



**LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY**

701 Ocean Street, #318-D
Santa Cruz, CA 95060
Phone Number: (831) 454-2055
Website: www.santacruzlafco.org
Email: info@santacruzlafco.org

REGULAR MEETING AGENDA

Wednesday, June 1, 2022 at 9:00am

(Meeting will be conducted using Zoom Webinar)

Attend Meeting by Internet: <https://us02web.zoom.us/j/84733692745>
(Password 257512)

Attend Meeting by Conference Call: **Dial 1-669-900-6833 or 1-253-215-8782**
(Webinar ID: 847 3369 2745)

TELECONFERENCE MEETING PROCESS

Based on guidance from the California Department of Public Health, the California Governor's Office, and the State Legislature, in order to minimize the spread of the COVID-19 virus, Santa Cruz LAFCO has established a temporary meeting process:

- a) Commission Quorum: Assembly Bill 361 indicates that a quorum can consist of Commissioners in person or via teleconference during these unique circumstances. This regular LAFCO meeting will be conducted remotely. A roll call vote will occur on each agenda item that requires Commission action.
- b) Public Comments: For those wishing to make public comments remotely, please submit your comments by email to be read aloud at the meeting by LAFCO staff. Email comments must be submitted to LAFCO staff at info@santacruzlafco.org. Comments on matters not on the agenda may be submitted prior to the time the Chair calls for Oral Communications. Comments on agenda items may be submitted prior to the time the Chair closes public comments on the agenda item.

For those wishing to speak during the online meeting, you may inform LAFCO staff of this request prior to the start of the meeting. If that has occurred, and after being recognized by the Chair, the identified individual will be unmuted and given up to 3 minutes to speak. Following those 3 minutes, their microphone will be muted.

- c) Accommodations for Persons with Disabilities: Santa Cruz LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. If you are a person with a disability and wish to attend the meeting and you require special assistance in order to participate, please contact the staff at (831) 454-2055 at least 24 hours in advance of the meeting to make arrangements. Persons with disabilities may request a copy of the agenda in an alternative format.

1. ROLL CALL

2. EXECUTIVE OFFICER'S MESSAGE

The Executive Officer may make brief announcements in the form of a written report or verbal update, and may not require Commission action.

a. Virtual Meeting Process

The Commission will receive an update on the ongoing remote meeting process.

Recommended Action: No action required; Informational item only.

3. ADOPTION OF MINUTES

The Commission will consider approving the minutes from the May 4, 2022 Regular LAFCO Meeting.

Recommended Action: Approve the minutes as presented with any desired changes.

4. ORAL COMMUNICATIONS

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on an off-agenda item(s) unless authorized by law.

5. PUBLIC HEARINGS

Public hearing items require expanded public notification per provisions in State law, directives of the Commission, or are those voluntarily placed by the Executive Officer to facilitate broader discussion.

a. "Pajaro Valley Rod and Gun Club Annexation"

The Commission will consider the annexation of two parcels, totaling three acres, to the Salsipuedes Sanitary District for sewer service.

Recommended Action: Adopt the draft resolution (No. 2022-08) approving the two-parcel annexation into the Salsipuedes Sanitary District.

b. Final Budget for Fiscal Year 2022-23

The Commission will consider the adoption of a final budget for the upcoming year.

Recommended Actions:

- 1) Adopt the draft resolution (No. 2022-09) approving the final budget for Fiscal Year 2022-23; and
- 2) Authorize the Executive Officer to request the Auditor-Controller's Office to distribute the final budget and apportionment amount to the funding agencies by July 2022.

6. OTHER BUSINESS

Other business items involve administrative, budgetary, legislative, or personnel matters and may or may not be subject to public hearings.

a. Continuation of Remote Meetings

The Commission will consider ratifying a resolution to permit the continuation of remote meetings under AB 361.

Recommended Action: Ratify the existing resolution (No. 2021-19) approving the continuation of remote meetings under AB 361 with the option of implementing a hybrid model at the next LAFCO meeting, if possible.

b. New Office Lease

The Commission will consider the lease agreement between LAFCO and the County of Santa Cruz for office space.

Recommended Action: Approve the new four-year lease agreement.

c. New LAFCO Website

The Commission will receive a virtual tour of LAFCO's new website in accordance with the professional services agreement within Chase Design, Inc.

Recommended Action: No action required; Informational item only.

7. WRITTEN CORRESPONDENCE

LAFCO staff receives written correspondence and other materials on occasion that may or may not be related to a specific agenda item. Any correspondence presented to the Commission will also be made available to the general public. Any written correspondence distributed to the Commission less than 72 hours prior to the meeting will be made available for inspection at the hearing and posted on LAFCO's website.

a. "Pajaro Valley Fire Protection District Reorganization" – Comment Letters

The Commission will review the comment letters from the following: Pajaro Dunes Association, Central Fire District, and County of Santa Cruz.

Recommended Action: No action required; Informational item only.

8. PRESS ARTICLES

LAFCO staff monitors newspapers, publications, and other media outlets for any news affecting local cities, districts, and communities in Santa Cruz County. Articles are presented to the Commission on a periodic basis.

a. Press Articles during the Months of April and May

The Commission will receive an update on recent LAFCO-related news occurring around the county and throughout California.

Recommended Action: No action required; Informational item only.

9. COMMISSIONERS' BUSINESS

This is an opportunity for Commissioners to comment briefly on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken, except to place the item on a future agenda if approved by Commission majority. The public may address the Commission on these informational matters.

10. ADJOURNMENT

LAFCO's next regular meeting is scheduled for Wednesday, August 3, 2022 at 9:00 a.m.

ADDITIONAL NOTICES:

Campaign Contributions

State law (Government Code Section 84308) requires that a LAFCO Commissioner disqualify themselves from voting on an application involving an "entitlement for use" (such as an annexation or sphere amendment) if, within the last twelve months, the Commissioner has received \$250 or more in campaign contributions from an applicant, any financially interested person who actively supports or opposes an application, or an agency (such as an attorney, engineer, or planning consultant) representing an applicant or interested participant. The law also requires any applicant or other participant in a LAFCO proceeding to disclose the amount and name of the recipient Commissioner on the official record of the proceeding.

The Commission prefers that the disclosure be made on a standard form that is filed with the Commission Clerk at least 24 hours before the LAFCO hearing begins. If this is not possible, a written or oral disclosure can be made at the beginning of the hearing. The law also prohibits an applicant or other participant from making a contribution of \$250 or more to a LAFCO Commissioner while a proceeding is pending or for 3 months afterward. Disclosure forms and further information can be obtained from the LAFCO office at Room 318-D, 701 Ocean Street, Santa Cruz CA 95060 (phone 831-454-2055).

Contributions and Expenditures Supporting and Opposing Proposals

Pursuant to Government Code Sections §56100.1, §56300(b), §56700.1, §59009, and §81000 et seq., and Santa Cruz LAFCO's Policies and Procedures for the Disclosures of Contributions and Expenditures in Support of and Opposition to proposals, any person or combination of persons who directly or indirectly contributes a total of \$1,000 or more or expends a total of \$1,000 or more in support of or opposition to a LAFCO Proposal must comply with the disclosure requirements of the Political Reform Act (Section 84250). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. Additional information may be obtained at the Santa Cruz County Elections Department, 701 Ocean Street, Room 210, Santa Cruz CA 95060 (phone 831-454-2060).

