receive public complaints and comments; creating a more streamlined process for releasing information to the public; improving coordination with other state agencies and departments; increasing the Commission's presence outside of San Francisco; and working with the California Research Bureau to study the governance of telecommunications service.

The Governor also directed the Administration to work with the Commission to develop a reorganization plan to transfer Commission duties and responsibilities over transportation-related entities to departments within the California Transportation Agency; codify the appointment of all senior executive staff who will serve at the pleasure of the Commission, including the Executive Director, General Counsel, Chief Internal Auditor, and Chief Administrative Law Judge; and codify the appointment of a Deputy Executive Director for Safety.

The Administration and the Commission will continue to work on implementing these measures throughout the current and upcoming fiscal years. Additional reform measures that may require legislative approval include subjecting the Commission to the judicial review provisions of the California Public Records Act and revising the Commission's public records response and confidentiality statute.

($4.9 billion total) and $48 million for lease revenue bonds ($598 million total) and is attributed to recent bond sales and the planned issuance of additional bonds over the next year.

The Administration continues to take actions to better manage this area of the Budget, such as requiring GO bond programs to demonstrate an immediate need for additional bond proceeds prior to issuing new bonds. These efforts have helped reduce the amount of unspent GO bond proceeds in the state treasury from approximately $13.9 billion as of December 2010, to just less than $1.4 billion by the end of October 2016, excluding the recent fall 2016 bond sales. In addition, only the most critical new lease revenue bond funded projects have been approved, thus minimizing new debt service while continuing to make needed investments.

California Five-Year Infrastructure Plan

In conjunction with the release of the Governor's Budget, the Administration is releasing the 2017 Five-Year Infrastructure Plan. The Plan outlines the Administration's infrastructure priorities for the next five years, including investments in transportation and high-speed rail, state institutions, natural resource programs, and education. Given the state's General Fund constraints, the Plan proposes limited investments to the most critical infrastructure projects.

EXHIBIT G

GOVERNOR'S BUDGET SUMMARY
2018-19

Edmund G. Brown Jr. Governor
State of California

To the California Legislature
Regular Session 2017-18

Statewide Issues and Various Departments

This Chapter describes items in the Budget that are statewide issues or related to various departments.

Supplemental Transfer to the Rainy Day Fund

The Budget proposes a $3.5 billion supplemental transfer from the General Fund to the Budget Stabilization Account in addition to the current projected amounts required by Section 20 of Article XVI of the California Constitution. In total, the $5 billion transfer brings the Rainy Day Fund to $13.5 billion in 2018-19, achieving the maximum balance allowed by the Constitution for the fiscal year. In the event the amounts required to be transferred for 2017-18 through 2019-20 exceed the estimates reflected in the 2018-19 Budget (as part of the Proposition 2 "true up" process), the supplemental transfer will first be applied towards meeting those additional requirements.

Wildfire Response and Recovery

Beginning in October 2017, California faced the most lethal and destructive fires in the history of the state.

On October 8, 2017, a series of wildfires erupted in Northern California and engulfed 100 square miles. Sparked by the same hot, windy conditions, other major wildfires soon broke out across the state, devastating more than 245,000 acres of land and destroying over 8,900 structures.

Containment took nearly two weeks, and tragically 44 lives were lost.

On December 4, 2017, another series of wildfires erupted in Southern California, resulting in significant destruction in Ventura, Los Angeles, San Diego and Santa Barbara counties. These fires spread quickly due to strong winds and dry brush. The fires destroyed hundreds of homes and other structures, burned almost 300,000 acres, and caused widespread power outages that forced the closure of major highways and local roads.

The Governor declared emergencies in all of these disasters. The Governor also secured a Presidential Major Disaster Declaration for the Northern California wildfires, providing direct federal aid for residents of those counties who have suffered related losses. Workers in these counties who have lost jobs or had work hours substantially reduced as a result of the fires are also now eligible for federal Disaster Unemployment Assistance benefits. The Governor is seeking a similar Presidential Declaration for the Southern California wildfires.

Executive orders were issued to waive the one-week waiting period for unemployment insurance benefits for impacted individuals; suspend the fees associated with the replacement of specified documents and records; suspend specified procurement rules to allow state agencies to enter into contracts for goods, materials, and services necessary to quickly assist with response and recovery efforts; and strengthen coordination between state agencies on environmental restoration in fire-impacted areas. For Northern California, the executive orders also suspended planning and zoning requirements and state fees for manufactured homes and mobile home parks to help displaced residents with housing needs, and streamlined regulations to allow wildfire-impacted facilities regulated by the California Department of Social Services and the California Department of Public Health to remain open.

Estimates for the total costs across the state will be in the billions of dollars, and the full economic impacts will not be realized for years due to the widespread losses across multiple industries and communities. Currently, CAL FIRE response costs require a 2017-18 augmentation of $469.3 million (provided through E-Fund). Due to the dynamic nature of these events, the total General Fund impact will be further refined as part of the May Revision.

As of December 20, 2017, the Director of Finance accessed $43.4 million in resources available in the State Fund for Economic Uncertainties for various departments related to unexpected equipment, personnel, and other disaster assistance costs incurred in response to the Governor's State of Emergency Proclamations related to the wildfires. The majority of these costs are associated with the removal of hazardous waste and debris that threaten public health and the environment if not immediately addressed. Resources were also made available to the Department of Social Services for the purchase and distribution of food to individuals affected by the fires, as well as rental/mortgage vouchers and utility assistance for those who would otherwise be ineligible to receive federal assistance.

In addition to investments being made by California, Congress is currently considering a supplemental disaster-related appropriations bill totaling $4.4 billion to support the state's recovery efforts associated with the Northern California wildfires.

Property Tax Backfill

The Budget includes $23.7 million General Fund to backfill the property tax revenue losses that cities, counties, and special districts will incur in 2017-18 and 2018-19 due to the October 2017 wildfires in Northern California. This funding estimate will be adjusted as part of the May Revision as more information becomes available from county assessors. This adjustment will also include backfills for the property tax revenue losses incurred by cities, counties, and special districts in 2017-18 and 2018-19 due to the Southern California wildfires that started in December 2017. Reliable estimates of the property tax impact of those fires were not available when the Budget was finalized.

The wildfire-related property tax revenue losses incurred by K-14 schools are generally automatically backfilled under the Proposition 98 school funding mechanism. The Budget estimates K-14 schools will incur $24.5 million in cumulative property tax revenue losses in 2017-18 and 2018-19 due to the Northern California wildfires.

Public Safety Communications

The historic wildfires in Northern California this past fall showed the fragility and importance of California's emergency telecommunications system in the face of a disaster. Over the course of several days, major telecommunications infrastructure was lost, hampering firefighting efforts, communications with impacted residents and 9-1-1 capabilities. The Budget proposes $11.5 million State Emergency Telephone Number Account (SETNA) to modernize the state's current antiquated 9-1-1 system with a Next Generation 9-1-1 system, and improve public safety during emergency events.

To complete the implementation of Next Generation 9-1-1, and temporarily continue the operation of the current 9-1-1 system, the Budget proposes to revise the SETNA fee structure. The SETNA has funded the state's 9-1-1 system since it was built in the 1980s. Due to changes in technology, particularly the increased use of data compared to voice communication, the current SETNA fee model is no longer sufficient to support the legacy 9-1-1 system, or the Next Generation 9-1-1 buildout. Currently, the SETNA fee is charged on intrastate voice plans as a percentage fee on total intrastate calls. The Budget proposes to revise the fee structure to a per-subscription flat-rate on all voice and data plans similar to other states.

As part of additional efforts to improve emergency response telecommunications, the Administration is opting into the federal FirstNet program that will provide dedicated telecommunication spectrum to law enforcement and first responders. The Administration continues to explore opportunities to further strengthen all aspects of emergency telecommunications.

Paying Down the State's Long-Term Liabilities

The state's costs for state worker pension and health benefits have continued to increase over the past decade. State health care benefits in particular remain one of the fastest growing areas of state government and have increased five-fold since the early 2000s. This far outpaces population and inflation growth during the same period. In addition, poor investment returns and the adoption of more realistic assumptions related to future investment earnings and demographics have grown the state's retiree long-term costs, debts and liabilities to $272 billion. Prior to 2012, the state's long-term retirement liabilities went unaddressed without a comprehensive plan or strategy for how these benefits would be funded. Recognizing the need to address these long-term liabilities, the Administration has taken bold steps to preserve the ability of the state to keep providing these benefits over the long term.

Over the past several years, there have been significant strides in curbing the growing costs of state retirement programs, including the following:

- Pursuant to Chapter 296, Statutes of 2012 (AB 340), the California Public Employees' Pension Reform Act (PEPRA) was enacted to save billions of taxpayer dollars by capping benefits, increasing the retirement age, and requiring employees to pay at least half of their normal costs (or the amount of money that must be set aside today to pay for the future pension benefits that accrued that year), among other things. According to the California Public Employees' Retirement System (CalPERS), the implementation of PEPRA is projected to save government employers, including the state, an estimated $29 billion to $38 billion over the next thirty years.
- The Governor signed Chapter 47, Statutes of 2014 (AB 1469), putting into law a funding strategy to address the unfunded liability of the California State Teachers' Retirement System (CalSTRS). The funding strategy, which includes predictable increased payments from school districts, teachers, and the state over a seven-year period, positions CalSTRS on a sustainable path forward. The intent is to fully fund the system by 2046. According to CalSTRS, the funding plan is on track to meet this goal.
- The Administration initiated a comprehensive strategy in which the state and its employees began to share equally in the prefunding of retiree health benefits to eliminate a $72 billion

unfunded liability over three decades. The funding plan to eliminate the unfunded liability assumes that the state continues to pay for retiree health benefits on a pay-as-you-go basis (more information on prefunding is below).

- The state continued its commitment to eliminate pension liabilities through a one-time $6 billion supplemental pension payment to CalPERS, funded by a loan from the Surplus Monetary Investment Fund (SMIF). The additional payment will reduce the state's unfunded liability and help lower and stabilize the required annual contributions through 2037-38.

Significant Adjustment:

- The Budget proposes $475 million within the Proposition 2 debt payment requirement to pay down the General Fund's portion of the supplemental pension loan from the SMIF described above.

While retirement liabilities have grown by $48.9 billion since 2012, these collective efforts have put the state on a path to fund these long-term liabilities.

Figure SWE-01 provides a historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits.

State Employees' Retirement Contributions

The Budget includes $6.2 billion ($3.6 billion General Fund) for state contributions to CalPERS for state pension costs. Included in these costs are $685.7 million General Fund for California State University retirement costs.

Teachers' Retirement Contributions

The Budget includes approximately $3.1 billion in General Fund for state contributions to CalSTRS. This roughly $300 million year-over-year increase is due in part to an anticipated increase in payroll growth and the lower assumed investment rate of return adopted by the CalSTRS Board in 2016. The budgeted amount also assumes the Board will exercise its authority to increase state contributions by 0.5 percent of teacher payroll, consistent with the funding strategy signed into law in 2014.

Sustaining State Health Care Benefits

In total, the state is projected to spend approximately $5.6 billion on health care benefits in

Figure SWE-01

State Retirement and Health Care Contributions [1/]

(Dollars in Millions)

	CalPERS [2/]	CSU CalPERS	CalSTRS	JRS	JRS II	LRS	Active Health & Dental [3/]	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding [4/]
2008-09	$3,063		$1,133	$189	$40		$2,146	$1,183		
2009-10	2,861		1,191	184	32		2,120	1,182		$3
2010-11	3,230		1,200	166	54		2,277	1,387		2
2011-12	3,174		1,259	195	58		2,439	1,505		0
2012-13	2,948 [5/]	$449 [5/]	1,303	160	51		2,567	1,365 [5/]	$222 [5/]	0
2013-14	3,269	474	1,360	188	52	$1	2,697	1,383	225	22
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256	38
2015-16	4,338	585	1,935	190	67	1	2,968	1,556	263	63
2016-17	4,754	621	2,473	202	68	1	3,104	1,623	272	342 [7/]
2017-18	5,188	661	2,790	197	76	1	3,252	1,771	291	189
2018-19 [6/]	5,522	686	3,077	195	80	1	3,435	1,891	311	373

[1/] The chart does not include contributions for University of California pension or retiree health care costs, and does not reflect the $6 billion supplemental pension payment in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84).

[2/] In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

[3/] These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and California State University (CSU).

[4/] Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

[5/] Beginning in 2012-13, CSU pension and health care costs are displayed separately.

[6/] Estimated as of the 2018-19 Governor's Budget. 2018-19 General Fund costs are estimated to be $2,901 million for CalPERS, $686 million for CSU CalPERS, $2,198 million for Retiree Health & Dental, $1,613 million for Active Health and Dental, and $194 million for OPEB Prefunding. The remaining totals are all General Fund.

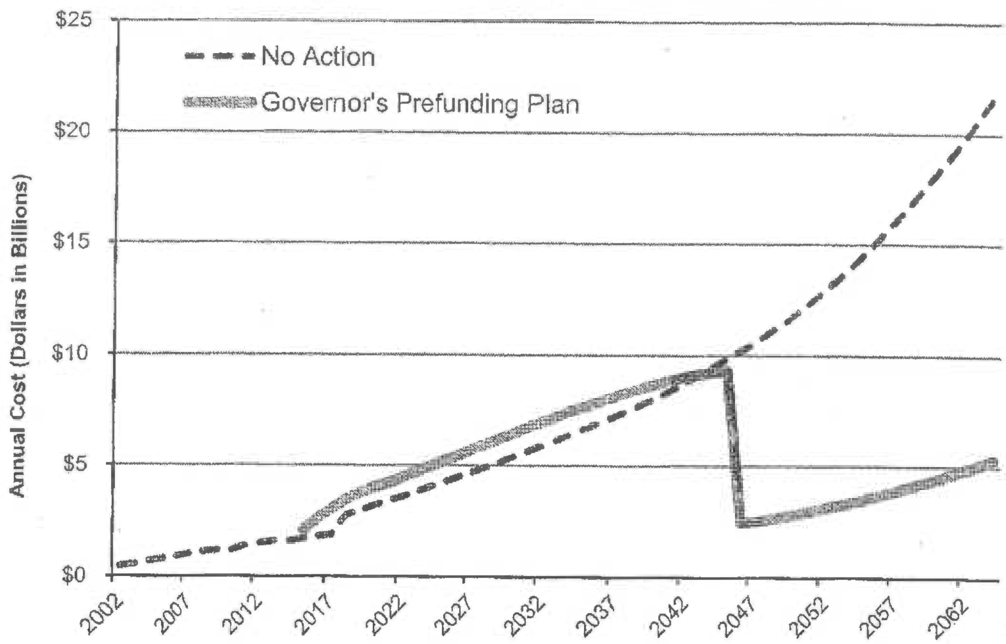
[7/] Amount includes a one-time prefunding contribution of $240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

2018-19 for more than 850,000 state employees, retirees, and their family members. The Budget includes nearly $2.2 billion for retiree health care benefits for 2018-19. These payments are five-fold what the state paid in 2001 ($458 million) and now represent approximately 1.7 percent of the General Fund. Fifteen years ago, retiree health care benefits made up less than one half of one percent of the General Fund.

As a result of these significant cost increases, the Administration negotiated a prefunding plan with state employee unions to address the $72 billion unfunded liability that existed for retiree health care benefits in 2015. Assets are accumulated in a trust fund until they are sufficient to fully fund employee benefits (see Figure SWE-02). The strategy also called for collective bargaining to reduce the state retiree contribution so it equals the contribution level of most active employees and lengthening the number of years employees must work, or "vest," to receive retiree health benefits.

The Administration has successfully negotiated contract agreements with each of the state's employee bargaining units, which included prefunding for retiree health benefits. As a result, more than $570 million is currently set aside in a prefunding trust fund to pay for future retiree health benefits. By the end of 2017-18, the trust fund balance will approach $1 billion in assets.

Figure SWE-02
Eliminating Unfunded Liability for Retiree Health Care



EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes $1.2 billion ($589.5 million General Fund) for increased employee compensation, health care costs for active state employees, and retiree health care prefunding for active employees. Included in these costs are collectively bargained salaries and benefit increases as a result of contract negotiations and pay increases related to minimum wage changes in Chapter 4, Statutes of 2016 (SB 3). Funding is also included for 2019 calendar year increases in health care premiums and enrollment.

In addition, in the upcoming calendar year, the Administration will begin collective bargaining negotiations with 4 of the state's 21 bargaining units, whose contracts with the state will expire in late June or early July 2018.

CONTINUING PROGRESS ON CIVIL SERVICE REFORM

Over the years, efforts have been made to improve the state civil service system to help state departments quickly recruit, hire, train, and develop employees through a merit-based process. In 2015, the Governor initiated Civil Service Improvement (CSI), a comprehensive strategy to systemically improve the civil service system. CSI efforts focus on improving hiring, recruiting, succession planning, retention, training, and other civil service functions to allow California to compete for and retain the best and brightest employees. To date, the state has made important improvements in the state's civil service system, including:

- Improved job searches online and automated the application process.
- Additional online examinations for job seekers.
- Improved benefits oversight and management.
- Increased recruitment of underrepresented communities, veterans, and persons with disabilities.
- Developed more non-traditional apprenticeships to create a pool of talent for hard-to-recruit jobs.
- Overhauled and bolstered leadership training programs and training requirements for state managers, supervisors, and executives.

CSI efforts also continue to focus on consolidating the state's multitude of job classifications to streamline the civil service system. There are currently 17 classification types under review, including consolidating a wide variety of analyst classifications into a single General Analyst class and consolidating 36 information technology classifications into 9 general classes. Although CSI efforts have accomplished a great deal, more progress is needed. The Budget proposes additional statutory changes to make the civil service system more efficient and transparent.

REDEVELOPMENT AGENCIES

Redevelopment agencies were created after the Second World War to allow cities and counties to leverage property tax revenue to rehabilitate blighted urban areas for California's growing postwar population. Redevelopment agencies received the incremental growth in property tax revenue within their project areas after they were established, which would otherwise have gone to cities, counties, special districts, and K-14 schools. Many redevelopment agencies used this revenue to finance bonds whose proceeds paid for the redevelopment activities.

The tax increment financing model that redevelopment agencies used for decades became increasingly unsustainable as each K-14 school district's minimum funding level consists of a mix of property tax revenue and state General Fund revenue, with any shortfall in property tax revenue backfilled by the General Fund. By 2010, the redirection of property tax revenue from schools to redevelopment agencies cost the state $1.6 billion per year.

When the Administration assumed office in 2011, the state faced a budget deficit of over $26 billion. Closing the deficit required a host of sweeping decisions, including eliminating California's approximately 400 redevelopment agencies. Pursuant to Chapter 5, Statutes of 2011 (ABx1 26) and a California Supreme Court decision, the redevelopment agencies were dissolved in February 2012, and each was replaced with a locally organized successor agency that is tasked with retiring the former redevelopment agency's outstanding debts and other legal obligations.

The winding down of the state's former redevelopment agencies continues to be a priority for the Administration. The elimination of redevelopment agencies has allowed local governments to protect core public services by returning property tax money to cities, counties, special districts, and K-14 schools.

From 2011-12 through 2016-17, approximately $2.1 billion was returned to cities, $2.6 billion to counties, and $781 million to special districts. The Budget anticipates that cities will receive an additional $926 million in general purpose revenues in 2017-18 and 2018-19 combined, with counties receiving $990 million and special districts $282 million. The Budget anticipates that average annual property tax revenues of more than $1.2 billion will be distributed to cities, counties, and special districts through 2021-22. This is a significant amount of unrestricted funding that can be used by local governments to fund police, fire, housing, and other public services.

From 2011-12 through 2016-17, approximately $7.3 billion was returned to K-14 schools. The Budget anticipates Proposition 98 General Fund savings resulting from the dissolution of RDAs will be $1.4 billion in 2017-18 and $1.6 billion in 2018-19. Average annual out-year savings are estimated at $1.9 billion through 2021-22.

The Administration sponsored Chapter 785, Statutes of 2014 (SB 628), which restored the ability of cities and counties to use tax increment financing for local development initiatives. The bill allows cities and counties to create Enhanced Infrastructure Financing Districts. Unlike the redevelopment agencies, Districts can only leverage property tax revenues from cities, counties, and special districts that agree to participate and cannot leverage property tax revenues from K-14 schools.

SUPPORT FOR COUNTY ASSESSORS' OPERATIONS

The Budget includes $5 million annually for the next three years for a new initiative to assist in the maintenance and equalization of the county property tax rolls. Proposed statutory language describes the framework for the new program.

HOUSING

For decades, California has faced a shortage of housing due to historical underproduction of adequate supply when compared to demand. While the state has identified 180,000 units of housing needed annually to address the growing population, only 100,000 units on average have been produced annually over the last eight years.

California local governments have primary control over land use and housing-related decisions. Housing entitlements and permits are determined locality by locality, each with its own community needs and challenges. Throughout the development process, each local government may face pressures that discourage housing development, including community opposition, incentive to approve sales tax-generating development over residential development, and market conditions, such as high land and construction costs. These factors often result in policies that increase development costs, including permitting and impact fees, delays in permit approvals, and parking requirements.

In recognition of California's pronounced housing shortage, in 2016, the Administration proposed a "by-right" proposal in conjunction with state funding to streamline local housing approval and drive down per unit housing costs. This proposal was not adopted by the Legislature.

In January 2017, the Administration put forward comprehensive policy principles to reduce local barriers, limit construction delays, lower per-unit costs, provide production incentives, strengthen compliance with existing laws, and establish a permanent source of ongoing funding for affordable housing and related investments.

Within this framework, the Administration and Legislature developed a package that included statutory changes to reduce per unit costs and increase production, a housing bond and a real estate transaction fee. The 15 bills signed into law collectively shorten the housing development approval process, provide incentives to streamline development, and promote local accountability to adequately plan for needed housing. A real estate transaction fee was established that will generate $258 million annually to invest in affordable housing production.

Of these funds, 10 percent is dedicated to affordable homeownership and rental housing for agricultural workers and their families. The housing packing also places a $4 billion bond on the November 2018 ballot for voter approval which includes $3 billion in general obligation bonds for various housing programs and $1 billion for veterans housing.

The state has continued to make a significant investment in affordable housing construction through various grant and loan programs, including the Affordable Housing and Sustainable Communities Program, No Place Like Home Program, and Veterans Housing and Homelessness Prevention Program. Beyond these legislative changes and new funding programs, the state has worked collaboratively across its housing agencies to improve outcomes for its existing programs. The Tax Credit Allocation Committee, which administers the Low Income Housing Tax Credit program, has made a number of regulatory changes in collaboration with the Administration to increase the utilization of this program. These efforts resulted in a historic high of 20,847 units financed with federal tax credits in 2016.
The California Housing Financing Agency has increased its multifamily lending activity each year since the Great Recession, providing $369 million in financing in 2016-17 to support 2,100 affordable housing units. The agency also issued $682 million in private activity bonds for affordable housing since 2015 and provided $4 billion to moderate-income families that do not qualify for the low-income programs through the state's First-Time Homebuyers Downpayment Assistance Program.

The Budget continues the Administration's commitment to improving existing programs and maximizing its investment in housing (see Figure SWE-03). To implement the significant changes included in the 2017 statewide housing legislative package, the Budget allocates $3 million General Fund to the Department of Housing and Community Development, in addition to resources from an estimated $258 million in real estate transaction fee revenue for housing programs and proceeds from the housing bond that will be available upon voter approval in the November 2018 election.

VOTING SYSTEM REPLACEMENT FOR COUNTIES

The vast majority of voting technology used in California is from the late 1990s or early 2000s. Much of the equipment has reached the end of its useful life. The age and lack of replacement parts decreases the reliability and security of the equipment.

The Budget includes a one-time augmentation of $134.3 million General Fund to support the purchase of all necessary hardware, software, and initial licensing for the replacement of voting systems and technology in all 58 counties. This funding represents a 50-percent state share of total voting system replacement costs; counties will be responsible for the other 50 percent.

Figure SWE-03

2018-19 Affordable Housing and Homelessness Funding

(Dollars in Millions)

Department	Program	Amount
Department of Housing and Community Development	Veterans and Affordable Housing Bond Act Programs (SB 3)	$277
	No Place Like Home Program	$262
	Building Homes and Jobs Fund Programs (SB 2)	$245
	Federal Funds	$122
	Housing for Veterans Funds	$75
	Office of Migrant Services	$6
	Various	$54
California Housing Finance Agency[1/]	Single Family 1st Mortgage Lending	$1,500
	Multifamily Conduit Lending	$300
	Multifamily Lending	$200
	Single Family Down Payment Assistance	$108
	Special Needs Housing Program	$30 [2/]
Strategic Growth Council[3/]	Affordable Housing and Sustainable Communities	$455
Tax Credit Allocation Committee	Low Income Housing Tax Credits (Federal)	$259 [4/]
	Low Income Housing Tax Credits (State)	$97
	Farmworker Housing Assistance Tax Credits	$3
Department of Veterans Affairs	CalVet Farm and Home Loan Program	$264
Department of Social Services	CalWORKS Housing Support Program	$47
	CalWORKS Homeless Assistance Program	$35
	CalWORKS Family Stabilization, Housing Component	$3 [5/]
Office of Emergency Services	Transitional Housing Program, Victim of Crimes Act	$12
	Homeless Youth and Exploitation Program	$1
	Domestic Violence Housing First Program	$6
Department of Public Health	Housing Opportunities for Persons with AIDS (HOPWA)	$3
	Housing Plus Program	$2
California Department of Corrections and Rehabilitation	Integrated Services for Mentally-Ill Parolees	$3
	Specialized Treatment of Optimized Programming, Parole Service Center, Day Reporting Center, Female Offender Treatment and Employment Program	N/A [6/]
Department of Health Care Services	Whole-Person Care Pilot Program, Health Homes Program, Mental Health Services Act Community Services and Supports, California Community Transitions Program	N/A [6/]
Total		**$4,369**

[1/] Amounts are based on the lending activities from 2017-18 trends.

[2/] This amount represents a voluntary allocation of Proposition 63 funds from 16 participating counties.

[3/] The Affordable Housing and Sustainable Communities program amount reflects local assistance funds available from 20 percent of projected Cap and Trade revenues.

[4/] This amount represents the 9 percent tax credits allocated in 2018-19 and an estimated figure for 4 percent credit awards based on 2015-2017 averages. This figure does not include the approximately $4 billion of tax-exempt bond debt allocation that is available for award from the California Debt Limit Allocation Committee.

[5/] This amount represents an estimate of the portion of the program associated with housing and homelessness activities.

[6/] The state provides a number of wrap-around supportive services through these programs, including housing support and application assistance, which cannot be separated from the Department of Health Care Services' and Department of Corrections and Rehabilitation's general budgets.

Chapter 832, Statutes of 2016 (SB 450), provided counties with the option to conduct less-costly elections where all voters are sent a vote-by-mail ballot and regional centers are established throughout the county to allow voters to vote at a convenient time and place in the days leading up to an election.

It is expected that most counties will transition to the vote center model authorized by SB 450, which will reduce equipment costs. The costs assume all jurisdictions with more than 50 precincts will go to a vote center model, and counties with less than 50 precincts will continue with the precinct model.

Tax Administration Reform

The Department of Finance's Office of State Audits and Evaluations (OSAE) released a legislatively mandated review of the Board of Equalization in March 2017 that found "certain board member practices have intervened in administrative activities and created inconsistencies in operations, breakdowns in centralized processes, and in certain instances result in activities contrary to state law and budgetary and legislative directives." OSAE's review also identified errors in the allocation of sales tax revenue and other revenues totaling in the hundreds of millions of dollars.

The Administration worked with the Legislature to enact Chapter 16, Statutes of 2017 (AB 102), which initiated various reforms, including the creation of two new departments. Effective July 1, 2017, the majority of the Board was recast as the California Department of Tax and Fee Administration (CDTFA), which performs all statutory duties formerly performed by the Board. AB 102 also created the Office of Tax Appeals (OTA) effective July 1, 2017. Beginning January 1, 2018, OTA adjudicates the tax appeals formerly assigned to the Board, except for those related to the constitutional duties performed by the realigned Board. The OTA adjudicates tax appeals using panels with three administrative law judges selected through the civil service process.

The Board's authority is limited primarily to those duties specified in the State Constitution: the equalization of county property tax rates, assessing specified inter-county and business property, assessing taxes on insurers, and assessing and collecting alcohol excise taxes.

The Budget includes the following resources for the Board, CDTFA, and OTA:

- Board of Equalization—$30.4 million ($30 million General Fund) and 204 positions.
- California Department of Tax and Fee Administration—$664 million ($354 million General Fund) and 4,270 positions.
- Office of Tax Appeals—$20 million General Fund and 80 positions.

With the sweeping reforms and creation of CDTFA, the Administration is undertaking an expedited mission-based review to assess operations and determine the most efficient and effective collection of sales and use tax, which aligns with the core mission and values of the new department.

MEDICINAL AND ADULT-USE CANNABIS

The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for medical cannabis in California, and distributed the responsibility for state licensing between three state entities—the Department of Food and Agriculture, the Department of Public Health, and the Bureau of Cannabis Control. In November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act, which legalized the recreational sale and use of cannabis to people over the age of 21. In addition, Proposition 64 levied new excise taxes on the cultivation and retail sale of both adult use and medical cannabis. Chapter 27, Statutes of 2017 (SB 94), integrated medical and adult use regulations to create the Medicinal and Adult-Use Cannabis Regulation and Safety Act (Cannabis Act), which established the overall framework for the regulation of medicinal and adult-use cannabis in California.

The Budget continues funding as approved in the 2017 Budget Act for cannabis regulatory activities, including the processing of licenses and permits, enforcement, laboratory services, information technology, quality assurance, and environmental protection. California's three state cannabis licensing authorities have emergency regulations in place for commercial medicinal and adult-use cannabis, which includes state-licensed cannabis activity that became effective on January 1, 2018.

As approved in Proposition 64, new excise taxes will be levied on the cultivation and retail sale of both recreational and medical cannabis with tax revenues being deposited in the Cannabis Tax Fund. The amount and timing of revenues generated from the new taxes are uncertain and will depend on various factors including local regulations, and cannabis price and consumption changes in a legal environment.

Proposition 64 specifically delineated the allocation of resources in the Cannabis Tax Fund, which are not subject to appropriation by the Legislature. Pursuant to Proposition 64, expenditures are prioritized as follows:

- Regulatory and administrative costs necessary to implement, administer, and enforce the Cannabis Act. The Administration will use the initial revenues into the tax fund to repay the $135 million General Fund loan used to support these activities while cannabis tax proceeds were unavailable.
- Research and activities related to the legalization of cannabis, and the past effects of its criminalization.
- Programs to support substance use disorder treatment, environmental impacts of cannabis cultivation, and public safety. Because the tax proceeds dedicated to these programs are

based on prior year actual tax collection, the Budget assumes that funding for these programs will be available in 2019-20, consistent with Proposition 64.

Given the timing of the legalized market's opening and the release of the Governor's Budget, the Administration is deferring all cannabis-related budget proposals until the May Revision. While only a limited amount of data will be available at the May Revision, the Administration will use the updated information to make more informed decisions about future resource needs.

MILITARY DEPARTMENT

The Military Department is responsible for the command, leadership and management of the California National Guard, Youth and Community Programs, State Military Reserve and the Naval Militia. The Military Department Youth and Community Program serves California communities and families by delivering national level, high-quality educational support programs, in partnership with the educational community, within a military, academic structured environment.

The Budget expands existing Youth and Community Programs. Specifically, the Budget includes $6.5 million General Fund to update the statewide curriculum for the California Cadet Corps, as well as expand the program to serve a total of 8,125 youths in 2018-19, growing to nearly 22,000 youths in 2022-23. Currently, 51 schools serve 5,800 cadets. This augmentation will enable the Military Department to expand the California Cadet Corps programs to a total of 175 schools by 2022-23.

The Budget also includes $2.4 million General Fund to implement a Porterville Military Institute College Preparatory Academy in Tulare County to serve 500 students beginning in the fall of 2018, and $1.2 million General Fund to provide military personnel at the California Military Institute in Riverside County. The Porterville Military Institute is modeled after the Oakland Military Institute College Preparatory Academy that develops leaders of character by providing a rigorous seven-year college preparatory program to promote excellence in the four pillars of academics, leadership, citizenship, and athletics. The California Military Institute is a public charter school that currently has no military presence on the campus. To improve outcomes for youth at the California Military Institute, the Budget includes resources for the Military Department to dedicate military personnel to provide cadets the leadership and development training that is similarly offered to youth participating in the Oakland Military Institute. Using a military framework, the goal of these Institutes is to graduate cadets who are capable of meeting the admissions requirements of any college in the nation.

Precision Medicine

In 2015, the Governor created the nation's first state-level initiative on precision medicine. Precision medicine aims to improve health and healthcare through better use of advanced computing, technology and data science. Building on the $23 million state investment in precision medicine to date, the Budget proposes to establish the California Institute to Advance Precision Health and Medicine with an additional $30 million one-time General Fund appropriation to continue developing demonstration projects, incorporate successful demonstration projects into the health delivery system, and further advance how data science can be utilized in healthcare. The institute would be administered through a collaboration between public and private nonprofit institutions, overseen by the Governor's Office of Planning and Research.

2020 Census

The Budget includes $40.3 million for statewide outreach and other activities related to the 2020 Census count. Statewide coordination of the multi-year, multi-lingual effort is critical to obtain a complete and accurate count of California residents. The data collected by the decennial census determines the number of seats California has in the U.S. House of Representatives and is also used to determine federal funding levels for local communities.