More information on the scope of the required disclosures is available at the web site of the Fair Political Practices Commission: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).

Accommodating People with Disabilities

The Local Agency Formation Commission of Santa Cruz County does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and you will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 72 hours in advance of the meeting to make arrangements. For TDD service the California State Relay Service 1-800-735-2929 will provide a link between the caller and the LAFCO staff.

Late Agenda Materials

Pursuant to Government Code Section 54957.5 public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be available to the public at Santa Cruz LAFCO offices at 701 Ocean Street, #318D Santa Cruz CA 95060 during regular business hours. These records when possible will also be made available on the LAFCO website at www.santacruzlafco.org. To review written materials submitted after the agenda packet is published, contact staff at the LAFCO office or in the meeting room before or after the meeting.



**LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY**

DRAFT MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, May 4, 2022
Start Time - 9:00 a.m.

1. ROLL CALL

Chair Rachél Lather called the meeting of the Local Agency Formation Commission of Santa Cruz County (LAFCO) to order at 9:01 a.m. and welcomed everyone in attendance. She asked staff to conduct roll call.

The following Commissioners were present:

- Chair Rachél Lather
- Vice-Chair Yvette Brooks
- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Ryan Coonerty
- Commissioner Justin Cummings
- Commissioner Zach Friend
- Alternate Commissioner Ed Banks
- Alternate Commissioner John Hunt

The following LAFCO staff members were present:

- Executive Officer Joe Serrano
- Legal Counsel, Joshua Nelson

2. EXECUTIVE OFFICER'S MESSAGE

2a. Virtual meeting Process

Executive Officer Joe Serrano announced that the Commission Meeting is being conducted virtually through the Zoom Webinar platform and participation by Commissioners and staff are from remote locations. Members of the public will have access to the meeting by phone or online. Mr. Serrano anticipates conducting the next LAFCO meetings remotely in accordance with the Governor's Executive Orders and the newly enacted law under Assembly Bill 361, which allows local agencies to conduct virtual meetings during a State of Emergency.

2b. Request for Proposal – Time Extension

Executive Officer Joe Serrano noted that the deadline to submit bids for LAFCO's fire-related feasibility study was extended to May 18. The extension allowed more time for additional bids to be submitted before LAFCO selects the most qualified consulting firm to produce the study.

2c. City Selection Committee - Appointment Results

Executive Officer Joe Serrano informed the Commission that the City Selection Committee appointed Yvette Brooks (Capitola) and Donna Linda (Scotts Valley) to be LAFCO's new regular and alternate members, respectively. The June 1st Regular Meeting will be their first meeting as the new city representatives on LAFCO.

3. ADOPTION OF MINUTES

Chair Rachél Lather requested public comments on the draft minutes. **Executive Officer Joe Serrano** noted no public comments were received. **Chair Rachél Lather** closed public comments.

Chair Rachél Lather called for the approval of the draft minutes. **Commissioner Jim Anderson** motioned for approval of the April 6th Meeting Minutes and **Commissioner Justin Cummings** seconded the motion.

Chair Rachél Lather called for a roll call vote on the approval of the draft minutes with no changes. **Executive Officer Joe Serrano** conducted a roll call vote on the item.

MOTION: Jim Anderson

SECOND: Justin Cummings

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Ryan Coonerty, Justin Cummings, Zach Friend, and Rachél Lather.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 7-0

4. ORAL COMMUNICATIONS

Chair Rachél Lather requested public comments on this item. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission.

Chair Rachél Lather moved on to the next agenda item.

5. PUBLIC HEARINGS

Chair Rachél Lather noted that there was one public hearing item for Commission consideration today.

5a. City of Capitola Service & Sphere Review

Chair Rachél Lather requested staff to provide a presentation on the draft service and sphere review for the City of Capitola.

Executive Officer Joe Serrano noted that the City was formed in 1949 and encompasses approximately two square miles of territory. Mr. Serrano explained that the City provides municipal services to approximately 10,000 residents. He indicated that the City is financially healthy and operating an efficient government agency. However, he did point out that the City's sphere boundary has been in place almost 50 years with minimal annexations. The last annexation occurred in 1985. Staff recommended that the Commission reaffirm the existing sphere boundary with the condition that the City develop an annexation plan by the next service review cycle (May 2027).

Chair Rachél Lather requested public comments on this item. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission.

Chair Rachél Lather closed public comments and called for Commission comments.

Commissioner Roger Anderson appreciated the detailed analysis in the report and asked if there was any population data within the City's sphere boundary. **Executive Officer Joe Serrano** indicated that population data is not relatively available for specific areas in unincorporated territory. Mr. Serrano noted that based on LAFCO's mapping database and the 2010 census data, staff believes that there may be up to 10,000 residents living outside the city limits but within Capitola's sphere of influence.

Vice-Chair Yvette Brooks extended her appreciation for the report and asked if LAFCO would help develop the proposed annexation plan. **Executive Officer Joe Serrano** noted that he understands the City's limited staff time and offered his assistance on developing the annexation plan.

Chair Rachél Lather noted no further Commission discussion and asked for a motion to approve the draft report. **Commissioner Justin Cummings** motioned to approve staff's recommendations. **Vice-Chair Yvette Brooks** seconded the motion.

Chair Rachél Lather called for a roll call vote on motion based on staff's recommendation: **(1) Find the report to be exempt from CEQA, (2) Determine that the report fulfills the requirements under GCS 56425, (3) Determine that the report fulfills the requirements under GCS 56430, and (4) Adopt the LAFCO Resolution (No. 2022-06) approving the 2022 Service & Sphere Review for the City of Capitola with the following conditions: (a) Reaffirm the City's current sphere boundary with the condition that the City develop an annexation plan before the next service review cycle, and (b) Direct the Executive Officer to distribute a copy of the adopted report to the City and any other interested/affected agency.**

Executive Officer Joe Serrano conducted a roll call vote on the item.

MOTION: Justin Cummings
SECOND: Yvette Brooks
FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Ryan Coonerty, Justin Cummings, Zach Friend, and Rachél Lather.
AGAINST: None
ABSTAIN: None

MOTION PASSED: 7-0

6. OTHER BUSINESS

Chair Rachél Lather indicated that there were two business items for Commission consideration.

6a. Continuation of Remote Meetings

Chair Rachél Lather requested staff to provide a presentation on the requirements to continue remote meetings under Assembly Bill 361.

Executive Officer Joe Serrano noted that the Commission adopted a resolution in November 2021 to continue remote meetings in accordance with the guidelines under AB 361, which acts as a temporary waiver of the Brown Act's in-person attendance requirements. Mr. Serrano explained that to continue to qualify for AB 361's waiver of in-person meeting requirements, the Commission is required to renew the findings outlined in the resolution adopted back in November. He also indicated that in April the Commission ratified the existing resolution with the condition that staff provide information on how to implement a hybrid model, which would allow Commissioners, staff, and members of the public to participate in future LAFCO meetings in-person or remotely. Staff met with County representatives and determined that it would be possible to implement a hybrid model. Mr. Serrano did point out that a quick survey was sent to the Commissioners in April and the vast majority prefers to participate remotely at this time. Staff recommended that the Commission continue conducting remote meetings under AB 361 until more Commissioners are comfortable with in-person meetings or when the COVID-related State of Emergency is lifted.

Chair Rachél Lather requested public comments on this item. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission.

Chair Rachél Lather closed public comments and called for Commission comments.

Vice-Chair Yvette Brooks motioned to approve staff's recommendations. **Commissioner Jim Anderson** seconded the motion.

Commissioner Justin Cummings thanked staff for the report and highlighted the value of engaging with the public and colleagues in-person.

Chair Rachél Lather called for a roll call vote on motion based on staff's recommendation: **Ratify the existing resolution (No. 2021-19) approving the continuation of remote meetings under AB 361.**

Executive Officer Joe Serrano conducted a roll call vote on the item.

MOTION: Yvette Brooks

SECOND: Jim Anderson

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Ryan Coonerty, Justin Cummings, Zach Friend, and Rachél Lather.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 7-0

6b. Comprehensive Quarterly Report – Third Quarter (FY 2021-22)

Chair Rachél Lather requested staff to provide a presentation on the quarterly report.

Executive Officer Joe Serrano noted that this report is meant to keep the Commission informed about all LAFCO-related activities, including the status of active proposals, the schedule of upcoming service reviews, the current financial performance of LAFCO's adopted budget, and other projects. Mr. Serrano covered these areas and indicated that the Commission's budget is doing well with over 100% of anticipated revenues already received and only approximately 42% of anticipated expenses spent.

Chair Rachél Lather requested public comments on this item. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission.

Chair Rachél Lather closed public comments and called for Commission comments on the quarterly report. There were none.

Chair Rachél Lather moved to the next item since no Commission action was required.

7. SPECIAL BUSINESS

Chair Rachél Lather noted that there was one special business item for Commission consideration today.

7a. Resolution of Appreciation for Commissioner Justin Cummings

Chair Rachél Lather requested staff to provide a presentation on the resolution of appreciation for Commissioner Justin Cummings.

Executive Officer Joe Serrano reminded the Commission that the four-year term for Commissioner Justin Cummings ends in May. Mr. Serrano thanked Commissioner Cummings for his leadership during his time with LAFCO and noted that Mr. Cummings will still be a council member for the City of Santa Cruz until December 2022.

Chair Rachél Lather requested public comments on this item. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission.

Chair Rachél Lather closed public comments and called for Commission comments.

Commissioners Roger Anderson and Ryan Coonerty thanked Mr. Cummings for his commitment towards local government and championing efforts to improve the efficient delivery of public services throughout Santa Cruz County.

Chair Rachél Lather noted no further Commission discussion and asked for a motion to approve staff's recommendations. **Commissioner Ryan Coonerty** motioned to approve staff's recommendations. **Commissioner Jim Anderson** seconded the motion.

Chair Rachél Lather called for a roll call vote on motion based on staff's recommendation: **Adopt LAFCO Resolution (No. 2022-07) acknowledging Commissioner Cummings' leadership on LAFCO.**

Executive Officer Joe Serrano conducted a roll call vote on the item.

MOTION: Ryan Coonerty

SECOND: Jim Anderson

FOR: Jim Anderson, Roger Anderson, Yvette Brooks, Ryan Coonerty, Justin Cummings, Zach Friend, and Rachél Lather.

AGAINST: None

ABSTAIN: None

MOTION PASSED: 7-0

8. WRITTEN CORRESPONDENCE

Chair Rachél Lather inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** indicated that there were none received. **Chair Rachél Lather** moved to the next item since no Commission action was required.

9. PRESS ARTICLES

Chair Rachél Lather requested staff to provide a presentation on the press articles. **Executive Officer Joe Serrano** indicated that this item highlights LAFCO-related articles recently circulated in local newspapers.

Commissioner Roger Anderson asked for more information about the issues facing Santa Barbara LAFCO regarding a potential consolidation of two special districts. **Executive Officer Joe Serrano** noted that a water district and a sewer district have expressed interest in merging together to better serve their residents. The two districts hired an outside consultant to produce a feasibility study. Mr. Serrano indicated that there are some internal issues being faced by one of the districts, specifically involving their board of directors. He stated that it is unknown whether those issues will affect the consolidation effort.

Chair Rachél Lather requested public comments on this item. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission.

Chair Rachél Lather moved to the next item since no Commission action was required.

10. COMMISSIONERS' BUSINESS

Chair Rachél Lather inquired whether any Commissioner would like to share any information. There were no comments. **Chair Rachél Lather** moved to the next item since no Commission action was required.

11. ADJOURNMENT

Chair Rachél Lather adjourned the Regular Commission Meeting at 9:49 a.m. to the next regular LAFCO meeting scheduled for Wednesday, June 1, 2022 at 9:00 a.m.

RACHÉL LATHER, CHAIRPERSON

Attest:

JOE A. SERRANO, EXECUTIVE OFFICER



Date: June 1, 2022
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **“Pajaro Valley Rod and Gun Club Annexation” to the Salsipuedes Sanitary District (LAFCO Project No. DA 22-05)**

SUMMARY OF RECOMMENDATION

This application is requesting the annexation of unincorporated land into the Salsipuedes Sanitary District (“District”). If approved, the subject area (totaling 2 parcels; 3.02 acres) will discontinue the use of a septic tank system and will receive sewer service from a neighboring public agency.

It is recommended that the Commission adopt the draft resolution (LAFCO No. 2022-08) approving the two-parcel annexation into the Salsipuedes Sanitary District.

EXECUTIVE OFFICER’S REPORT:

The proposed annexation was initiated by the District through the unanimous adoption of a board resolution. The signed application and signed resolution were submitted to LAFCO on March 17, 2022. The subject area includes two parcels, totaling 3.02 acres. The landowner of both parcels (Pajaro Valley Rod & Gun Club) submitted a letter of support on April 12, 2022. The purpose of the application is for the provision of sewer services towards the existing facility. The subject area is within unincorporated county territory and is located east of Highway 152, south of Casserly Road, west of Strawberry Hill and Rosa Lane, and north of College Road and Lakeview Road. The subject area is also immediately adjacent to the District’s jurisdictional boundary and within the District’s current sphere of influence. **Attachment 1** is a vicinity map of the subject area.

General Plan/Zoning Designation

The subject area is uninhabited (less than 12 registered voters) and currently designated as RA (Residential Agricultural) under the County’s General Plan. The application does not propose any changes to the existing land use designation.

Other Municipal Services

No other change of organization is required. The proposal area will continue to receive municipal services from existing public agencies, including but not limited to water service from the Pajaro Valley Water Management Agency and fire service from the Pajaro Valley Fire Protection District.

Affected/Interested Agency Comments

A referral letter, which summarized the proposal, was distributed to all the affected and interested agencies within or near the subject area. This was an opportunity for an agency to provide comments regarding the proposed boundary change. LAFCO did not receive any opposition during the comment period.