EXHIBIT H

Milliman

Los Angeles County Employees Retirement Association

Actuarial Valuation of Retirement Benefits
June 30, 2016

Prepared by:

Mark C. Olleman, FSA, EA, MAAA

Nick J. Collier, ASA, EA, MAAA

Craig Glyde, ASA, EA, MAAA

Milliman, Inc.
1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605
Tel +1 206 624 7940
milliman.com

Issued February 21, 2017

Exhibit 8b History of Changes in Unfunded Actuarial Accrued Liability
(Dollars in Millions)

		2012		2013		2014		2015		2016		2012-16
Prior Valuation UAAL	$	9,405	$	11,770	$	13,315	$	11,288	$	9,491	$	9,405
Increase in UAAL due to:												
Expected Increase / (Decrease)		315		870		338		(54)		(102)		1,367
Asset (Gains) and Losses		2,337		893		(1,664)		(1,263)		496		799
Changes in Benefits		-		-		-		-		-		-
Changes in Assumptions		457		511		-		-		2,922		3,890
Changes in Methods		-		-		-		-		-		-
Salary Increases		(629)		(563)		(291)		79		162		(1,242)
CPI Less than Expected		(181)		(190)		(427)		(570)		(191)		(1,559)
Mortality Experience		(22)		(42)		(26)		(59)		(4)		(153)
All Other Experience		88		66		43		70		67		334
Total Increase / (Decrease)		**2,365**		**1,545**		**(2,027)**		**(1,797)**		**3,350**		**3,436**
Valuation UAAL	$	**11,770**	$	**13,315**	$	**11,288**	$	**9,491**	$	**12,841**	$	**12,841**
Funded Ratio		**76.8%**		**75.0%**		**79.5%**		**83.3%**		**79.4%**		**79.4%**

** Year-to-Year Experience includes changes due to Salary, CPI, Mortality and Other Experience.*

Exhibit 11a Total Employer Contributions (without phase-in of new assumptions)

	General							Safety				All
	Plan A	Plan B	Plan C	Plan D	Plan E	Plan G	Total	Plan A	Plan B	Plan C	Total	Plans
A. Net Employer Normal Cost												
1. Basic Benefits	12.65%	6.27%	5.76%	7.05%	8.24%	6.99%	7.35%	19.31%	12.25%	11.22%	12.36%	8.27%
2. Cost-of-Living Benefits	3.22%	1.50%	1.31%	1.39%	1.60%	1.32%	1.44%	5.41%	2.78%	2.78%	2.61%	1.70%
3. Total June 30, 2016	15.87%	7.77%	7.07%	8.44%	9.84%	8.31%	8.79%	24.72%	15.03%	14.00%	14.97%	9.97%
B. UAAL Contribution Rate	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%
C. Total June 30, 2016 Contribution Rate (A) + (B)	**27.11%**	**19.01%**	**18.31%**	**19.68%**	**21.08%**	**19.55%**	**20.03%**	**35.96%**	**26.27%**	**25.24%**	**26.21%**	**21.21%**
D. Total June 30, 2015 Contribution Rate	23.63%	15.94%	15.32%	16.19%	17.49%	16.07%	16.55%	32.25%	22.97%	21.93%	22.94%	17.77%
E. Estimated Payroll for fiscal year beginning July 1, 2017*	$ 24	$ 9	$ 8	$ 3,829	$ 1,514	$ 791	$ 6,174	$ 2	$ 1,363	$ 92	$ 1,456	$ 7,630
F. Estimated Annual Contribution (C x E)	**$ 6**	**$ 2**	**$ 1**	**$ 754**	**$ 319**	**$ 155**	**$ 1,237**	**$ 1**	**$ 358**	**$ 23**	**$ 382**	**$ 1,619**
G. Last Year's Estimated Annual Contribution	$ 7	$ 2	$ 2	$ 612	$ 272	$ 86	$ 980	$ 1	$ 310	$ 12	$ 322	$ 1,302
H. Increase / (Decrease) in Annual Contribution	$ (1)	$ -	$ (1)	$ 142	$ 47	$ 69	$ 257	$ -	$ 48	$ 11	$ 60	$ 317

** Estimated Payroll based upon annualized salary rate as of June 30, 2016 increased by 3.25% wage inflation. Dollar figures in millions.*

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EXHIBIT I

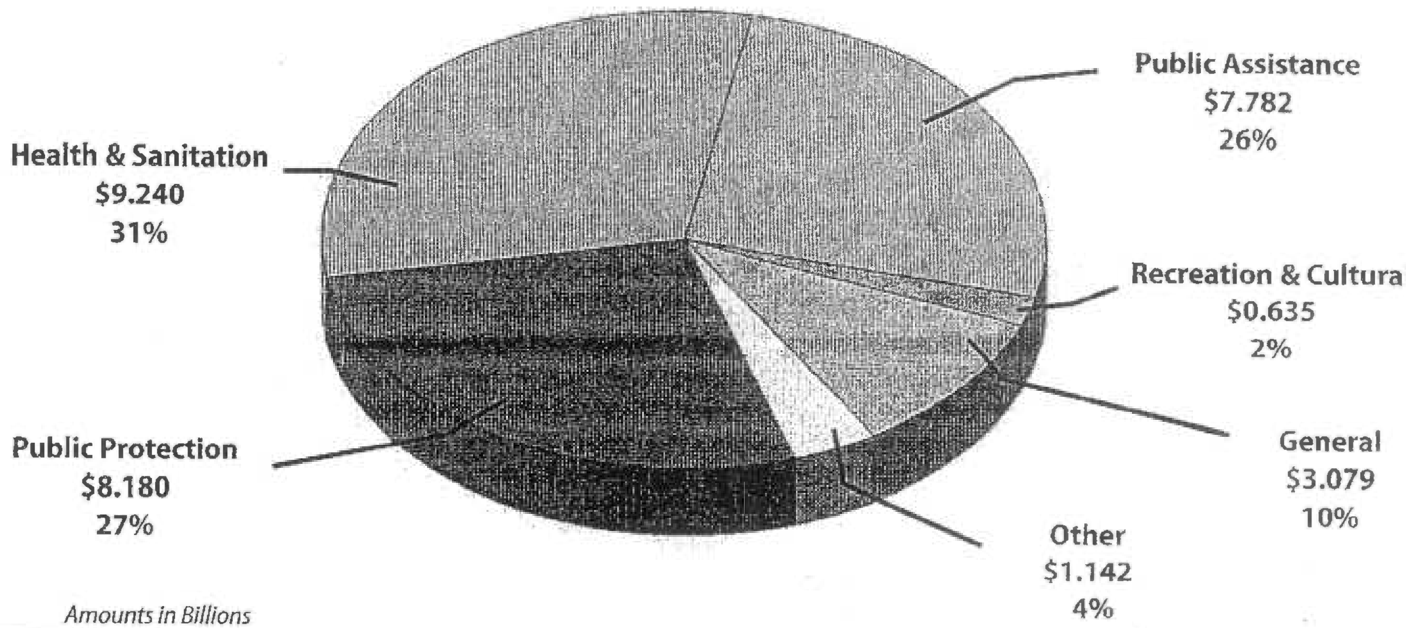
COUNTY OF LOS ANGELES

2017-18 ADOPTED BUDGET

Adopted by the Board of Supervisors

Sachi A. Hamai, Chief Executive Officer

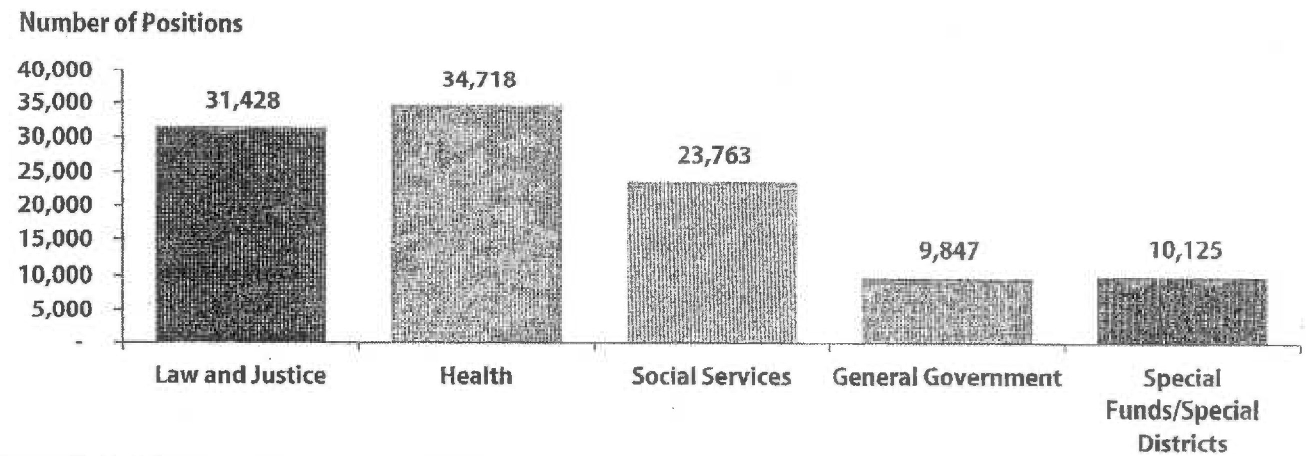
2017-18 ADOPTED BUDGET: $30.058 Billion



Amounts in Billions

	FY 2016-17 Final Adopted Budget	FY 2017-18 Recommended Budget	FY 2017-18 Adopted Budget	Change From Recommended	% Change from Recommended
Total General County	$22.991	$23.324	$23.313	$(0.011)	0.1%
Special Funds/Districts	6.892	6.696	6.745	0.049	0.7%
Total Budget	$29.883	$30.020	$30.058	$0.038	0.1%
Budgeted Positions	108.995	109.630	109.881	251	0.2%

2017-18 ADOPTED BUDGETED POSITIONS: 109,881



Law and Justice	
Agricultural Commissioner	394
Alternate Public Defender	334
Animal Care and Control	441
Child Support Services	1,503
Consumer & Business Affairs	115
District Attorney	2,208
Grand Jury	5
Medical Examiner-Coroner	248
Probation - Summary	6,597
Public Defender	1,152
Regional Planning	200
Sheriff - Summary	18,181
Trial Court Operations	50
Total	31,428

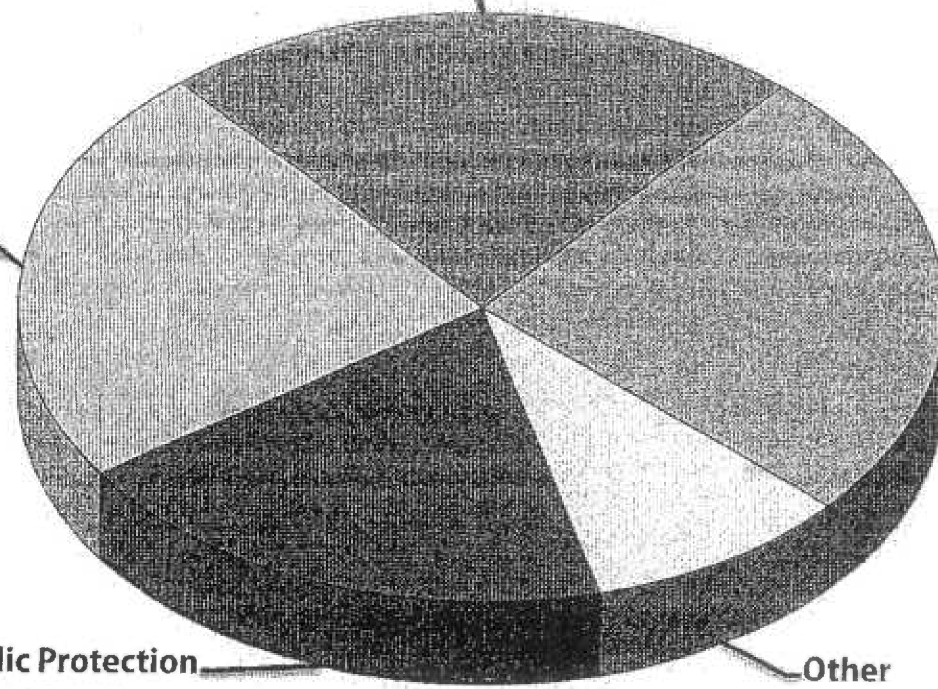
Health	
Health Services	4,460
Hospital Enterprise	20,354
Mental Health	5,129
Public Health - Summary	4,775
Total	34,718

Social Services	
Children and Family Services	9,356
WDACS	552
Military and Veterans Affairs	40
Public Social Services	13,815
Total	23,763

General Government	
Assessor	1,439
Auditor-Controller	621
Beaches and Harbors	303
Board of Supervisors	458
Chief Executive Officer	495
County Counsel	652
Human Resources	424
Internal Services	2,179
Museum of Art	36
Museum of Natural History	11
Parks and Recreation	1,626
Registrar-Recorder/CC	1,072
Treasurer and Tax Collector	531
Total	9,847

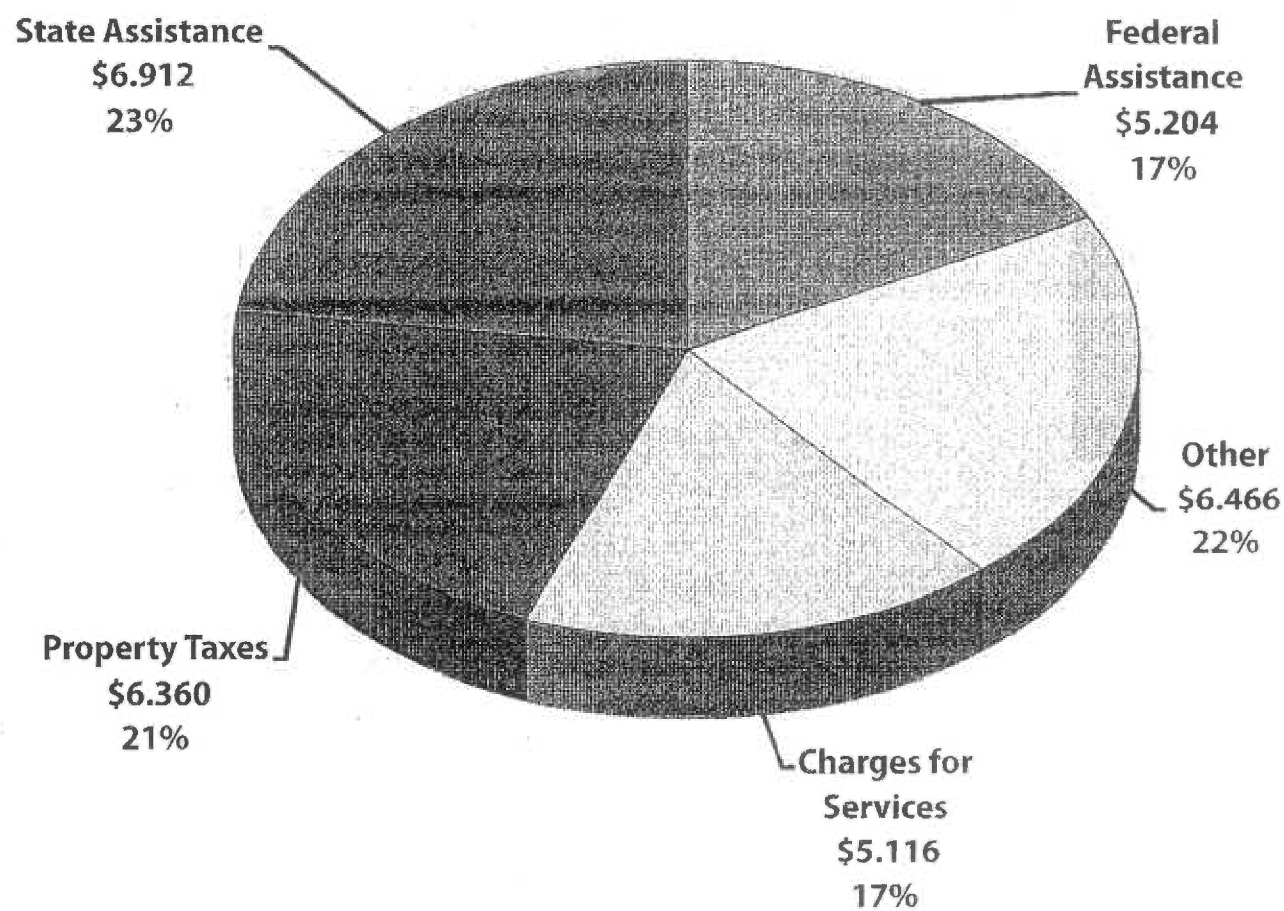
Special Funds/Special Districts	
Fire Department	4,662
Public Library	1,309
Public Works Internal Svs Fund	4,154
Total	10,125