Property Tax Exchange Agreement

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected local agency before LAFCO can consider a jurisdictional change. The Board of Supervisors (BOS) acts as the authorizing body for the District regarding property tax adjustments. The BOS is scheduled to consider adopting the property tax exchange agreement for this proposal on June 6, 2022. If this annexation is approved, the proposal will not be recorded until a copy of the signed property tax exchange agreement is submitted to LAFCO.

Environmental Review

The proposal is subject to an environmental review. Santa Cruz LAFCO will serve as the lead agency for assessing impacts under CEQA. Based on staff's analysis, the underlying action qualifies as a project under CEQA. As the lead agency, LAFCO staff determined that the proposal was exempt pursuant to CEQA Guidelines Section 15319, Class 9(a):

Annexations to a city or special district of areas containing existing or private structures developed to the density allowed by the current zoning or pre-zoning, of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the extension of utility services to the existing facilities would have a capacity to serve only the existing facilities.

The purpose of the application is for the provision of sewer services by allowing the landowners to connect to a nearby sewer line, and therefore, aligns with the categorical exemption identified above. A Notice of Exemption, as shown in **Attachment 2**, will be recorded following the Commission's approval of this proposal.

Notice of Public Hearing

Pursuant to Government Code Section 56662(a), a proposed annexation may not require notice or a hearing if the proposal meets all of the following criteria:

1. The territory is uninhabited;
2. An affected local agency has not submitted a written demand for notice and hearing during the comment period; and
3. The proposal has written consent from the affected landowner.

While the proposal meets the criteria under GCS 56662(a), staff published a voluntary hearing notice in the Santa Cruz Sentinel on May 10, 2022 (refer to **Attachment 3**).

Protest Proceedings

State law requires a protest proceeding to occur if a boundary change (i.e. annexation) is approved. This protest period provides an opportunity for affected residents within the subject area to voice their opposition of the Commission's action. However, pursuant to Government Code Section 56662(d), the protest proceedings may be waived entirely if the following occurs:

1. The territory is uninhabited;

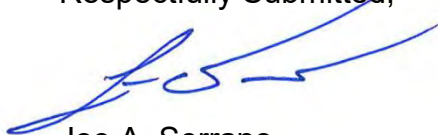
2. The proposal is accompanied by proof, satisfactory to the Commission, that all the owners of land within the affected territory, exclusive of land owned by a private railroad company, have given their written consent to the proposal and a private railroad company that is an owner of land within the affected territory has not submitted written opposition to the waiver of protest proceedings prior to the conclusion of the commission hearing; and
3. A subject agency has not submitted written opposition to a waiver of protest proceedings.

The subject area is uninhabited (three registered voters), and the only affected landowner sent a letter of support towards the proposal. Additionally, no subject agency submitted a written opposition to the proposed waiver of protest proceedings. LAFCO staff is recommending that the protest proceedings be waived based on the statutory criteria.

STAFF RECOMMENDATION

The Salsipuedes Sanitary District operates a sanitary sewer collection system and has been serving the unincorporated area northeast of Watsonville since 1965. The service area of the District encompasses about 800 acres. At present, the District provides services to residential properties, as well as Lakeview Middle School, St. Francis High School, Our Lady Help of Christians Catholic Church, the Santa Cruz County Fairgrounds, and several commercial businesses. The proposal meets the criteria outlined in LAFCO law and the Commission's Proposal Evaluation Policy. The proposal is also consistent with the District's current sphere of influence boundary. Furthermore, the District has indicated that there is sufficient capacity and ability to provide sewer service to the subject area. More importantly, this proposal allows the affected landowner the opportunity to transition from septic tank usage to a more sustainable public infrastructure. Therefore, staff is recommending that the Commission adopt the draft resolution approving the proposed annexation (see **Attachment 4**).

Respectfully Submitted,

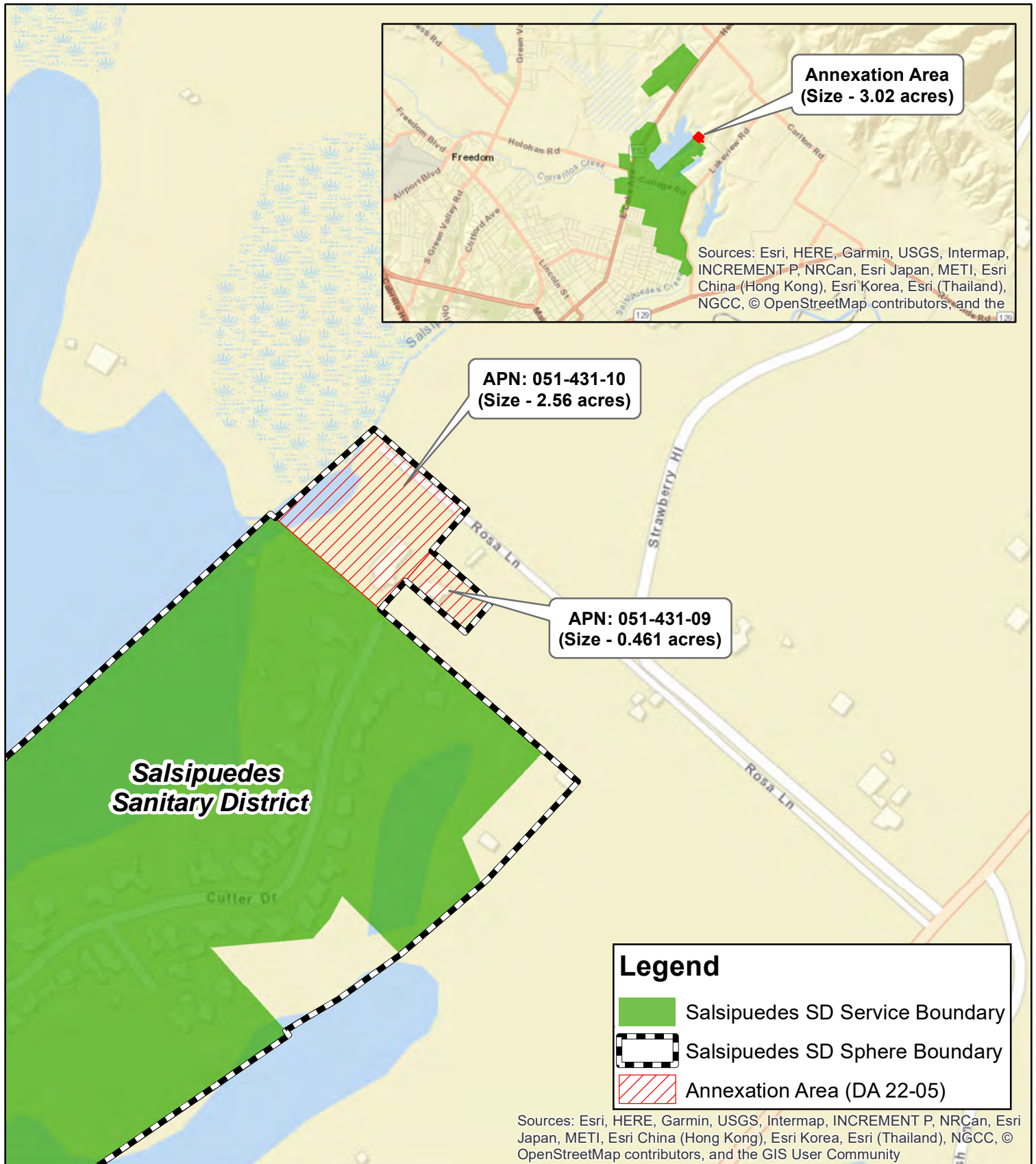


Joe A. Serrano
Executive Officer

Attachments:

1. Vicinity Map
2. Notice of Exemption
3. Notice of Public Hearing
4. Draft Resolution (LAFCO No. 2022-08)

cc: Delia Brambila, Salsipuedes Sanitary District
Deo Frutuoso, PVRG Club President
Ron Gordon, PVRG Consultant & Member



"Pajaro Valley Rod and Gun Club Annexation" to the Salsipuedes Sanitary District

The subject parcels are within the District's sphere boundary but outside the District's jurisdictional boundary. This means that the subject parcel must be annexed into the District before it can connect to the District's infrastructure.