2017-18 TOTAL REQUIREMENTS: $30.058 BILLION



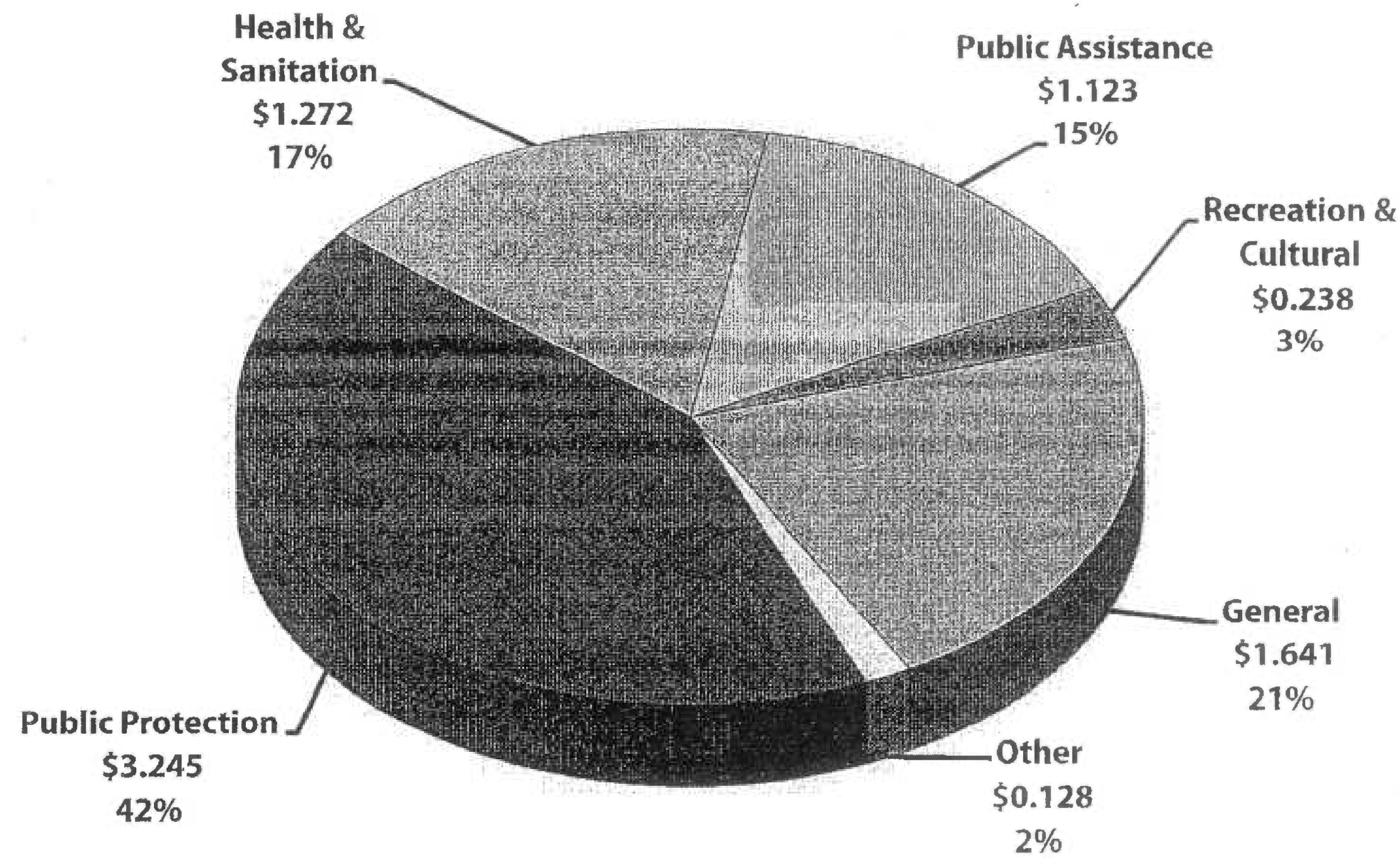
Amounts in Billions

2017-18 TOTAL RESOURCES: $30.058 BILLION



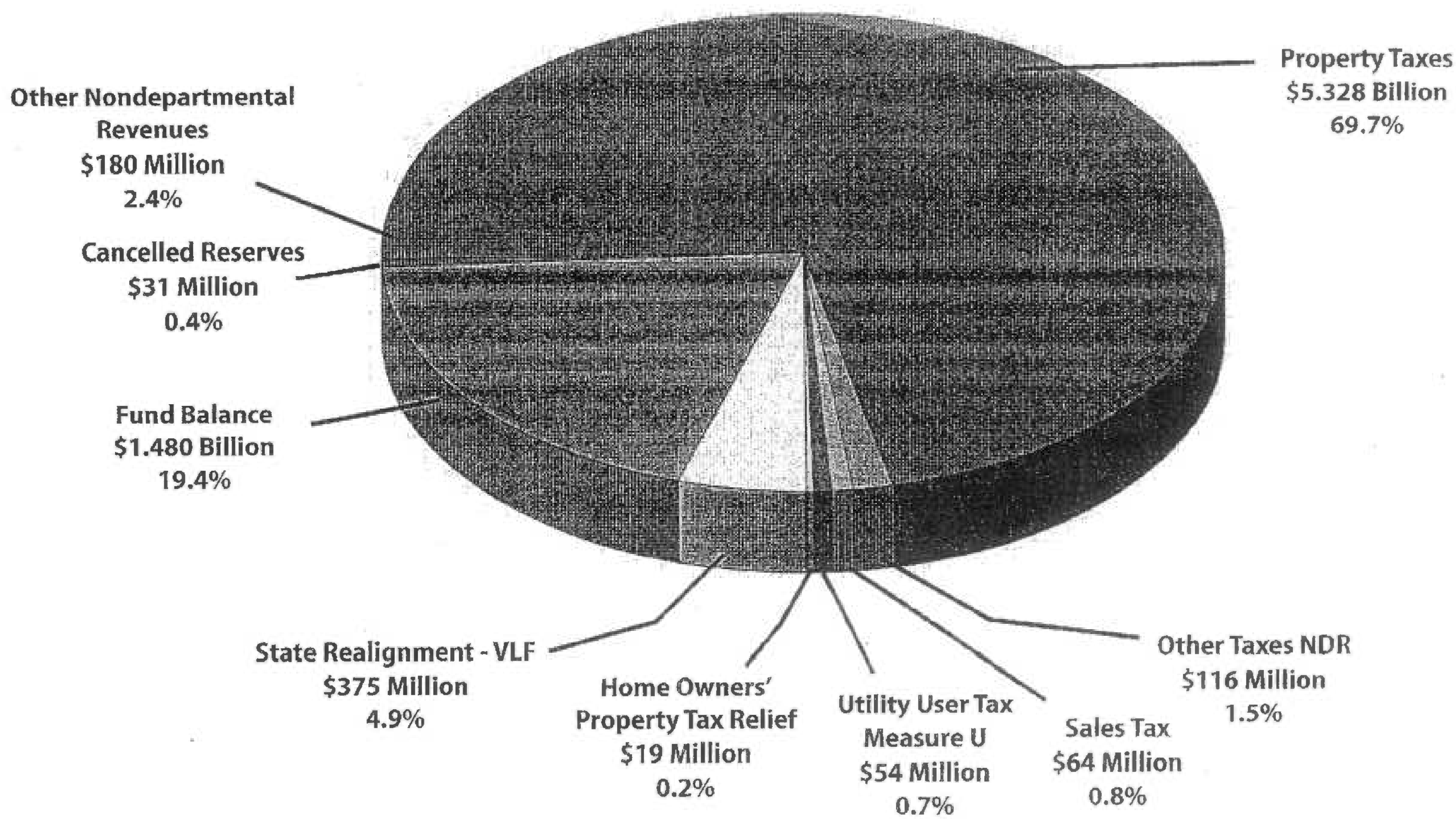
Amounts in Billions

2017-18 NET COUNTY COST BY FUNCTION: $7.647 BILLION



Amounts in Billions

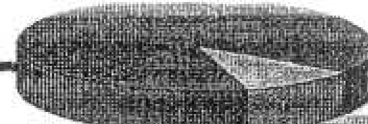
2017-18 LOCALLY GENERATED REVENUES: $7.647 BILLION



MANDATED VS. DISCRETIONARY COSTS

2017-18 ADOPTED BUDGET

$30.058 BILLION*



NCC $7.647 Billion (25.4%)

Program Specific Revenue/Fixed Costs $22.411 Billion (74.6%) ($ in Millions)	
Health/Social Services	$12,290.5
Property Tax Administration	87.3
Prop 172 Public Safety Augmentation Fund	751.3
District Attorney 114.9	
Sheriff 636.4	
Revenues That Offset Costs	2,422.9
Special Funds/Districts	6,745.1
Trial Court Funding	114.3

* Excludes major interfund transfers of revenue that would artificially inflate the size of the total County budget

** Flexible Costs include one-time only expenditures and mandatory functions with discretionary service levels

Flexible Costs $4.358 Billion (14.5%)**

Public Protection - $1.991 Billion (6.6%) ($ in Millions)	
Community-Based Contracts	52.9
Coroner	38.4
Correctional Health Services	336.1
District Attorney – Criminal	171.9
Diversion and Re-Entry	90.2
Emergency Preparedness	5.2
Fire – Lifeguards	34.6
LARICS	6.3
Probation - Camps/Support	279.0
Provisional Financing Uses – Public Safety	46.5
Sheriff	980.2

All Other Costs - $2.367 Billion (7.9%) ($ in Millions)	
Affordable Housing	$22.9
Agric. Comm./Weights & Measures	14.1
Animal Care and Control	34.7
Appropriations for Contingencies	29.5
Capital Projects	561.2
Consumer and Business Affairs	14.0
Countywide Services	53.5
Economic Development	6.0
Extraordinary Maintenance	218.8
General Government	642.3
Health	0.4
Health-Tobacco	64.3
Homeless Services	53.3
Mental Health	5.9
Other Public Services	56.6
Parks and Recreation	150.9
Project & Facility Development	46.7
Provisional Financing Uses – Other	32.7
Public Health	100.8
Recreation and Cultural	36.6
Regional Planning	23.2
Use of Obligated Fund Balance	98.2

Non-Flexible Costs $3.289 Billion (10.9%)

MOE & Mandatory Costs - $3.216 Billion (10.7%) ($ in Millions)	
Alternate Public Defender	$71.4
Court Related (Indigent Defense $56.1)	321.2
District Attorney – Criminal	60.5
Health/Mental Health	783.4
Probation – Other	322.1
Public Defender	214.9
Sheriff	543.7
Social Services	898.6

Other Non-Flexible Costs - $72.9 Million (0.2%) ($ in Millions)	
Grand Jury	$1.8
Judgments & Damages/Insurance	19.4
Museums Obligation	51.7

EXHIBIT J

Segal Consulting

San Diego County Employees Retirement Association

Actuarial Valuation and Review
As of June 30, 2016

This report has been prepared at the request of the Board of Retirement to assist in administering the Plan. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

Summary of Key Valuation Results (Dollar amounts in thousands)

	June 30, 2016		June 30, 2015	
Employer Contribution Rates:[1]	Total Rate	Estimated Annual Amount[2]	Total Rate	Estimated Annual Amount[2]
General, other than Tier C	39.45%	$290,547	35.07%	$258,281
General Tier C (CalPEPRA)	33.03%	58,391	28.96%	51,196
General Combined	38.21%	348,938	33.89%	309,477
Safety, other than Tier C	55.74%	140,156	45.72%	114,963
Safety Tier C (CalPEPRA)	47.89%	20,226	38.02%	16,058
Safety Combined	54.61%	160,382	44.61%	131,021
All Categories combined	42.20%	$509,320	36.50%	$440,498
Average Member Contribution Rates:[1]	Total Rate	Estimated Annual Amount[2]	Total Rate	Estimated Annual Amount[2]
General Tier 1	11.00%	$192	10.70%	$187
General Tier A	12.33%	78,341	11.80%	74,974
General Tier B	9.53%	9,469	8.98%	8,922
General Tier C	8.38%	14,814	8.03%	14,196
Safety Tier A	15.44%	33,230	14.41%	31,013
Safety Tier B	12.67%	4,591	11.94%	4,326
Safety Tier C	14.77%	6,238	13.81%	5,833
All Categories combined	12.17%	$146,875	11.55%	$139,451
Funded Status:				
Actuarial accrued liability (AAL)	$14,349,090		$13,080,080	
Valuation value of assets (VVA)	11,030,635		10,535,337	
Market value of assets (MVA), net of non-valuation reserves	10,253,230		10,285,947	
Unfunded actuarial accrued liability on VVA basis	3,318,455		2,544,743	
Unfunded actuarial accrued liability on MVA basis	4,095,860		2,794,133	
Funded ratio on VVA basis (VVA/AAL)	76.9%		80.5%	
Funded ratio on MVA basis (MVA/AAL)	71.5%		78.6%	
Key Assumptions:				
Interest rate	7.25%		7.50%	
Inflation rate	3.00%		3.00%	
Across the board inflation	0.50%		0.75%	

(1) *Before reflection of any member rate that may be "picked-up" by the employer.*

(2) *Based on June 30, 2016 projected annual compensation.*

CHART 14a (continued)

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

	June 30, 2016 Actuarial Valuation		June 30, 2015 Actuarial Valuation	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
Safety Members other than Tier C				
Normal Cost **	22.62%	$56,876	21.51%	$54,087
UAAL **	33.12%	83,280	24.21%	60,876
Total Contribution	55.74%	$140,156	45.72%	$114,963
Safety Tier C Members (CalPEPRA)				
Normal Cost **	14.77%	$6,238	13.81%	$5,833
UAAL **	33.12%	13,988	24.21%	10,225
Total Contribution	47.89%	$20,226	38.02%	$16,058
Total Safety Members				
Normal Cost **	21.49%	$63,114	20.40%	$59,920
UAAL **	33.12%	97,268	24.21%	71,101
Total Contribution	54.61%	$160,382	44.61%	$131,021
All Categories Combined				
Normal Cost **	15.49%	$186,934	14.77%	$178,253
UAAL **	26.71%	322,386	21.73%	262,245
Total Contribution	42.20%	$509,320	36.50%	$440,498

* *Amounts are in thousands and are based on June 30, 2016 projected annual payroll (also in thousands):*

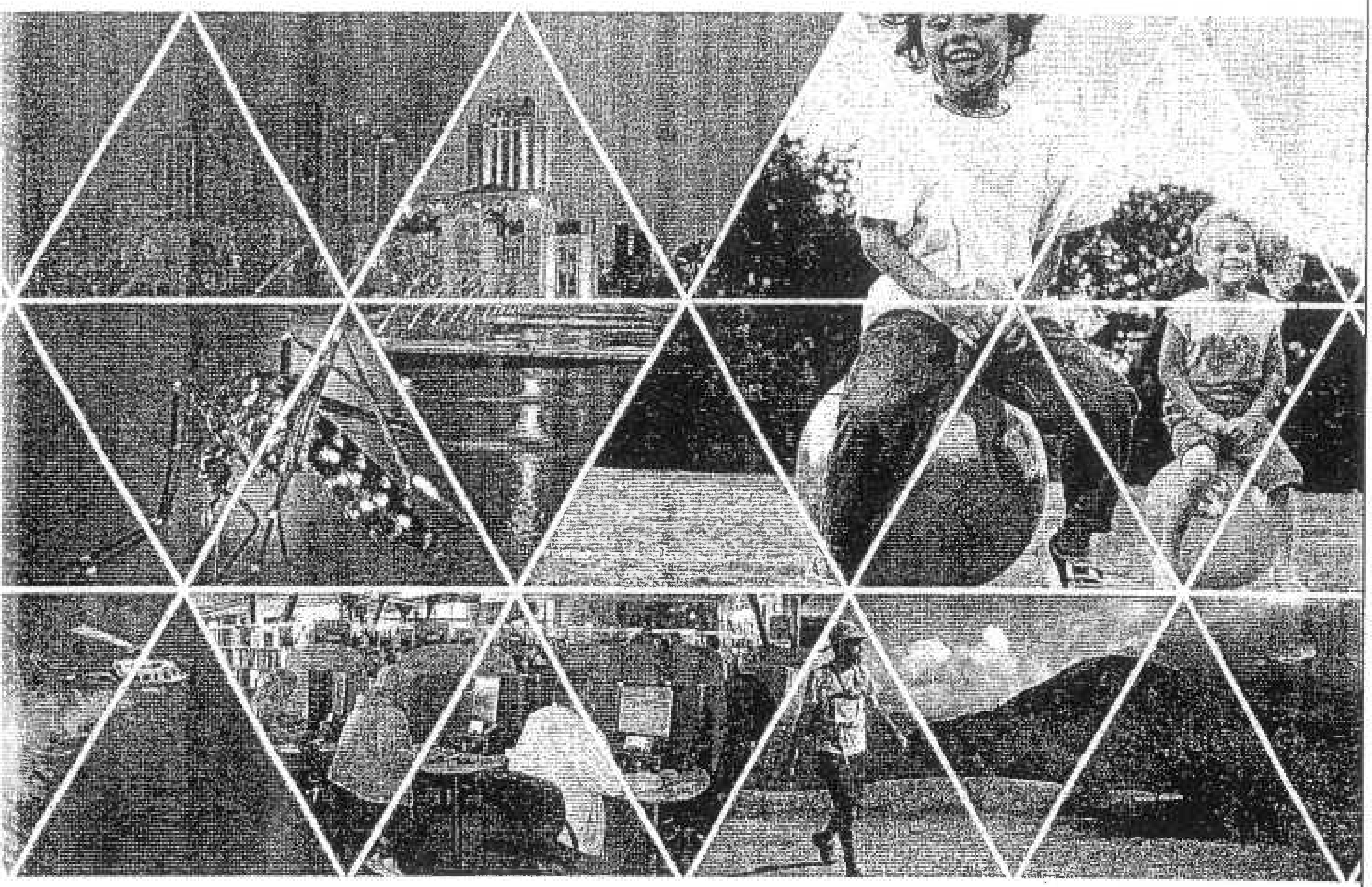
Safety Tier A	$215,218
Safety Tier B	36,233
Safety Tier C	42,234
Safety Subtotal	$293,685
General & Safety Total	$1,206,941

** *A breakdown of the employer's total Normal Cost and UAAL to fund for each type of benefit is provided in Chart 14b.*

EXHIBIT K

COUNTY OF SAN DIEGO

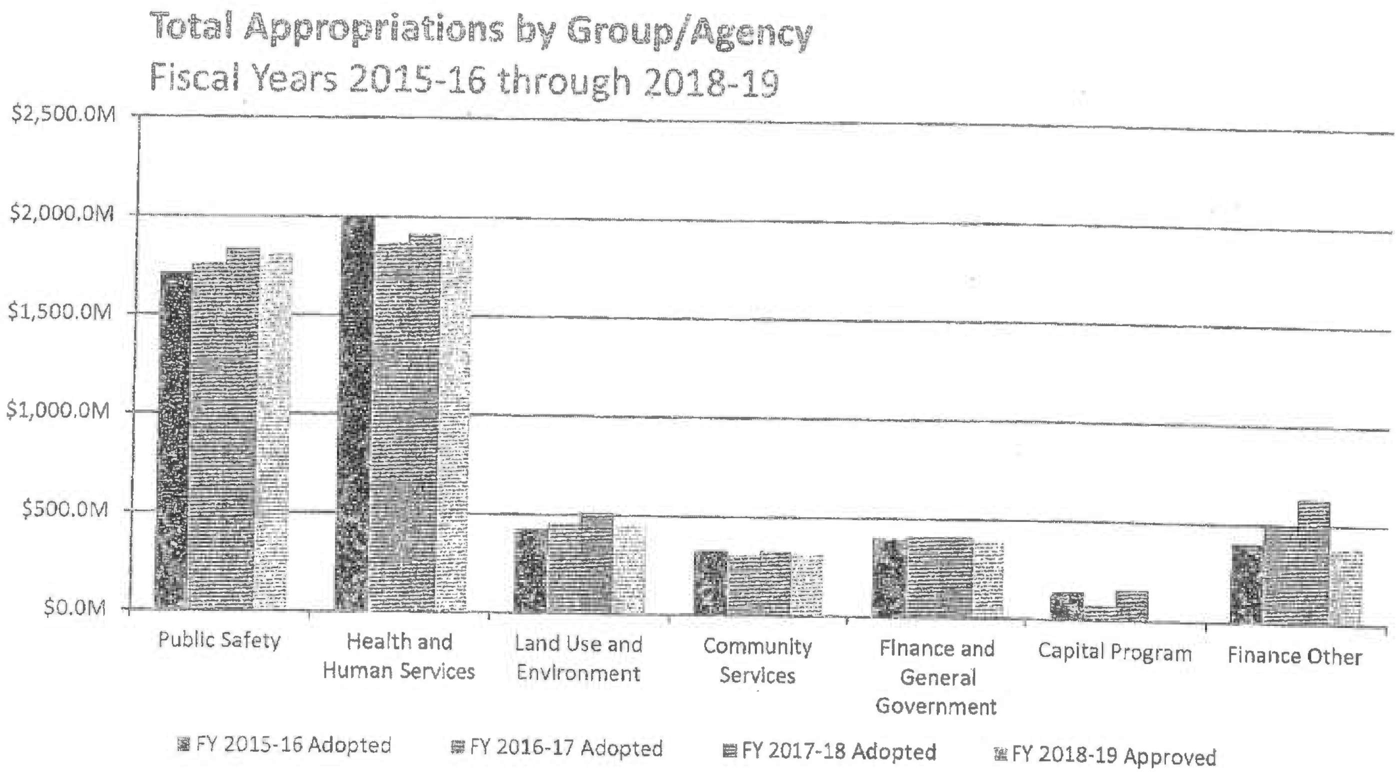
Adopted Operational Plan
Fiscal Years 2017-18 & 2018-19



Helen N. Robbins-Meyer
Chief Administrative Officer

Donald F. Steuer
Assistant Chief Administrative Officer/
Chief Operating Officer

COUNTY OF SAN DIEGO - STATE OF CALIFORNIA



Total Appropriations by Group/Agency (in millions)		Fiscal Year 2015–16 Adopted Budget		Fiscal Year 2016–17 Adopted Budget		Fiscal Year 2017–18 Adopted Budget	% Change		Fiscal Year 2018–19 Approved Budget
Public Safety	$	1,711.6	$	1,761.0	$	1,836.1	4.3	$	1,812.3
Health and Human Services		2,004.2		1,869.6		1,914.4	2.4		1,909.0
Land Use and Environment		423.9		455.2		511.8	12.4		449.0
Community Services		328.4		307.3		328.6	6.9		319.6
Finance and General Government		402.2		407.8		409.1	0.3		385.3
Capital Program		141.0		74.2		154.1	107.8		9.2
Finance Other		402.9		485.1		632.3	30.4		391.9
Total	$	5,414.2	$	5,360.1	$	5,786.4	8.0	$	5,276.3

Public Safety Group (PSG)

A **net increase of $75.1 million or 4.3%** from the Fiscal Year 2016–17 Adopted Budget. The increase primarily relates to required retirement contributions and negotiated labor agreements, various operational increases, increases related to growth in Proposition 172, *The Local Public Safety Protection and Improvement Act of 1993* funding and the planned use of one-time resources, offset by a net decrease of 47.00 staff years. All mandated services are maintained.

Major changes include:

- A reduction in staffing to align operations with the decline of the juvenile and adult populations in the Probation Department, and to align operations with current workload in the Department of Child Support Services, which will not impact services.

EXHIBIT L

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

July 2017

MISCELLANEOUS PLAN OF THE COUNTY OF RIVERSIDE (CalPERS ID: 5982690295)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	10.458%	$100,265,926	6.50%
Projected Results			
2019-20	*11.0%*	*$130,703,000*	*TBD*
2020-21	*12.1%*	*$157,438,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

		Fiscal Year 2018-19
Required Employer Contribution		
Employer Normal Cost Rate		**10.458%**
Plus Either		
1) Monthly Employer Dollar UAL Payment	**$**	**8,355,494**
Or		
2) Annual UAL Prepayment Option	**$**	**96,761,319**
Required PEPRA Member Contribution Rate		**6.50%**

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31).*** *Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		17.750%		17.970%
Employee Contribution[1]		7.558%		7.512%
Employer Normal Cost		10.192%		10.458%
Projected Annual Payroll for Contribution Year	$	1,092,970,840	$	1,191,395,234
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	194,002,323	$	214,093,722
Employee Contribution[1]		82,606,736		89,497,610
Employer Normal Cost		111,395,587		124,596,112
Unfunded Liability Contribution		73,598,564		100,265,926
% of Projected Payroll (illustrative only)		6.734%		8.416%
Estimated Total Employer Contribution	$	184,994,151	$	224,862,038
% of Projected Payroll (illustrative only)		16.926%		18.874%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

	June 30, 2015	June 30, 2016
1. Present Value of Projected Benefits	$ 7,524,167,159	$ 8,349,752,530
2. Entry Age Normal Accrued Liability	6,174,498,346	6,850,143,825
3. Market Value of Assets (MVA)	$ 4,775,099,013	$ 4,799,576,566
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$ 1,399,399,333	$ 2,050,567,259
5. Funded Ratio [(3) / (2)]	77.3%	70.1%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	**Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)**					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	10.458%	11.0%	12.1%	12.1%	12.1%	12.1%	12.1%
UAL Payment	100,265,926	130,703,000	157,438,000	188,567,000	214,804,000	230,893,000	244,471,000
*Total as a % of Payroll**	*18.9%*	*21.6%*	*24.5%*	*26.5%*	*28.1%*	*28.8%*	*29.3%*
Projected Payroll	*1,191,395,234*	*1,227,137,090*	*1,263,951,203*	*1,301,869,739*	*1,340,925,831*	*1,381,153,606*	*1,422,588,214*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

CalPERS
California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

July 2017

SAFETY PLAN OF THE COUNTY OF RIVERSIDE (CalPERS ID: 5982690295)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	18.464%	$48,790,038	11.25%
Projected Results			
2019-20	*19.3%*	*$63,634,000*	*TBD*
2020-21	*21.1%*	*$75,825,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

		Fiscal Year 2018-19
Required Employer Contribution		
Employer Normal Cost Rate		**18.464%**
Plus Either		
1) Monthly Employer Dollar UAL Payment	$	**4,065,837**
Or		
2) Annual UAL Prepayment Option	$	**47,084,674**
Required PEPRA Member Contribution Rate		**11.25%**

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31).*** *Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		27.082%		27.695%
Employee Contribution[1]		9.170%		9.231%
Employer Normal Cost		17.912%		18.464%
Projected Annual Payroll for Contribution Year	$	349,125,325	$	370,225,769
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	94,550,121	$	102,534,027
Employee Contribution[1]		32,014,792		34,175,541
Employer Normal Cost		62,535,329		68,358,486
Unfunded Liability Contribution		35,778,888		48,790,038
% of Projected Payroll (illustrative only)		10.248%		13.178%
Estimated Total Employer Contribution	$	98,314,217	$	117,148,524
% of Projected Payroll (illustrative only)		28.160%		31.642%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

	June 30, 2015	June 30, 2016
1. Present Value of Projected Benefits	$ 3,644,399,800	$ 3,971,490,903
2. Entry Age Normal Accrued Liability	2,846,014,858	3,110,254,402
3. Market Value of Assets (MVA)	$ 2,140,637,485	$ 2,151,981,845
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$ 705,377,373	$ 958,272,557
5. Funded Ratio [(3) / (2)]	75.2%	69.2%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	18.464%	19.3%	21.1%	21.1%	21.1%	21.1%	21.1%
UAL Payment	48,790,038	63,634,000	75,825,000	89,273,000	100,693,000	108,390,000	114,873,000
*Total as a % of Payroll**	*31.6%*	*36.0%*	*40.4%*	*43.1%*	*45.2%*	*46.3%*	*47.1%*
Projected Payroll	*370,225,769*	*381,332,543*	*392,772,519*	*404,555,695*	*416,692,366*	*429,193,136*	*442,068,931*

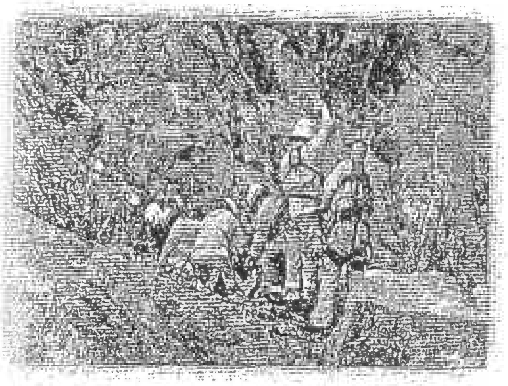
*Illustrative only and based on the projected payroll shown.

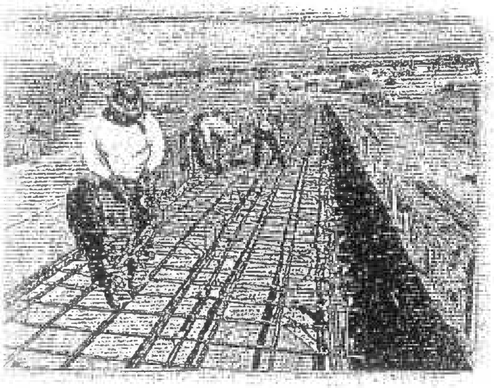
Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

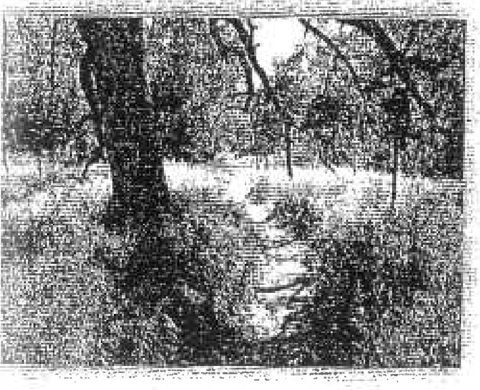
Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

EXHIBIT M







COUNTY OF RIVERSIDE

STATE OF CALIFORNIA

FISCAL YEAR 2017/18

Recommended Budget

Prepared by
George A. Johnson
County Executive Officer

June 2017

Budget Overview

Executive Summary

The FY 17/18 budget establishes $5.5 billion in appropriations for Riverside County, a decrease of 2.2 percent from FY 16/17 budgeted spending levels. Overall estimated revenue is projected to increase to $5.2 billion, a decrease of 0.9 percent. The difference is backed with use of fund balance, net assets, and reserves.

The FY 17/18 budget includes $3.2 billion in general fund appropriations, comprising 58 percent of the overall budget. General fund discretionary revenue continues to show modest growth. Estimated discretionary revenue is projected to increase $22.6 million over the current forecast to $752.5 million in FY 17/18. This 3 percent increase is due primarily to modestly rising property-related tax revenues and less one-time revenues. Discretionary spending decreased to $756 million. Of that, an appropriation for general fund contingency is budgeted at $20 million, or 2.6 percent of discretionary revenue.

The gap between discretionary revenue and discretionary spending is covered by departmental reserves and anticipated draw from the reserve for budget stabilization.

In response to the Governor's January budget proposal that included shifting significant costs for In-Home Supportive Services (IHSS) back to counties, the Executive Office cut net county cost allocations by 6.5 percent to achieve the $42 million in savings necessary to cover those cost. Departments prepared and submitted their budgets factoring in these cuts and, with only a few exceptions, nearly all departments were able to absorb them. Departments achieved this largely through a combination of draws on departmental reserves and deletion of primarily vacant positions. Overall, this budget includes deletion of 1,332 currently authorized positions, a reduction of 5.1 percent from the currently authorized level as of May 2017.

Budget at a Glance

FY 17/18 Budget $ billions	Appropriations
Salaries and Benefits	2.336
Services and Supplies	1.641
Other Charges	1.388
Fixed Assets	0.155
Operating Transfers Out	0.146
Contingency	0.020
Intrafund Transfers	(0.234)
Total Appropriations	**$ 5.452**
	Sources
Intergovernmental Revenues	2.376
Charges For Current Services	1.697
Taxes	0.426
Other Revenue	0.411
Operating Transfers In	0.122
Revenue from Use of Assets	0.071
Fines, Forfeitures & Penalties	0.060
Other In-Lieu & Other Govt	0.031
Licenses, Permits & Franchises	0.022
Total Revenues	**5.216**
Net Use of Fund Balance	0.237
Total Sources	**$ 5.452**

EXHIBIT N

CalPERS

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

July 2017

MISCELLANEOUS PLAN OF THE COUNTY OF SANTA CLARA (CalPERS ID: 2402960317)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	9.052%	$187,058,687	6.00%
Projected Results			
2019-20	*9.5%*	*$224,110,000*	*TBD*
2020-21	*10.5%*	*$253,019,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

Required Employer Contribution		Fiscal Year 2018-19
Employer Normal Cost Rate		9.052%
Plus Either		
1) Monthly Employer Dollar UAL Payment	$	15,588,224
Or		
2) Annual UAL Prepayment Option	$	180,520,403
Required PEPRA Member Contribution Rate		6.00%

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31).*** *Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		16.319%		16.549%
Employee Contribution[1]		7.674%		7.497%
Employer Normal Cost		8.645%		9.052%
Projected Annual Payroll for Contribution Year	$	1,400,664,120	$	1,499,353,561
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	228,574,378	$	248,128,021
Employee Contribution[1]		107,486,965		112,406,536
Employer Normal Cost		121,087,413		135,721,485
Unfunded Liability Contribution		154,789,022		187,058,687
% of Projected Payroll (illustrative only)		11.051%		12.476%
Estimated Total Employer Contribution	$	275,876,435	$	322,780,172
% of Projected Payroll (illustrative only)		19.696%		21.528%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

	June 30, 2015	June 30, 2016
1. Present Value of Projected Benefits	$ 10,570,309,497	$ 11,330,944,679
2. Entry Age Normal Accrued Liability	9,022,261,783	9,642,407,391
3. Market Value of Assets (MVA)	$ 6,668,174,457	$ 6,636,152,522
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$ 2,354,087,326	$ 3,006,254,869
5. Funded Ratio [(3) / (2)]	73.9%	68.8%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	9.052%	9.5%	10.5%	10.5%	10.5%	10.5%	10.5%
UAL Payment	187,058,687	224,110,000	253,019,000	289,363,000	321,423,000	343,278,000	361,971,000
*Total as a % of Payroll**	*21.5%*	*24.1%*	*26.4%*	*28.2%*	*29.6%*	*30.3%*	*30.7%*
Projected Payroll	*1,499,353,561*	*1,544,334,168*	*1,590,664,193*	*1,638,384,119*	*1,687,535,642*	*1,738,161,712*	*1,790,306,563*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

CalPERS

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

July 2017

SAFETY PLAN OF THE COUNTY OF SANTA CLARA (CalPERS ID: 2402960317)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	18.808%	$52,377,112	11.25%
Projected Results			
2019-20	*19.7%*	*$63,367,000*	*TBD*
2020-21	*21.4%*	*$72,049,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

		Fiscal Year 2018-19
Required Employer Contribution		
Employer Normal Cost Rate		**18.808%**
Plus Either		
1) Monthly Employer Dollar UAL Payment	$	**4,364,759**
Or		
2) Annual UAL Prepayment Option	$	**50,546,369**
Required PEPRA Member Contribution Rate		**11.25%**

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31).*** *Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		27.343%		28.046%
Employee Contribution[1]		9.196%		9.238%
Employer Normal Cost		18.147%		18.808%
Projected Annual Payroll for Contribution Year	$	218,739,511	$	226,237,217
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	59,809,943	$	63,450,491
Employee Contribution[1]		20,115,285		20,899,794
Employer Normal Cost		39,694,658		42,550,697
Unfunded Liability Contribution		42,768,327		52,377,112
% of Projected Payroll (illustrative only)		19.552%		23.151%
Estimated Total Employer Contribution	$	82,462,985	$	94,927,809
% of Projected Payroll (illustrative only)		37.699%		41.959%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

	June 30, 2015	June 30, 2016
1. Present Value of Projected Benefits	$ 3,023,895,713	$ 3,204,065,440
2. Entry Age Normal Accrued Liability	2,542,029,744	2,698,760,183
3. Market Value of Assets (MVA)	$ 1,820,206,703	$ 1,793,546,785
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$ 721,823,041	$ 905,213,398
5. Funded Ratio [(3) / (2)]	71.6%	66.5%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	18.808%	19.7%	21.4%	21.4%	21.4%	21.4%	21.4%
UAL Payment	52,377,112	63,367,000	72,049,000	82,123,000	91,065,000	97,284,000	102,599,000
*Total as a % of Payroll**	*42.0%*	*46.9%*	*51.4%*	*54.6%*	*57.2%*	*58.5%*	*59.4%*
Projected Payroll	*226,237,217*	*233,024,333*	*240,015,063*	*247,215,514*	*254,631,979*	*262,270,939*	*270,139,067*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

EXHIBIT O

Fiscal Year 2017-2018 Adopted Budget

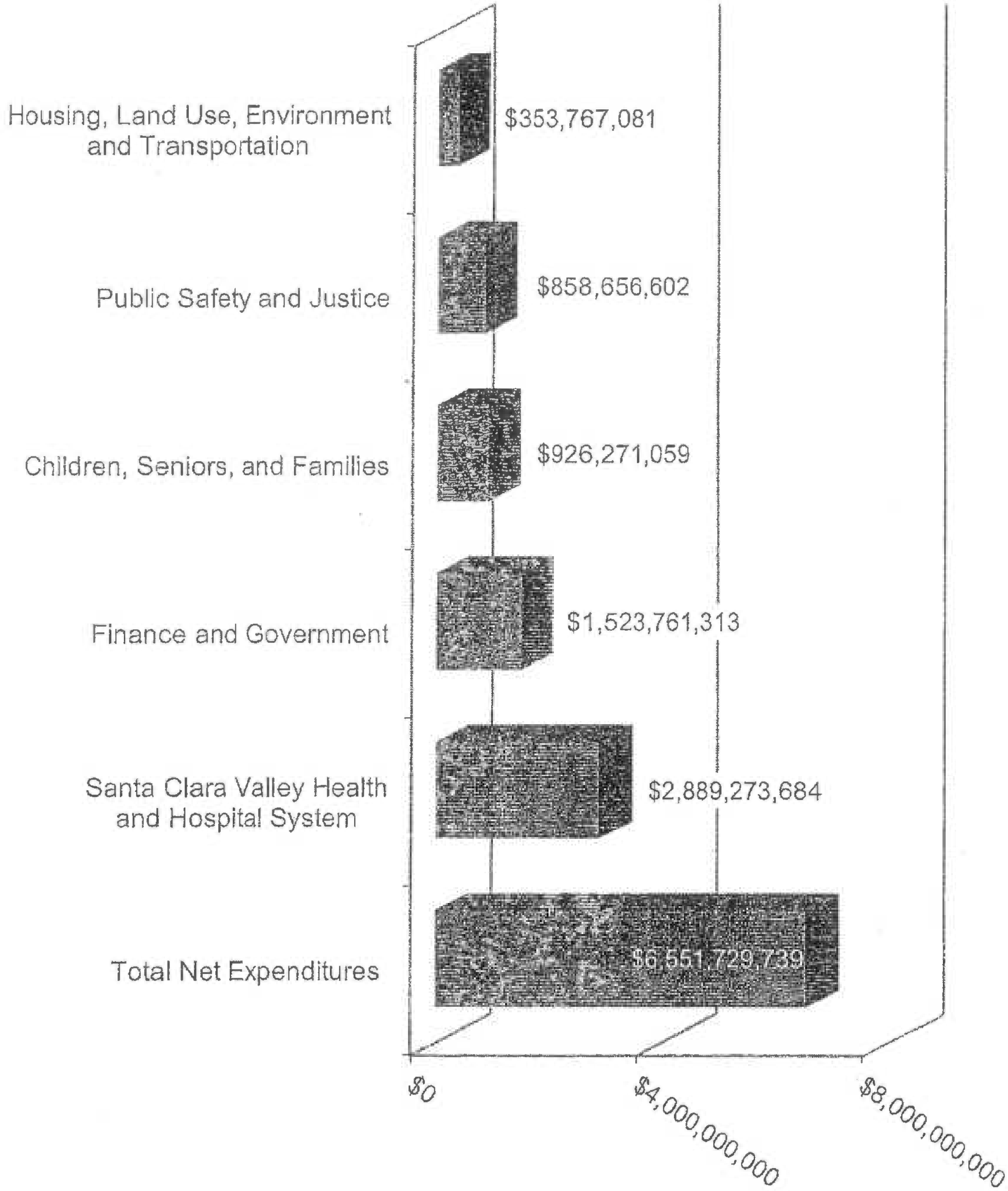
Submitted by:
Jeffrey V. Smith, M.D., J.D.
County Executive