Notice of Exemption

To: ☐ Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento CA 95814

From: (Public Agency)
Santa Cruz Local Agency Formation Commission
701 Ocean Street, Room 318-D
Santa Cruz CA 95060

To: ☒ Clerk of the Board
County of Santa Cruz
701 Ocean Street, Room 500
Santa Cruz CA 95060

Project Title: **"Pajaro Valley Rod and Gun Club Annexation" to the Salsipuedes Sanitary District**

Project Location: The subject area is within unincorporated county territory and is located east of Highway 152, south of Casserly Road, west of Strawberry Hill and Rosa Lane, and north of College Road and Lakeview Road. Attached is a vicinity map of the subject area (refer to Attachment A).

Project Location City: N/A Project Location County: Santa Cruz

Description of Nature, Purpose, and Beneficiaries of Project: The proposal was initiated by District resolution. The subject area includes two parcels, totaling 3.02 acres. The two parcels are owned by the Pajaro Valley Rod and Gun Club. The purpose of the application is to decommission the existing septic tank system and connect the parcels to Salsipuedes Sanitary District, which is the adjacent public wastewater agency.

Name of Public Agency Approving Project: Local Agency Formation Commission of Santa Cruz County ("**Santa Cruz LAFCO**"). **A public hearing on this proposal is scheduled for 9:00 a.m. on June 1, 2022.** Additional information on the upcoming meeting is available on the LAFCO website (<https://www.santacruzlafco.org>).

Name of Person or Agency Carrying Out Project: Santa Cruz LAFCO

Exempt Status: (check one)

- ☐ Ministerial (Sec. 21080(b)(1); 15268);
☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
☐ Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));
☒ Categorical Exemption: State type and section number
☐ Statutory Exemptions: State code number
☐ Other: The activity is not a project subject to CEQA.

Reason Why Project is Exempt: Pursuant to CEQA Guidelines Section 15319, Class 9(a): Annexations to a city or special district of areas containing existing or private structures developed to the density allowed by the current zoning or pre-zoning, of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the extension of utility services to the existing facilities would have a capacity to serve only the existing facilities.

Lead Agency Contact Person: Joe A. Serrano

Area Code/Phone Extension: 831-454-2055.

Signature:  Date: June 2, 2022
Joe A. Serrano, Executive Officer

☒ Signed by Lead Agency



NOTICE OF PUBLIC HEARING LOCAL AGENCY FORMATION COMMISSION

NOTICE IS HEREBY GIVEN that at 9:00 a.m., Wednesday, June 1, 2022, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following:

- **“Pajaro Valley Rod and Gun Club Annexation”:** Consideration of a two-parcel annexation into the Salsipuedes Sanitary District. If approved, the subject area will discontinue its existing septic tank system and receive sewer service from the identified public agency.
- **Final Budget for Fiscal Year 2022-23:** Adoption of a final budget for the upcoming fiscal year. The review, approval, and notice of this budget will be performed consistent with Government Code Section 56381.

Due to COVID-19, this meeting will be conducted as a teleconference pursuant to the provisions of the Governor’s Executive Orders and Assembly Bill 361, which suspend certain requirements of the Ralph M. Brown Act. Members of the public are encouraged to participate remotely. Instructions to participate remotely are available in the Agenda and Agenda Packet: <https://www.santacruzlafco.org/2022-agenda-packets/>

During the meeting, the Commission will consider oral or written comments from any interested person. Maps, written reports, environmental review documents and further information can be obtained by contacting LAFCO’s staff at (831) 454-2055 or from LAFCO’s website at www.santacruzlafco.org. LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. If you wish to attend this meeting and you will require special assistance in order to participate, please contact the LAFCO office at least 48 hours in advance of the meeting to make arrangements.

Joe A. Serrano
Executive Officer
Date: May 10, 2022

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2022-08

On the motion of Commissioner
duly seconded by Commissioner
the following resolution is adopted:

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
MAKING DETERMINATIONS AND ORDERING THE
“PAJARO VALLEY ROD AND GUN CLUB ANNEXATION”
TO THE SALSIPUEDES SANITARY DISTRICT
(LAFCO PROJECT NO. DA 22-05)

WHEREAS, an application requesting the annexation and subsequent sphere of influence amendment was filed by landowner petition pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.); and

WHEREAS, the proposal was initiated the affected agency through the unanimous adoption of a board resolution. The subject area includes two parcels totaling 3.02 acres. The landowner of the subject parcels, Pajaro Valley Rod and Gun Club, supports the proposal and submitted a letter of support. The purpose of the proposal is for the provision of sewer services from a nearby public agency to existing single family homes; and

WHEREAS, the proposal was assigned the short-term designation of “Pajaro Valley Rod and Gun Club Annexation”; and

WHEREAS, the subject area is within unincorporated county territory and is located east of Highway 152, south of Casserly Road, west of Strawberry Hill and Rosa Lane, and north of College Road and Lakeview Road; and

WHEREAS, the proposal consists of the following change of organization: annexation into the Salsipuedes Sanitary District (“District”); and

WHEREAS, correspondence summarizing the proposal was sent to all affected and interested agencies requesting comments on April 7, 2022. LAFCO did not receive any opposition following the conclusion of the comment period; and

WHEREAS, the Executive Officer conducted an analysis on the proposal and prepared a report including staff’s recommendations thereon, and presented staff’s findings for Commission consideration; and

WHEREAS, a public hearing by the Commission was held on June 1, 2022; and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented.

NOW, THEREFORE, the Local Agency Formation Commission of Santa Cruz County does HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. Compliance with the California Environmental Quality Act (CEQA) has been met by a categorical exemption pursuant to State CEQA Guidelines Section 15319, Class 9(a): Annexations to a city or special district of areas containing existing or private structures developed to the density allowed by the current zoning or pre-zoning, of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the extension of utility services to the existing facilities would have a capacity to serve only the existing facilities. Staff may file a notice of exemption.