Miguel Marquez, Chief Operating Officer
David Campos, Deputy County Executive
Leslie Crowell, Deputy County Executive
Sylvia Gallegos, Deputy County Executive
Garry Herceg, Deputy County Executive
John Mills, Deputy County Executive
Rene Santiago, Deputy County Executive
Martha Wapenski, Deputy County Executive

Prepared by:
The County Executive's Office
of Budget and Analysis

Gregory G. Iturria, County Budget Director
Sandi Eovino, Budget Operations Manager
Debbie Dills-Thompson, Principal
Liz Maldonado, Principal
Christian Sanchez, Principal
Jena Trinh, Principal
Mary Ann Barrous
Hong Cao
Jason Escareno
Mercedes Garcia
Erica Kelly
Mike Kornder
Candace Nisby
Paul Phan
Eric Pulido

All Fund Expenditures



County Budget Summary (General Fund)

	FY 2017 Appropriations					% Chg From
	Approved	Adjusted	Actual Exp	FY 2018 Recommended	FY 2018 Approved	2017 Approved
Expenditures by Policy Area						
Finance and Government	$ 836,227,122	$ 997,966,500	$ 629,479,019	$ 990,259,572	$ 991,170,548	18.5%
Public Safety and Justice	818,804,258	878,307,582	837,635,715	851,945,497	858,621,602	4.9%
Children, Seniors, and Families	883,327,517	899,457,693	815,869,299	896,110,500	889,339,521	0.7%
Santa Clara Valley Health and Hospital System	617,823,809	619,349,770	555,735,880	626,857,631	631,306,819	2.2%
Housing, Land Use, Environment and Transportation	31,497,337	33,964,870	27,690,537	32,167,424	32,268,320	2.4%
Total Net Expenditures	$ 3,187,680,044	$ 3,429,046,415	$ 2,866,410,450	$ 3,397,340,624	$ 3,402,706,810	6.7%
Expenditures by Object						
Salary and Benefits	$ 1,505,089,370	$ 1,546,763,043	$ 1,496,172,334	$ 1,569,738,155	$ 1,574,427,237	4.6%
Services And Supplies	1,457,135,224	1,592,468,882	1,314,541,839	1,506,131,930	1,515,324,240	4.0%
Other Charges	20,091,907	20,108,810	19,779,479	20,133,781	20,133,781	0.2%
Fixed Assets	1,900,013	30,438,900	22,587,102	6,232,583	3,282,583	72.8%
Operating/Equity Transfers	287,382,567	332,432,341	292,599,173	323,387,483	329,562,483	14.7%
Reserves	191,574,673	198,861,598	—	266,339,033	258,222,565	34.8%
Total Gross Expenditures	$ 3,463,173,754	$ 3,721,073,574	$ 3,145,679,926	$ 3,691,962,965	$ 3,700,952,889	6.9%
Expenditure Transfers	(275,493,710)	(292,027,159)	(279,269,476)	(294,622,341)	(298,246,079)	8.3%
Total Net Expenditures	$ 3,187,680,044	$ 3,429,046,415	$ 2,866,410,450	$ 3,397,340,624	$ 3,402,706,810	6.7%
Revenue by Policy Area						
Finance and Government	$ 1,245,254,473	$ 1,283,247,848	$ 1,419,636,318	$ 1,446,419,643	$ 1,444,911,533	16.0%
Public Safety and Justice	381,280,892	398,132,657	374,926,243	387,933,553	391,512,553	2.7%
Children, Seniors, and Families	754,964,527	760,076,603	738,590,352	743,007,157	745,420,857	-1.3%
Santa Clara Valley Health and Hospital System	391,142,437	401,671,278	346,728,238	397,150,413	398,032,009	1.8%
Housing, Land Use, Environment and Transportation	16,612,009	17,807,384	16,749,862	17,004,433	17,004,433	2.4%
Total Revenues	$ 2,789,254,338	$ 2,860,935,770	$ 2,896,631,013	$ 2,991,515,199	$ 2,996,881,385	7.4%
Revenues by Type						
Aid From Government Agencies - State	$ 689,956,955	$ 713,507,977	$ 708,876,736	$ 691,788,504	$ 695,378,238	0.8%
Other Financing Sources	414,235,826	455,571,818	477,128,633	538,594,120	533,875,696	28.9%
Licenses, Permits, Franchises	11,766,022	11,766,022	11,468,640	11,457,412	11,457,412	-2.6%
Charges For Services	117,453,452	121,470,936	124,400,640	114,256,146	115,236,972	-1.9%
Aid From Government Agencies - Federal	519,681,786	521,728,368	489,897,087	526,161,484	529,775,534	1.9%
Revenue From Use Of Money/Property	8,959,662	8,960,003	12,882,428	14,246,523	14,246,523	59.0%
Fines, Forfeitures, Penalties	11,445,635	11,445,635	11,321,067	11,234,200	11,234,200	-1.8%
Revenue From Other Government Agencies	605,000	1,335,012	3,444,184	1,832,810	1,832,810	202.9%
Taxes - Other Than Current Property	116,350,000	116,350,000	137,000,260	117,600,000	117,600,000	1.1%
Taxes - Current Property	898,800,000	898,800,000	920,211,337	964,344,000	966,244,000	7.5%
Total Revenues	$ 2,789,254,338	$ 2,860,935,770	$ 2,896,631,013	$ 2,991,515,199	$ 2,996,881,385	7.4%

EXHIBIT P

Segal Consulting

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2016

P 16

CHART 17

Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2007	$8,599,699,772[1]	$10,526,874,184	$1,927,174,412	81.69%	$1,896,609,013	101.61%
06/30/2008	9,438,318,300	11,186,403,741	1,748,085,441	84.37%	1,977,644,640	88.39%
06/30/2009	9,577,747,421	12,041,983,936	2,464,236,515	79.54%	1,816,171,212	135.68%
06/30/2010	9,554,027,411	12,595,025,119	3,040,997,708	75.86%	1,817,662,284	167.30%
06/30/2011	9,691,011,496	13,391,704,000	3,700,692,504	72.37%	1,833,392,381	201.85%
06/30/2012	9,934,959,310	14,393,958,574	4,458,999,264	69.02%	1,819,269,630	245.10%
06/30/2013	10,223,960,886	14,881,663,162	4,657,702,276	68.70%	1,846,970,474	252.18%
06/30/2014	10,944,750,574	16,248,853,099	5,304,102,525	67.36%	1,898,064,175	279.45%
06/30/2015	11,727,161,378	16,909,996,380	5,182,835,002	69.35%	1,907,664,598	271.68%
06/30/2016	12,439,250,206	17,424,996,329	4,985,746,123	71.39%	1,968,702,630	253.25%

[1] *Valuation value of assets is after excluding $5,269,481 of discounted Harbor Port Police assets transferred in October 2007.*

EXHIBIT II

History of Employer Contributions

Plan Year Ended June 30	Actuarially Determined Employer Contributions (ADEC)*	Actual Contributions	Percentage Contributed
2007	$277,516,400	$277,516,400	100.00%
2008	288,119,041	288,119,041	100.00%
2009	274,554,786	274,554,786	100.00%
2010	258,642,795	258,642,795	100.00%
2011	303,560,953	303,560,953	100.00%
2012	308,539,905	308,539,905	100.00%
2013	346,180,852	346,180,852	100.00%
2014	357,649,232	357,649,232	100.00%
2015	381,140,923	381,140,923	100.00%
2016	440,546,011	440,546,011	100.00%

* Prior to plan year ending June 30, 2014, this amount was the Annual Required Contribution (ARC).

EXHIBIT Q

Segal Consulting

City of Los Angeles Fire and Police Pension Plan

Actuarial Valuation and Review Of Retirement and Other Postemployment Benefits (OPEB) as of June 30, 2016

CHART 17

Schedule of Funding Progress

Retirement Benefits (Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2008	$14,153,296	$14,279,116	$125,820	99.1%	$1,206,589	10.4%
06/30/2009	14,256,611	14,817,146	560,535	96.2%	1,357,249	41.3%
06/30/2010	14,219,581	15,520,625	1,301,044	91.6%	1,356,986	95.9%
06/30/2011	14,337,669	16,616,476	2,278,807	86.3%	1,343,963	169.6%
06/30/2012	14,251,913	17,030,833	2,778,920	83.7%	1,341,914	207.1%
06/30/2013	14,657,713	17,632,425	2,974,712	83.1%	1,367,237	217.6%
06/30/2014	15,678,480	18,114,229	2,435,749	86.6%	1,402,715	173.6%
06/30/2015	16,770,060	18,337,507	1,567,447	91.5%	1,405,171	111.5%
06/30/2016	17,645,338	18,798,510	1,153,172	93.9%	1,400,808	82.3%

EXHIBIT II

Schedule of Employer Contributions

Retirement Benefits

Plan Year Ended June 30	Actuarially Determined Contributions[1]	Actual Contributions	Percentage Contributed
2007	$224,946,082	$224,946,082	100.00%
2008[2]	261,635,491	261,635,491	100.00%
2009	238,697,929	238,697,929	100.00%
2010	250,516,858	250,516,858	100.00%
2011	277,092,251	277,092,251	100.00%
2012	321,593,433	321,593,433	100.00%
2013	375,448,092	375,448,092	100.00%
2014	440,698,260	440,698,260	100.00%
2015	480,332,251	480,332,251	100.00%
2016	478,385,438	478,385,438	100.00%

(1) *Prior to plan year ending June 30, 2015, this amount was the Annual Required Contribution.*

(2) *Figures include amounts transferred and contributed during the fiscal year that were related to the transfer of certain Harbor Port Police members from the Los Angeles City Employees' Retirement System into LAFPP.*

EXHIBIT R

BUDGET

FISCAL YEAR 2017-18

As Submitted by

HONORABLE ERIC GARCETTI, MAYOR

Modified and Adopted by
THE COUNCIL

Printed and Distributed Under Direction of

SUMMARY OF EXPENDITURES AND APPROPRIATIONS

	Mayor's Proposal Budget Appropriation 2017-18	Council Changes Budget Appropriation 2017-18	Mayor's Changes Budget Appropriation 2017-18	Final Budget Appropriation 2017-18
EXPENDITURES AND APPROPRIATIONS				
Budgetary Departments	$ 3,995,544,413	$ 4,009,675,906		
Library Fund	167,786,809	167,786,809		
Recreation and Parks Fund	185,803,216	189,243,216		
City Employees' Retirement Fund	102,213,802	102,213,802		
Total Departmental	$ 4,451,348,240	$ 4,468,919,733		
2017 Pension Tax and Revenue Anticipation Notes, Debt Service Fund	$ 1,113,540,658	$ 1,114,644,814		
Bond Redemption and Interest Funds	122,623,642	122,623,642		
Capital Finance Administration	242,643,420	241,643,420		
Capital Improvement Expenditure Program	369,175,614	371,572,614		
General City Purposes	137,901,623	139,764,373		
Human Resources Benefits	682,516,227	682,788,227		
Judgement Obligations Bonds Debt Service Fund	9,028,175	9,028,175		
Liability Claims	89,090,000	89,090,000		
Unappropriated Balance	68,869,542	101,969,996		
Wastewater Special Purpose Fund	521,363,003	521,469,820		
Water and Electricity	44,000,000	44,000,000		
Appropriations to Special Purpose Funds	1,380,668,609	1,384,610,925		
Total Nondepartmental	$ 4,781,420,513	$ 4,823,206,006		
Total Expenditures and Appropriations	$ 9,232,768,753	$ 9,292,125,739		

EXHIBIT S

Segal Consulting

City of Fresno Employees Retirement System

Actuarial Valuation and Review as of June 30, 2016

CHART 18

Schedule of Funding Progress (Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Prefunded/ (Unfunded) AAL/(UAAL) (a) – (b)	Funded Ratio (%) (a) / (b)	Covered Payroll (c)	Prefunded AAL/ (UAAL) as a Percentage of Covered Payroll (%) [(a) – (b)] / (c)
6/30/2007	$926,525	$931,305	$295,220	146.8	$122,232	241.5
6/30/2008	980,961	689,833	291,128	142.2	133,110	218.7
6/30/2009	958,032	715,250	242,782	133.9	139,274	174.3
6/30/2010	926,370	756,258	170,112	122.5	131,224	129.6
6/30/2011	920,217	791,105	129,112	116.3	117,577	109.8
6/30/2012	891,366	871,958	19,408	102.2	112,307	17.3
6/30/2013	933,722	934,947	(1,225)	99.9	111,854	(1.1)
6/30/2014	993,641	950,274	43,367	104.6	108,942	39.8
6/30/2015	1,049,093	960,364	88,729	109.2	110,107	80.6
6/30/2016	1,087,125	976,909	110,216	111.3	113,436	97.2

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows (amounts in 000s):	Dollar Amount	% of Payroll[1]
1. Total normal cost	$21,486	18.30%
2. Expected employee contributions	-7,761	-6.61%
3. Employer normal cost: (1) + (2)	$13,725	11.69%
4. Surplus offset	-386	-0.33%
5. Contribution (excess)/shortfall from prior year	30	0.03%
6. Total recommended employer contributions: (3) + (4) + (5)	$13,369	11.39%
7. Projected payroll[1]	$117,406	

[1] *Based on projected fiscal year 2017 – 2018 annual payroll for active non-DROP and DROP members shown in (7).*

EXHIBIT T

City of Fresno Fire and Police Retirement System

Actuarial Valuation and Review as of June 30, 2016

Segal Consulting

This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

CHART 13

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

	June 30, 2016		June 30, 2015	
	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Tier 1 Members				
Normal Cost	28.38%	$2,735	29.59%	
Tier 2 Members				
Normal Cost	23.15%	21,446	22.24%	
All Categories Combined				
Normal Cost	23.64%	24,181	23.03%	$23,554
Surplus Offset	-4.12%	-4,209	-4.09%	-4,183
Contribution (Excess)/Shortfall from Prior Fiscal Year	-0.60%	-614	0.08%	82
Total Contribution	18.92%	$19,358	19.02%	$19,453

[1] *Amounts are in thousands and are based on projected fiscal year 2017 – 2018 annual payroll for active non-DROP and DROP members (also in thousands):*

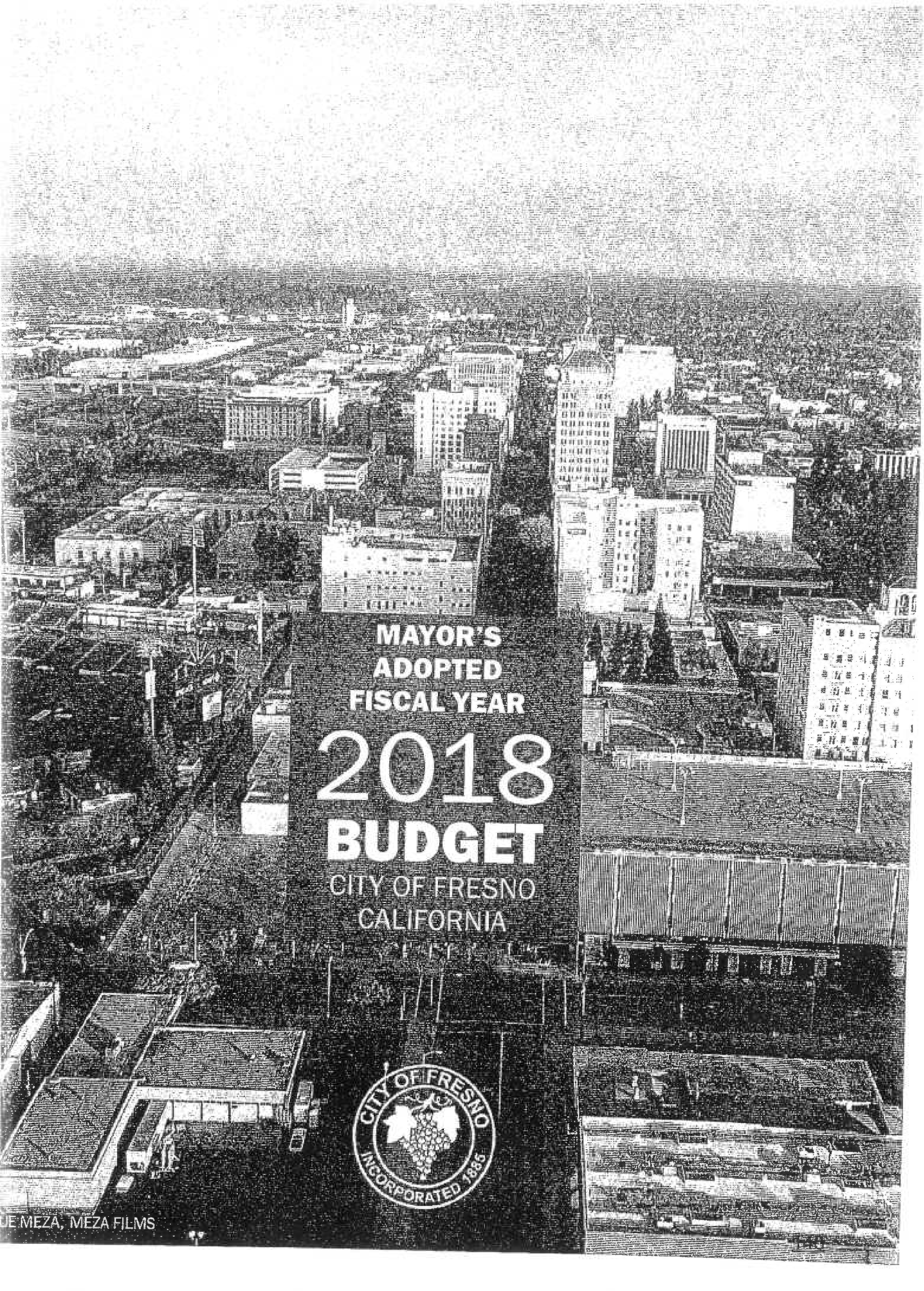
Tier 1	$9,637
Tier 2	92,640
Total	$102,277