Section 3. The Commission considered the requirements set forth for annexation in the Cortese-Knox-Hertzberg Act, Government Code Section 56650, and found the proposal to be consistent with those requirements as outlined below:

- a) District Annexation: Government Code Section 56668.3(a) requires the Commission to analyze several factors as part of the change of organization. These factors include:
 - a. The case of district annexation, whether the proposed annexation will be for the interest of landowners or present or future inhabitants within the district and within the territory proposed to be annexed to the district;
 - b. Any factors which may be considered by the Commission as provided in Government Code Section 56668;
 - c. Any resolution raising objections to the action that may be filed by an affected agency; and
 - d. Any other matters which the Commission deems material.

LAFCO analyzed these and other factors as part of the June 1, 2022 staff report.

- b) District Annexation: Government Code Section 56857(a) requires the Commission to notify the affected agency if the proposal was not filed by the district to which annexation of territory is proposed. The affected agency may transmit to the Commission a resolution requesting termination of the proceedings. LAFCO staff did not receive any terminating resolution or correspondence from the District opposing the application.

Section 4. The Commission determined that the proposal is consistent with the Policies and Procedures Relating to Proposals as outlined below:

- a) Agency Endorsement: The Executive Officer shall not file the application unless the affected public agency has submitted a written endorsement indicating its willingness to provide the service if the Commission approves the request. The District initiated the annexation by unanimously adopting a resolution on March 16, 2022.

- b) Fee Deposit: The applicant shall pay the costs of processing the application as specified in the Commission's Schedule of Fees and Deposits. The District submitted a fee deposit of \$2,500 as part of the application packet.
- c) Map & Legal Description: A map of any proposed boundary changes shall show the present and proposed boundaries of all affected agencies in the vicinity of the proposal site. The Commission shall assure that any approved boundary changes are definite and certain. The required metes and bounds were submitted on May 17, 2022, as shown on Exhibit A. The vicinity map of the proposal is shown on Exhibit B.
- d) Commission Hearing: The Commission shall consider the request after it has been placed on an agenda of a Commission meeting. After deeming the proposal complete, the Executive Officer advertised the proposal in the Santa Cruz Sentinel newspaper on May 10, 2022, and scheduled the proposal for Commission consideration on June 1, 2022.

Section 5. The applicant shall agree, as a condition of the approval of the application for annexation, to be bound by the LAFCO Indemnification and Defense Form signed on March 14, 2022.

Section 6. The Certificate of Completion for the proposal shall not be issued until all of the following terms and conditions are met:

- a) Property Tax Exchange Agreement: California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected local agency before LAFCO can consider a jurisdictional change. The Board of Supervisors (BOS) acts as the authorizing body for the District regarding property tax adjustments. The BOS is scheduled to consider adopting the property tax exchange agreement for this proposal on June 6, 2022. If this annexation is approved, the proposal will not be recorded until a copy of the signed property tax exchange agreement is submitted to LAFCO.
- b) State Board of Equalization: The proponent shall provide a legal map, description, and fees to meet State Board of Equalization requirements.
- c) District Fees & Charges: The District shall levy and collect within the territory being annexed any previously established and collected benefit assessment of property-related fees or charges that are collected within all or part of the district at the time of annexation. The applicant shall be responsible for all fees and costs associated with the connection of sewer service with the District.
- d) LAFCO Processing Fees: The applicant shall pay any remaining processing fees as set in this Commission's Schedule of Fees and Deposits.

Section 7. The annexation shall be effective as of the date of recordation of the Certificate of Completion.

Section 8. The Commission shall approve, disapprove, or approve with conditions the proposed annexation and sphere amendment. If the proposal is disapproved or approved with conditions, the applicant may request reconsideration, citing the reasons for reconsideration. If the Commission denies a request, a similar application cannot be re-filed for one year unless the Commission grants an exception to this rule.

Section 9. The Executive Officer will hereby conduct a 30-day request for reconsideration in accordance with Government Code Section 56895.

Section 10. The Executive Officer is hereby authorized and directed to waive the protest proceedings entirely because the proposal meets the criteria outlined in Government Code Section 56662(d).

Section 11. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner and as provided in Government Code Section 56882.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 1st day of June 2022.

AYES:

NOES:

ABSTAIN:

RACHÉL LATHER, CHAIRPERSON

Attest:

Approved as to form:

Joe A. Serrano
Executive Officer

Joshua Nelson
LAFCO Counsel

Exhibit A: Map & Legal Description

LEGAL DESCRIPTION
for the
ANNEXATION
of the
PAJARO VALLEY ROD AND GUN CLUB
to the
SALSIPUEDES SANITARY DISTRICT

LAFCO Project No. DA 22-05

Real property in the unincorporated area of the County of Santa Cruz, State of California, described as follows:

PARCEL 1: (APN: 051-431-10)

BEING a part of the Rancho Salsipuedes and being also a portion of the lands conveyed to Ellen L. Stump and Ira Hoover to Joe R. Rosa and Henry R. Rosa by deed recorded February 27, 1936, in Volume 301, at Page 368, Official Records of Santa Cruz County, California, and

BEGINNING at a 1/2" pipe set at the most northeastern corner of a 20.811 acre parcel conveyed by Jarred L. Rathbone to H. Lytgens and surveyed by J. J. Lewis on October 13, 1892 bears South 49° 25' East 662.62 feet distant; running thence from said point of beginning along the southwestern boundary of the aforesaid lands conveyed by Stump and Hoover to Rosa and Rosa, as aforesaid,

1. North 49° 25' West at 15.00 feet a 3/4" pipe set flush, at 143.60 feet a 3/4" pipe set flush, at 289.52 feet a 3/4" pipe set flush, 351.80 feet to a 3" x 3" redwood post set on the northwestern boundary of said last named lands; thence along said last named boundary
2. North 47° 15' East 334.59 feet to a 1/2" pipe set at the most northern corner thereof; thence along the northeastern boundary,
3. South 49° 25' East at 226.76 feet a 1/2" pipe set flush, 312.96 feet to a 1" pipe set flush and thence leaving said last named boundary
4. South 40° 35' West 332.33 feet to the place of beginning, and containing 2.536 acres of land.

PARCEL 2: (APN: 051-431-09)

BEING a part of the Rancho Salsipuedes and being also a portion of the lands conveyed by Ellen L. Stump and Ira Hoover to Joe R. Rosa and Henry R. Rosa by deed recorded February 27, 1936 in Volume 301, at Page 368, Official Records of Santa Cruz County, California, and

BEGINNING at a station from which a 1/2" pipe set on the southwestern boundary of said last named lands bears South 40° 35' West 100.00 feet distant, also a 1-1/2" pipe set at the most northeastern corner of a 20.8111 acre parcel conveyed by Jared L. Rathbone to H. Lytgens and surveyed by J. J. Lewis on October 13, 1892, bears South 40° 35' West 100.00 feet and South 49° 25' East 662.62 feet distant; running thence from said point of beginning