CHART 18

Schedule of Funding Progress (Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Prefunded AAL (a) - (b)	Funded Ratio (%) (a) / (b)	Covered Payroll (c)	Prefunded AAL/ (UAAL) as a Percentage of Covered Payroll (%) [(a) - (b)] / (c)
6/30/2007	$1,000,961	$773,236	$227,725	129.5	$89,516	254.4
6/30/2008	1,066,778	830,036	236,742	128.5	98,913	239.3
6/30/2009	1,045,774	874,355	171,419	119.6	102,355	167.5
6/30/2010	1,018,605	919,286	99,319	110.8	102,686	96.7
6/30/2011	1,022,996	917,941	105,055	111.4	99,000	106.1
6/30/2012	1,003,929	952,866	51,063	105.4	100,596	50.8
6/30/2013	1,061,399	997,836	63,563	106.4	100,705	63.1
6/30/2014	1,142,649	1,006,028	136,621	113.6	96,259	141.9
6/30/2015	1,220,269	1,019,916	200,353	119.6	95,262	210.3
6/30/2016	1,276,604	1,067,416	209,188	119.6	98,818	211.7

EXHIBIT U


MAYOR'S
ADOPTED
FISCAL YEAR
2018
BUDGET
CITY OF FRESNO
CALIFORNIA
CITY OF FRESNO
INCORPORATED 1885
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Total City Appropriations

APPROPRIATIONS BY CATEGORY

The total budget for all appropriated funds within the City of Fresno is shown on this page. The amounts shown as Total Net City budget represent the "net" budget after all interdepartmental charges are removed.

	FY 2016 Actuals	FY 2017 Amended	FY 2018 Adopted	Percent Change
Employee Services	284,552,100	340,712,800	343,943,100	0.9
Retirement Contribution	30,003,200	35,495,400	32,980,700	(7.1)
Pension Obligation Bonds	16,188,000	16,277,900	16,173,800	(0.6)
Operations & Maintenance	270,770,600	440,578,800	328,618,000	(25.4)
Interdepartmental Charges	85,889,700	109,117,700	105,337,600	(3.5)
Minor Capital	381,336,100	296,861,500	281,076,700	(5.3)
Contingencies	18,138,200	28,048,000	25,624,400	(8.6)
Total Appropriations	1,086,877,900	1,267,092,100	1,133,754,300	(10.5)
Less: Interdepartmental Charges	85,889,700	109,117,700	105,337,600	(3.5)
Total Net City Budget	1,000,988,200	1,157,974,400	1,028,416,700	(11.2)

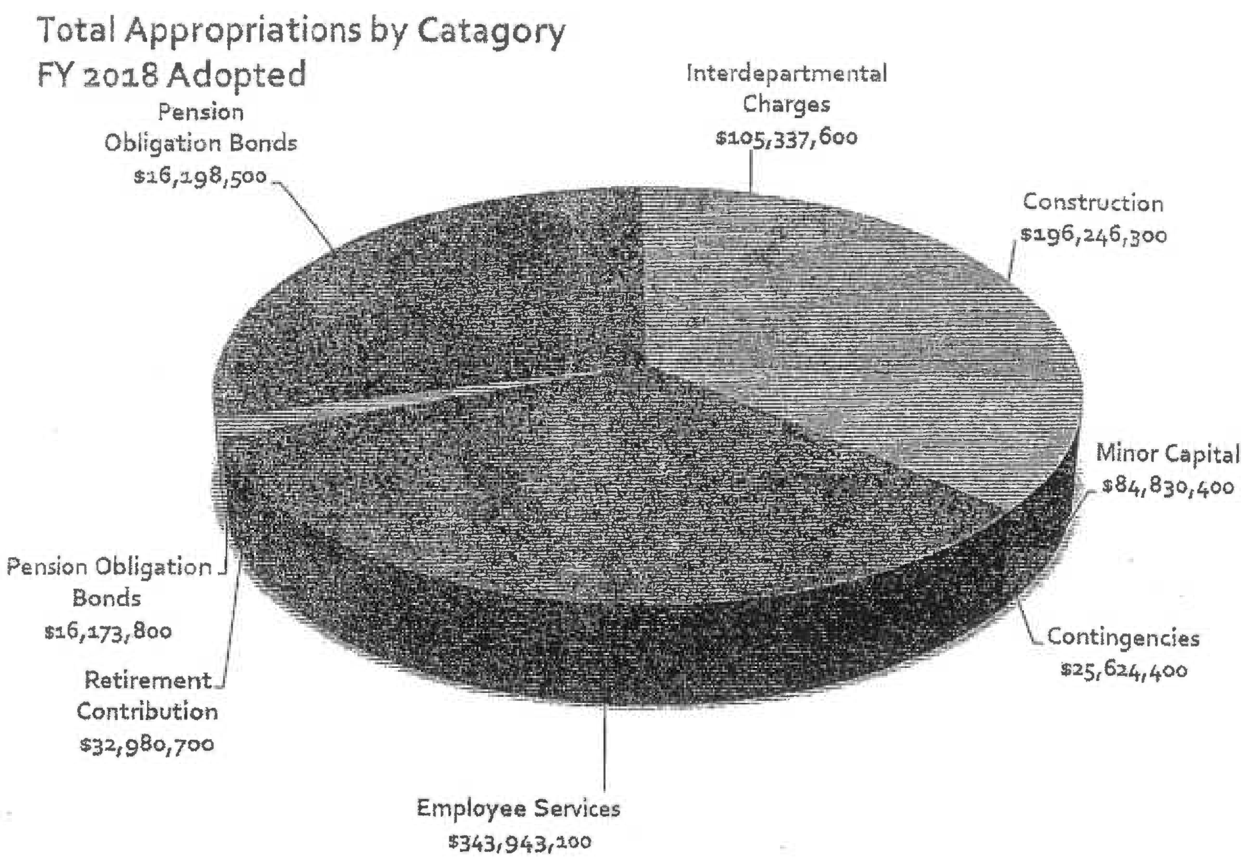


EXHIBIT V

CalPERS
California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

July 2017

MISCELLANEOUS PLAN OF THE CITY OF SACRAMENTO (CalPERS ID: 7903930500)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	8.252%	$19,935,890	6.75%
Projected Results			
2019-20	*8.7%*	*$23,899,000*	*TBD*
2020-21	*9.6%*	*$27,140,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

		Fiscal Year 2018-19
Required Employer Contribution		
Employer Normal Cost Rate		8.252%
Plus Either		
1) Monthly Employer Dollar UAL Payment	$	1,661,324
Or		
2) Annual UAL Prepayment Option	$	19,239,068
Required PEPRA Member Contribution Rate		6.75%

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31).*** *Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		14.525%		14.938%
Employee Contribution[1]		6.722%		6.686%
Employer Normal Cost		7.803%		8.252%
Projected Annual Payroll for Contribution Year	$	176,536,898	$	187,561,931
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	25,641,985	$	28,018,001
Employee Contribution[1]		11,866,810		12,540,391
Employer Normal Cost		13,775,175		15,477,610
Unfunded Liability Contribution		16,565,701		19,935,890
% of Projected Payroll (illustrative only)		9.384%		10.629%
Estimated Total Employer Contribution	$	30,340,876	$	35,413,500
% of Projected Payroll (illustrative only)		17.187%		18.881%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

		June 30, 2015		June 30, 2016
1. Present Value of Projected Benefits	$	1,249,680,018	$	1,351,149,137
2. Entry Age Normal Accrued Liability		1,067,754,811		1,151,634,656
3. Market Value of Assets (MVA)	$	812,201,601	$	815,858,288
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$	255,553,210	$	335,776,368
5. Funded Ratio [(3) / (2)]		76.1%		70.8%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	**Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)**					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	8.252%	8.7%	9.6%	9.6%	9.6%	9.6%	9.6%
UAL Payment	19,935,890	23,899,000	27,140,000	31,523,000	35,421,000	38,050,000	40,269,000
*Total as a % of Payroll**	*18.9%*	*21.1%*	*23.2%*	*25.0%*	*26.4%*	*27.1%*	*27.6%*
Projected Payroll	*187,561,931*	*193,188,789*	*198,984,452*	*204,953,986*	*211,102,606*	*217,435,684*	*223,958,755*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

CalPERS

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

July 2017

SAFETY PLAN OF THE CITY OF SACRAMENTO (CalPERS ID: 7903930500)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	18.693%	$32,317,739	11.50%
Projected Results			
2019-20	*19.6%*	*$39,085,000*	*TBD*
2020-21	*21.4%*	*$44,409,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

Required Employer Contribution		Fiscal Year 2018-19
Employer Normal Cost Rate		18.693%
Plus Either		
1) Monthly Employer Dollar UAL Payment	$	2,693,145
Or		
2) Annual UAL Prepayment Option	$	31,188,133
Required PEPRA Member Contribution Rate		11.50%

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31)****. Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		27.336%		27.979%
Employee Contribution[1]		9.175%		9.286%
Employer Normal Cost		18.161%		18.693%
Projected Annual Payroll for Contribution Year	$	127,435,395	$	134,137,989
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	34,835,740	$	37,530,467
Employee Contribution[1]		11,692,197		12,456,054
Employer Normal Cost		23,143,543		25,074,413
Unfunded Liability Contribution		26,419,603		32,317,739
% of Projected Payroll (illustrative only)		20.732%		24.093%
Estimated Total Employer Contribution	$	49,563,146	$	57,392,152
% of Projected Payroll (illustrative only)		38.893%		42.786%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

		June 30, 2015		June 30, 2016
1. Present Value of Projected Benefits	$	1,903,397,078	$	2,018,031,964
2. Entry Age Normal Accrued Liability		1,604,715,617		1,693,049,933
3. Market Value of Assets (MVA)	$	1,142,199,265	$	1,125,555,355
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$	462,516,352	$	567,494,578
5. Funded Ratio [(3) / (2)]		71.2%		66.5%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	18.693%	19.6%	21.4%	21.4%	21.4%	21.4%	21.4%
UAL Payment	32,317,739	39,085,000	44,409,000	50,761,000	56,176,000	59,873,000	63,186,000
*Total as a % of Payroll**	*42.8%*	*47.9%*	*52.6%*	*56.0%*	*58.6%*	*59.9%*	*60.9%*
Projected Payroll	*134,137,989*	*138,162,129*	*142,306,993*	*146,576,203*	*150,973,490*	*155,502,695*	*160,167,776*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

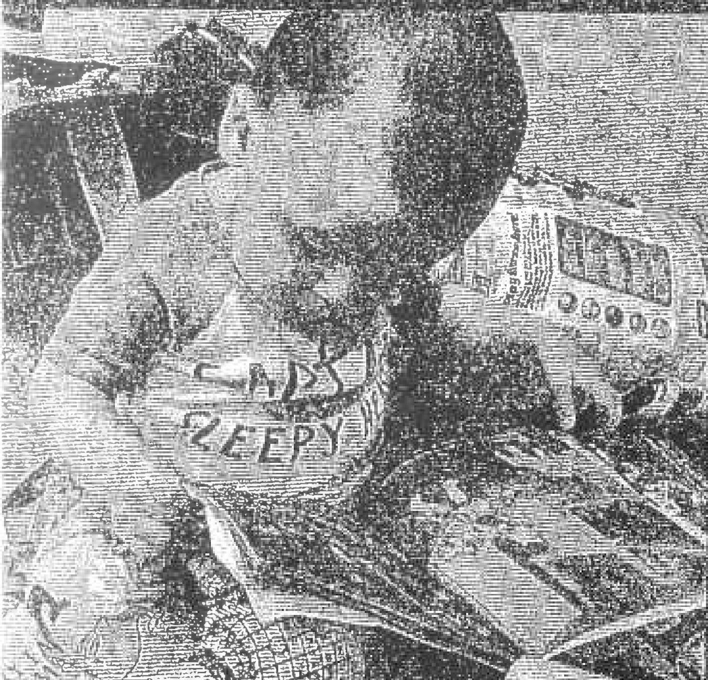
For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

EXHIBIT W

City of Sacramento

Approved Budget

FISCAL YEAR 2017/18



Sacramento's Future

Schedule 2C
Summary of Revenues, Expenditures, and Budgeted Fund Balances (in 000s)

	FY2014/15 Approved	FY2015/16 Approved	FY2016/17 Approved	FY2017/18 Approved
General Fund				
Revenues	385,213	399,209	433,423	463,304
Total Resources	385,213	399,209	433,423	463,304
Expenses				
Operations	378,039	394,146	426,706	450,145
CIP	5,104	10,004	12,128	9,049
Total Requirements	383,143	404,150	438,834	459,194
Other Fund Sources (Uses)	(295)	1,242	5,485	(5,000)
Beginning Fund Balance	-	11,234	7,042	4,871
Ending Fund Balance	1,776	7,535	7,116	3,980
Enterprise Funds				
Revenues	267,209	270,298	289,188	303,659
Total Resources	267,209	270,298	289,188	303,659
Expenses				
Operations	255,392	263,460	267,590	269,457
CIP	14,169	40,901	23,124	23,935
Total Requirements	269,561	304,361	290,714	293,393
Other Fund Sources (Uses)	(250)	(250)	(250)	(250)
Beginning Fund Balance	97,172	110,324	95,429	120,183
Ending Fund Balance	94,571	76,011	93,653	130,199
Other Governmental Funds				
Revenues	132,148	139,392	137,207	143,778
Total Resources	132,148	139,392	137,207	143,778
Expenses				
Operations	128,507	131,225	141,596	150,772
CIP	24,957	41,327	35,830	58,246
Total Requirements	153,463	172,552	177,426	209,019
Other Fund Sources (Uses)	9,854	15,178	2,256	27,500
Beginning Fund Balance	117,468	140,961	184,438	189,040
Ending Fund Balance	106,007	122,979	146,474	151,300
Internal Service Funds				
Revenues	62,524	66,129	69,952	80,657
Total Resources	62,524	66,129	69,952	80,657
Expenses				
Operations	66,657	69,888	71,087	83,599
CIP	250	653	313	445
Total Requirements	66,907	70,541	71,400	84,043
Other Fund Sources (Uses)	4,482	4,547	2,047	3,628
Beginning Fund Balance	-	252	2	3
Ending Fund Balance	100	387	600	245

EXHIBIT X

CalPERS
California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

July 2017

MISCELLANEOUS PLAN OF THE CITY OF LONG BEACH (CalPERS ID: 5919361285)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	9.748%	$39,468,651	6.50%
Projected Results			
2019-20	*10.3%*	*$48,326,000*	*TBD*
2020-21	*11.3%*	*$53,967,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

Required Employer Contribution		Fiscal Year 2018-19
Employer Normal Cost Rate		9.748%
Plus Either		
1) Monthly Employer Dollar UAL Payment	$	3,289,054
Or		
2) Annual UAL Prepayment Option	$	38,089,099
Required PEPRA Member Contribution Rate		6.50%

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31).*** *Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		16.904%		17.197%
Employee Contribution[1]		7.560%		7.449%
Employer Normal Cost		9.344%		9.748%
Projected Annual Payroll for Contribution Year	$	242,110,595	$	249,080,697
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	40,926,373	$	42,834,408
Employee Contribution[1]		18,303,561		18,554,021
Employer Normal Cost		22,622,812		24,280,387
Unfunded Liability Contribution		31,752,031		39,468,651
% of Projected Payroll (illustrative only)		13.115%		15.846%
Estimated Total Employer Contribution	$	54,374,843	$	63,749,038
% of Projected Payroll (illustrative only)		22.459%		25.594%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

		June 30, 2015		June 30, 2016
1. Present Value of Projected Benefits	$	2,652,818,185	$	2,740,977,123
2. Entry Age Normal Accrued Liability		2,380,264,707		2,451,922,377
3. Market Value of Assets (MVA)	$	1,854,310,551	$	1,798,587,395
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$	525,954,156	$	653,334,982
5. Funded Ratio [(3) / (2)]		77.9%		73.4%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	**Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)**					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	9.748%	10.3%	11.3%	11.3%	11.3%	11.3%	11.3%
UAL Payment	39,468,651	48,326,000	53,967,000	61,542,000	68,303,000	73,213,000	77,367,000
*Total as a % of Payroll**	*25.6%*	*29.1%*	*31.7%*	*33.9%*	*35.7%*	*36.6%*	*37.3%*
Projected Payroll	*249,080,697*	*256,553,118*	*264,249,711*	*272,177,203*	*280,342,519*	*288,752,795*	*297,415,379*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

California Public Employees' Retirement System
Actuarial Office
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(888) 225-7377 phone · (916) 795-2744 fax
www.calpers.ca.gov

July 2017

SAFETY PLAN OF THE CITY OF LONG BEACH (CalPERS ID: 5919361285)
Annual Valuation Report as of June 30, 2016

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2016 actuarial valuation report of your pension plan. Your 2016 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the "Actuarial Certification" section on page 1, is available to discuss the report with you after August 31, 2017.