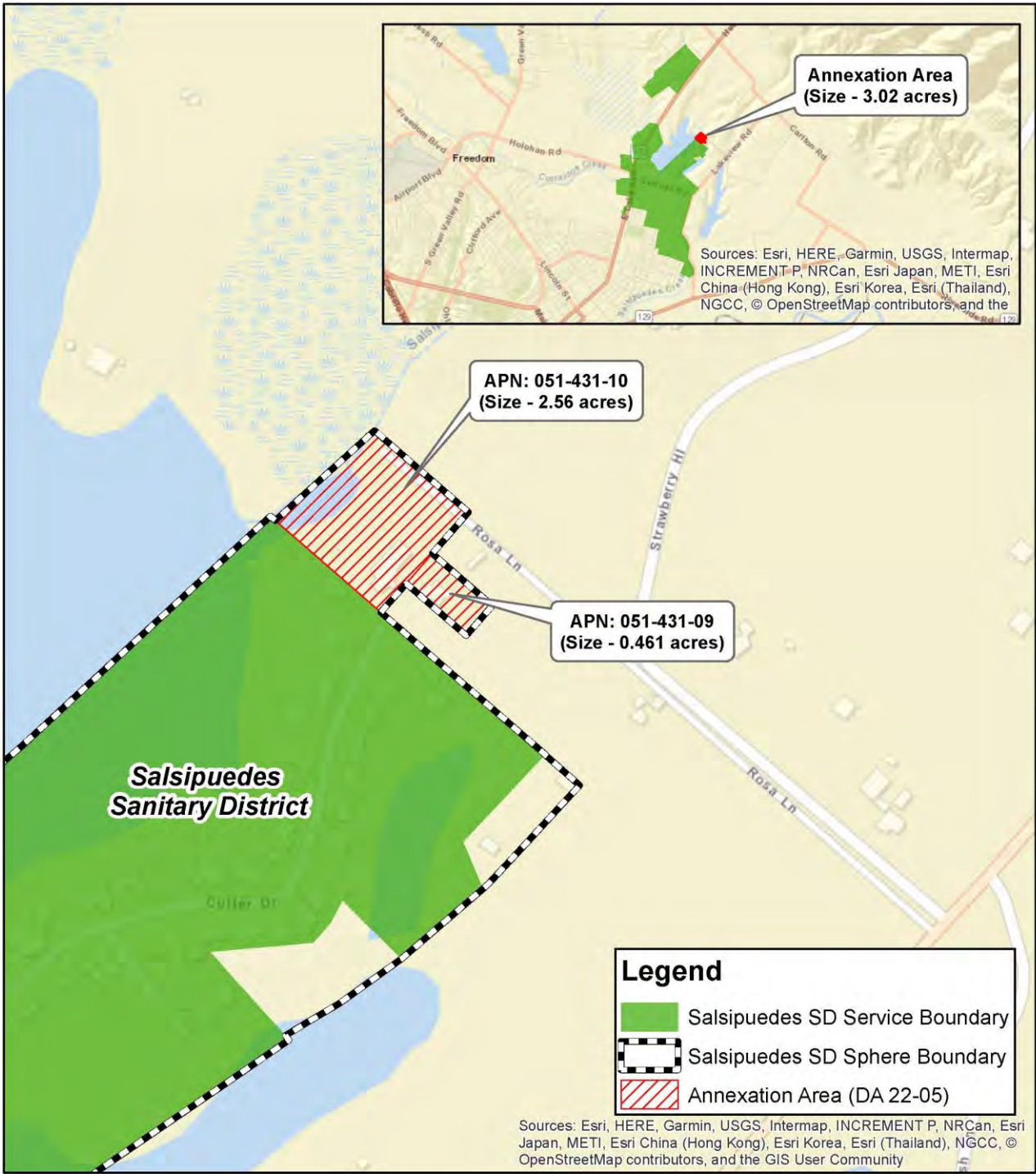
1. North 40° 35' East 100.00 feet; thence
2. South 49° 25' East 200.00 feet; thence
3. South 40° 35' West 100.00 feet and thence
4. North 49° 25' West 200.00 feet to the place of beginning.

Compiled by Roper Engineering, Job No. 17047, April 2022


4-8-2022



Exhibit B: Vicinity Map



"Pajaro Valley Rod and Gun Club Annexation" to the Salsipuedes Sanitary District



The subject parcels are within the District's sphere boundary but outside the District's jurisdictional boundary. This means that the subject parcel must be annexed into the District before it can connect to the District's infrastructure.



Date: June 1, 2022
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Final Budget for Fiscal Year 2021-22**

SUMMARY OF RECOMMENDATION

State law requires that LAFCO adopt a final budget by June 15. LAFCO staff advertised a public notice for the June 1st LAFCO Meeting in order for the Commission to consider the final budget. This report will provide an overview of the FY 2022-23 final budget, totaling \$668,750, for Commission consideration and approval.

It is recommended that the Commission take the following actions:

1. Adopt the draft resolution (LAFCO No. 2022-09) approving the final budget for Fiscal Year 2022-23; and
 2. Authorize the Executive Officer to request the Auditor-Controller's Office to distribute the final budget and apportionment amount to the funding agencies by July 2022; and
-

EXECUTIVE OFFICER'S REPORT:

On April 6, 2022, the Commission adopted a draft budget for Fiscal Year 2022-23. Afterwards, the draft budget and proposed allocations were distributed to each of the funding agencies for review and comment. The deadline to submit comments was Friday, April 29. No formal comments were received. The proposed budget and the funding agencies' allocation breakdown are shown in **Attachments 1 and 2**. During the April meeting, the Commission also directed staff to provide more information regarding two key expenses: Pension Obligations and Insurance Benefits. The following section summarizes these two budgetary items and their historical costs. **Attachment 3** also provides a comprehensive look at the historical trend of LAFCO's budgeted and actual expenses during the last five fiscal years.

Pension Expenses

LAFCO has been a member of the California Public Employees' Retirement System (CalPERS) since August 16, 1972. Each year, the Commission provides an annual contribution towards the retirement system for coverage over current and retired LAFCO employees. Since 2019, LAFCO has experienced the retirements of two long-term staff members. These retirements will affect LAFCO's overall pension obligations. **Attachment 4** is a copy of CalPERS' latest annual valuation report. It is estimated that the total employer contribution for FY 2022-23 will be \$90,231, as shown in **Table A**. The total contribution amount of \$91,000 will replace LAFCO's previous estimate of \$72,000 shown in the draft budget to better reflect the anticipated cost for the upcoming year. **Table B** also shows LAFCO's historical pension obligations over the last five fiscal years.

Table A – LAFCO Employer Contribution (FY 2022-23)

Estimated Normal Cost	Minimum Unfunded Accrued Liability	Estimated Total Contribution
\$25,599	\$64,632	\$90,231

Table B – Historical and Projected Costs (Pension)

	FY 17-18 (actual)	FY 18-19 (actual)	FY 19-20 (actual)	FY 20-21 (actual)	FY 21-22 (estimate)	FY 22-23 (projected)
Annual Cost	\$42,029	\$41,326	\$66,175	\$75,525	\$85,891	\$91,000
Rate of Change		-2%	60%	14%	14%	6%