Required Contributions

The exhibit below displays the minimum required employer contributions and the Employee PEPRA Rate for Fiscal Year 2018-19 along with estimates of the required contributions for Fiscal Years 2019-20 and 2020-21. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement you may have with your employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	Employee PEPRA Rate
2018-19	19.726%	$27,794,447	11.50%
Projected Results			
2019-20	*20.7%*	*$35,983,000*	*TBD*
2020-21	*22.5%*	*$41,370,000*	*TBD*

The actual investment return for Fiscal Year 2016-17 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.375 percent. ***If the actual investment return for Fiscal year 2016-17 differs from 7.375 percent, the actual contribution requirements for the projected years will differ from those shown above.***

Moreover, the projected results for Fiscal Years 2019-20 and 2020-21 also assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. Since they cannot be predicted in advance, the projected employer results shown above are estimates. The actual required employer contributions for Fiscal year 2019-20 will be provided in next year's report.

For additional details regarding the assumptions and methods used for these projections please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section.

The required contributions shown above include a Normal Cost component expressed as a percentage of payroll and a payment toward Unfunded Accrued Liability expressed as a dollar amount. Actual contributions for Fiscal Year 2018-19 and all future years will be collected on that basis. For illustrative total contribution requirements expressed as percentages of payroll, please see pages 4 and 5 of the report.

The "Risk Analysis" section of the valuation report on page 21 also contains estimated employer contributions in future years under a variety of investment return scenarios.

Required Contributions

		Fiscal Year 2018-19
Required Employer Contribution		
Employer Normal Cost Rate		**19.726%**
Plus Either		
1) Monthly Employer Dollar UAL Payment	$	**2,316,204**
Or		
2) Annual UAL Prepayment Option	$	**26,822,944**
Required PEPRA Member Contribution Rate		**11.50%**

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***plus*** *the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).*

Only the UAL portion of the employer contribution can be prepaid ***(which must be received in full no later than July 31).*** *Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.*

§20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.

		Fiscal Year 2017-18		Fiscal Year 2018-19
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		28.107%		28.888%
Employee Contribution[1]		9.106%		9.162%
Employer Normal Cost		19.001%		19.726%
Projected Annual Payroll for Contribution Year	$	135,571,026	$	134,236,123
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	38,104,949	$	38,778,130
Employee Contribution[1]		12,345,098		12,298,714
Employer Normal Cost		25,759,851		26,479,416
Unfunded Liability Contribution		20,702,786		27,794,447
% of Projected Payroll (illustrative only)		15.271%		20.706%
Estimated Total Employer Contribution	$	46,462,637	$	54,273,863
% of Projected Payroll (illustrative only)		34.272%		40.432%

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

Plan's Funded Status

		June 30, 2015		June 30, 2016
1. Present Value of Projected Benefits	$	2,515,706,144	$	2,582,541,687
2. Entry Age Normal Accrued Liability		2,235,103,302		2,299,859,201
3. Market Value of Assets (MVA)	$	1,863,659,782	$	1,807,037,844
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$	371,443,520	$	492,821,357
5. Funded Ratio [(3) / (2)]		83.4%		78.6%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.375% Return for Fiscal Year 2016-17)					
Fiscal Year	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Normal Cost %	19.726%	20.7%	22.5%	22.5%	22.5%	22.5%	22.5%
UAL Payment	27,794,447	35,983,000	41,370,000	48,494,000	54,712,000	59,146,000	62,834,000
*Total as a % of Payroll**	*40.4%*	*46.7%*	*51.6%*	*55.6%*	*58.7%*	*60.5%*	*61.7%*
Projected Payroll	*134,236,123*	*138,263,206*	*142,411,103*	*146,683,436*	*151,083,939*	*155,616,457*	*160,284,951*

*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

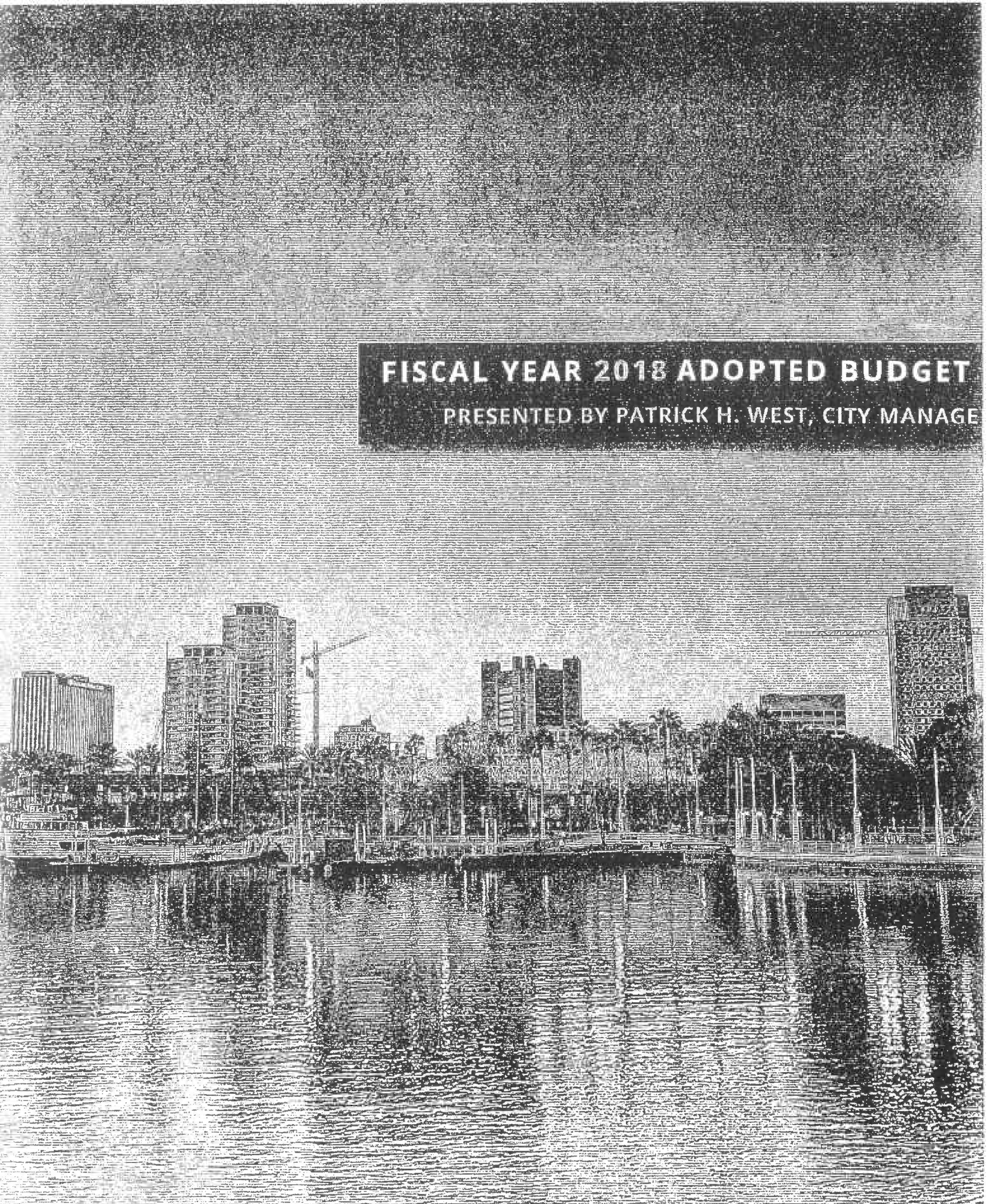
Due to the adopted changes in the discount rate for the next two valuations in combination with the 5-year phase-in ramp, the increases in the required contributions are expected to continue for seven years from Fiscal Year 2018-19 through Fiscal Year 2024-25.

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

EXHIBIT Y

FISCAL YEAR 2018 ADOPTED BUDGET

PRESENTED BY PATRICK H. WEST, CITY MANAGE



CITY OF
LONGBEACH

Comparison of Expenditures by Fund
Fiscal Years 2016 to 2018

	Actual FY 16	Adopted* FY 17	Adjusted* FY 17	Adopted* FY 18
GENERAL FUNDS				
General**	$ 456,162,288	$ 471,336,604	$ 475,463,400	$ 500,964,361
Upland Oil	10,759,823	7,094,773	7,822,740	10,514,840
Total	$ 466,922,111	$ 478,431,377	$ 483,286,140	$ 511,479,201
SPECIAL FUNDS				
General Grants	$ 19,341,636	$ 7,894,199	$ 12,632,789	$ 7,962,939
Police & Fire Pub Sfty Oil Prod Act	3,527,319	4,073,474	4,057,599	3,840,486
Health	35,253,114	43,052,210	43,532,702	44,340,517
CUPA	1,458,044	1,987,120	1,992,044	1,946,734
Special Advertising & Promotion	9,113,196	8,492,412	9,545,900	11,441,532
Housing Development	2,220,381	13,612,862	13,620,922	7,602,904
Belmont Shore Parking Meter	769,859	830,891	1,673,319	765,000
Business Assistance	450,872	704,289	704,359	705,681
Community Development Grants	27,542,520	20,162,053	20,642,068	20,285,512
Housing Authority	65,310,580	70,011,281	70,070,055	77,111,051
Gasoline Tax Street Improvement	20,670,556	10,577,854	11,477,660	15,463,236
Transportation	16,774,906	20,749,066	20,749,066	30,093,978
Total	$ 202,432,984	$ 202,147,712	$ 210,698,481	$ 221,559,573
CAPITAL FUNDS				
Capital Projects	$ 40,833,400	$ 38,593,926	$ 42,904,242	$ 35,824,824
Successor Agency Operations	24,510,413	45,226,488	45,230,113	45,199,197
Total	$ 65,343,813	$ 83,820,415	$ 88,134,355	$ 81,024,021
INTERNAL SERVICE FUNDS				
Civic Center	$ 39,304,632	$ 9,435,785	$ 9,586,348	$ 10,400,805
General Services	41,484,772	41,768,636	45,066,258	44,686,614
Fleet Services	40,945,706	59,276,203	62,430,274	59,165,983
Insurance	45,763,538	42,610,539	42,595,429	42,951,726
Employee Benefits	217,689,512	267,992,141	268,174,368	289,328,050
Total	$ 385,188,160	$ 421,083,304	$ 427,852,678	$ 446,533,178
TIDELANDS FUNDS				
Tidelands Operating	$ 74,961,995	$ 69,798,305	$ 69,807,949	$ 70,748,738
Tidelands Area Funds	79,800,872	38,543,011	38,526,694	39,212,313
Tideland Oil Revenue	50,714,648	64,159,027	64,148,438	63,937,982
Reserve For Subsidence	83	-	-	-
Total	$ 205,477,598	$ 172,500,342	$ 172,483,080	$ 173,899,033
ENTERPRISE FUNDS				
Development Services	$ 23,402,530	$ 21,123,554	$ 22,017,133	$ 23,208,857
Gas	91,901,232	88,869,666	89,322,198	91,610,822
Gas Prepay	8,607,828	39,706,428	39,706,428	40,077,822
Water	102,371,965	102,320,154	102,320,154	106,381,569
Sewer	30,394,296	20,228,985	20,228,985	22,024,667
Airport	50,473,326	44,978,685	45,676,944	43,834,017
Refuse/Recycling	42,804,132	47,154,322	47,187,172	48,377,664
SERRF	45,286,230	51,032,196	51,031,272	51,088,419
SERRF JPA	11,014,027	11,202,424	11,202,424	10,990,570
Towing	5,608,282	5,437,193	5,424,170	5,457,831
Harbor	618,736,658	774,343,000	774,343,000	731,374,877
Total	$ 1,030,600,505	$ 1,206,396,607	$ 1,208,459,879	$ 1,174,427,114
DEBT SERVICE FUNDS				
Debt Service	$ 8,992,000	$ 10,599,566	$ 10,599,566	$ 11,099,333
Successor Agency - Debt Service	26,581,675	28,796,570	28,796,570	28,796,570
Total	$ 35,573,675	$ 39,396,136	$ 39,396,136	$ 39,895,902
TOTAL	$ 2,391,538,846	$ 2,603,775,893	$ 2,630,310,749	$ 2,648,818,022

* Amounts exclude all-years carryover.

** FY 18 General Fund Uses include a reservation of $532,422 for Measure B for a total of $501.5 million.

EXHIBIT Z

2016-17

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

A Commitment to Financial Security

CalPERS

California Public Employees' Retirement System
A Component Unit of the State of California

PUBLIC AGENCY EMPLOYERS

CONTRACTS SUMMARY

On June 30, 2017, 1,579 public agency contracts provided retirement, death, and survivor benefits for participants of 57 county offices of education; 4 school district offices; 451 cities and towns; 37 counties; the State of California; and 1,029 districts and other public agencies. The 57 county offices of education contracts provide benefits for 1,366 school districts and charter schools, bringing the total number of public agency employers to 2,945.

During Fiscal Year 2016-17, six additional agencies contracted with CalPERS for retirement, death, and survivor benefits. The new contracting agencies are:

New Contracts

Effective Date	Public Agency	Misc. Member Formula	Safety Member Formula
7/1/2016	Sacramento Groundwater Authority	2% @ 55 2% @ 62	
8/22/2016	City of Mendota	2% @ 62	
8/1/2016	Williams Fire Protection		2.7% @ 57
8/16/2016	Schell-Vista Fire Protection		2.7% @ 57
2/1/2017	San Diego Community College District		2.7% @ 57
2/18/2017	El Dorado County Water Agency	2% @ 55 2% @ 60 2% @ 62	

Amendments

Public agency contracts vary depending upon the member categories covered, the formula the agency elects to provide, and the optional benefit provisions selected from the group of 41 benefits. These optional benefits may be provided at the time the original contract is established or they may be added later through the contract amendment process.

During Fiscal Year 2016-17, 49 contract amendments were completed.

Two Years of Additional Service Credit – "Golden Handshake"

Contracting agencies may amend their contracts to provide additional service credit if there are impending mandatory transfers, layoffs, or demotions. Eligible employees who retire within a 90- to 180-day window period established by the employer receive two years additional service credit. The county offices of education may also contract for this benefit when there is an impending curtailment of, or change, in the manner of performing services, and their best interest would be served by granting the additional service credit. Once the contract is amended, the employer may establish additional window periods.

Popular Benefit Amendments

Benefit	Number of Amendments
Cost Sharing	42
Removal of Exclusion(s)	3
Contract Amendment without Employee Election	2
Pre-Retirement Optional Settlement 2 Death Benefit	2
"Local Safety Officer" - Public Safety Department	1
Succeeding Agency	1
"Public Service" - Fellowship Employment	1
Application for Partial Service Retirement - Local Member	1
Alternative Death Benefit - Death of State Member with 20 Years of State Service	1
1959 Survivor Allowance - Fourth Level - Local Member	1

Mergers

- The County of El Dorado merged their Water Management function to the El Dorado County Water Agency effective February 18, 2017.

Terminations

CalPERS pension contract terminations are permissible under the Public Employees' Retirement Law (PERL), which defines the methods in which a contracting agency voluntarily or involuntarily exits CalPERS' pension program. Contracting agencies may voluntarily terminate its pension contract with the adoption of formal resolutions effectuating this action. The termination is effective with the agency's Board approval on the date designated in the resolution terminating the contract and any unfunded liabilities must be fully paid. In the case of an involuntary termination, the CalPERS Board has the authority to terminate a contracting agency's pension contracts due to specific inabilities by a contracting agency to meet the requirements of participation as defined by the PERL.

Voluntary Terminations:

- Niland Sanitary District, effective May 12, 2016
- Trinity County Waterworks District #1, effective September 30, 2016
- Herald Fire Protection District, effective January 20, 2017
- Alhambra Redevelopment Agency, effective March 27, 2017
- Exposition Metro Line Construction Authority, effective June 30, 2017

Involuntary Terminations:

- East San Gabriel Valley Human Services Consortium, effective May 30, 2017

CERTIFICATE OF SERVICE

Case Name : *Cal Fire Local 2881 v. Calif. Public Employees' Retirement System*
Case No: : **S239958**
Court : **Supreme Court of California**

I am a citizen of the United States, over the age of 18, and not a party to the within action. My business address is 555 Capitol Mall, Suite 400, Sacramento, California, 95814. On this date, I served a true and correct copy of the following entitled documents:

REQUEST FOR JUDICIAL NOTICE

__X__ BY MAIL: By placing the envelope(s) for collection and mailing on the date and at the place shown in items below, following our ordinary business practices. I am readily familiar with this business' practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

Gary Messing Gregg Adam Jason Jasmine Messing, Adam & Jasmine LLP 235 Montgomery Street, Suite 828 San Francisco, CA 94104	*Counsel for Petitioners and Appellants*
Matthew G. Jacobs, General Counsel Preet Kaur, Senior Staff Counsel CalPERS/Lincoln Plaza North 400 Q Street Sacramento, CA 95814 Telephone: 916.795.1054	*Counsel for Defendant and Respondent* CA Public Employees' Retirement System
Peter Krause, Legal Affairs Secretary Rei R. Onishi, Deputy Legal Affairs Secretary State Capitol, Suite 1173 Sacramento, CA 95814 Telephone: 415.703.1613	*Counsel for Intervener and Respondent* State of California

Peter Warren Saltzman
Leonard Carder
1330 Broadway, Suite 1450
Oakland, CA 94612

Counsel for Publication/ De-Publication Requestors

Stephen Silver
Rains, Lucia, Stern, et al
1428 Second Street, Suite 200
Santa Monica, CA 90401

Counsel for Amicus Curiae

Clerk of the Court
California Court of Appeal
First Appellate District, Division 3
350 McAllister Street
San Francisco, CA 94102

Office of the Court Clerk
Alameda County Superior Court
1225 Fallon Street
Oakland, CA 94612

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on February 26, 2018 in Sacramento, California.

Barner

ANN BARNER