Insurance Expenses

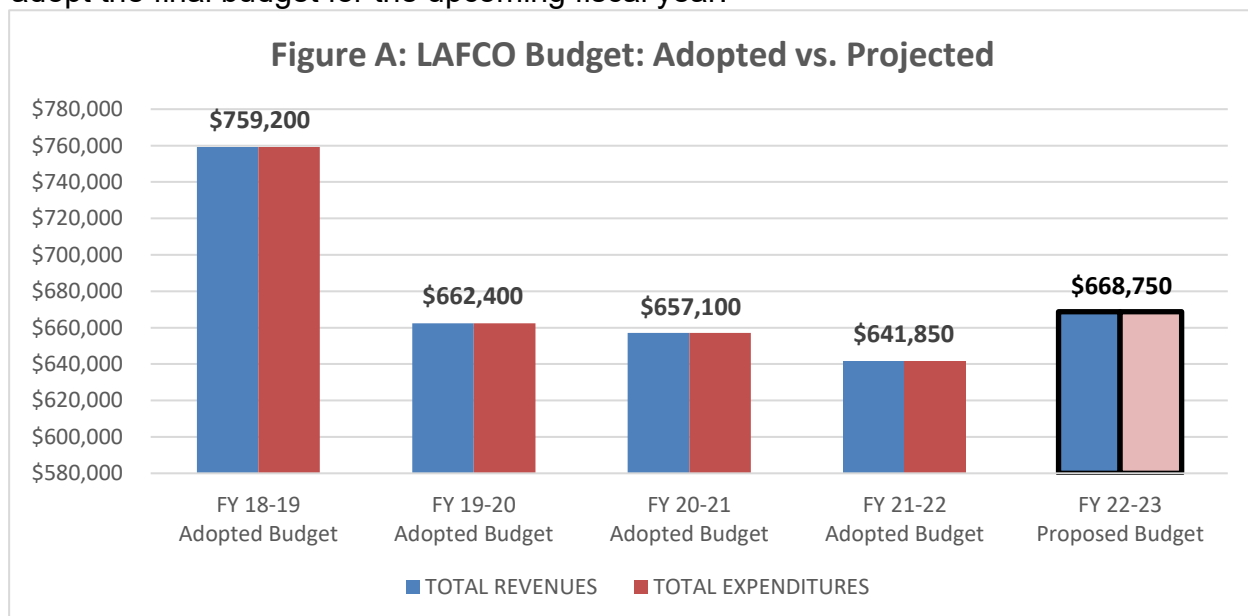
LAFCO staff has budgeted \$40,000 for insurance expenses as part of the upcoming fiscal year. This amount provides for health insurance through CalPERS and for dental, eye care, life insurance, and limited disability insurance through the County's program. The employees also pay a portion of the costs. **Table C** highlights LAFCO's historical insurance costs over the last five fiscal years.

Table C – Historical and Projected Costs (Insurance)

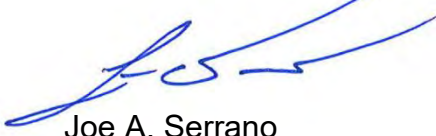
	FY 17-18 (actual)	FY 18-19 (actual)	FY 19-20 (actual)	FY 20-21 (actual)	FY 21-22 (budget)	FY 22-23 (projected)
Annual Cost	\$37,042	\$43,300	\$50,500	\$42,394	\$50,000	\$40,000
Rate of Change		17%	17%	-16%	-	-20%

CONCLUSION

While LAFCO is experiencing an increase in pension obligations, the Commission has taken proactive measures during the last few years to reduce overall costs for each annual budget. **Figure A** shows how the Commission has dramatically decreased the overall budget amount each year since FY 2018-19. Under this conservation approach, LAFCO staff was able to propose a budget for Fiscal Year 2022-23 with only a small increase in total expenditures. Therefore, staff is recommending that the Commission adopt the final budget for the upcoming fiscal year.



Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. FY 2022-23 Final Budget
2. FY 2022-23 Apportionments for Funding Agencies
3. Overview of Historical Costs (FY 2017-18 to Present)
4. CalPERS Valuation Report (July 2021)
5. Draft Resolution (LAFCO No. 2022-09)

cc: County of Santa Cruz (Board of Supervisors, Auditor-Controller, and CAO)
Cities (Capitola, Santa Cruz, Scotts Valley, and Watsonville)
Independent Special Districts (21 in total)

FISCAL YEAR 2021-22	FY 22-23 Final Budget
REVENUE DESCRIPTION	
Interest	\$ 1,500
Funding Agencies' Apportionments	\$ 419,265
LAFCO Processing Fees	\$ -
Medical Charges-Employee	\$ -
Other Revenue	\$ -
Re-budget from Fund Balance	\$ 247,985
TOTAL REVENUES	\$ 668,750
EXPENDITURE DESCRIPTION	
Regular Pay	\$ 200,000
Sick Leave	\$ -
Holiday Pay	\$ 10,000
Social Security	\$ 15,000
PERS	\$ 91,000
Insurances	\$ 40,000
Unemployment	\$ 450
Workers Comp	\$ 500
Salaries Sub-total	\$ 356,950
Telecom	\$ 1,200
Office Equipment	\$ 200
Memberships	\$ 7,500
Hardware	\$ 200
Duplicating	\$ 800
PC Software	\$ 600
Postage	\$ 1,000
Subscriptions	\$ 500
Supplies	\$ 800
Accounting	\$ 1,500
Attorney	\$ 150,000
Data Service	\$ 12,000
Director Fees	\$ 6,000
Prof. Services	\$ 100,000
Legal Notices	\$ 6,000
Rents	\$ 9,000
Misc. Expenses	\$ 5,000
Air Fare	\$ 1,500
Auto Rental	\$ 200
Training	\$ 1,000
Lodging	\$ 3,000
Meals	\$ 500
Mileage	\$ 1,000
Travel-Other	\$ 300
Registrations	\$ 2,000
Supplies Sub-total	\$ 311,800
TOTAL EXPENDITURES	\$ 668,750

Description	Operating Revenue	Non-Operating Revenue	Apportionment	Deduct	Total less	Calculate	Fee Percentage	Auditor	Total
			Basis Revenue latest Published State Controller's Report						
LAFCO Total 2022-2023 Working Budget			416,765					2,500.00	419,265.00
Allocate 1/3 fee to County of Santa Cruz			138,921.66			138,921.66	33.3333%	833.33	139,754.99
County of Santa Cruz			138,921.67						
Allocate 1/3 fee to all Cities Revenue Factor 2019-2020 Cities Annual Report			138,921.67						
City of Capitola			23,984,593	(667,428)	23,317,165	8,026.20	1.926%	48.15	8,074.35
City of Santa Cruz			245,792,779	(8,161,892)	237,630,887	81,796.94	19.627%	490.67	82,287.61
City of Scotts Valley			18,062,544	(1,126,919)	16,935,625	5,829.55	1.399%	34.97	5,864.52
City of Watsonville			134,878,727	(9,176,650)	125,702,077	43,268.98	10.382%	259.55	43,528.53
			422,718,643	(19,132,889)	403,585,754	138,921.67	33.3333%	833.34	139,755.01
Allocate 1/3 fee to Independent Districts - Revenue Factor 2019-2020 Special Districts Annual Report			138,921.67						
Non-Enterprise									
Alba Park & Rec			366	0	366	0.41	0.000%	0.00	0.41
Ben Lomond Fire Protection			1,025,804	(5,097)	1,020,707	1,135.67	0.272%	6.81	1,142.48
Boulder Creek Fire Protection			1,308,655	(5,687)	1,302,968	1,449.72	0.348%	8.70	1,458.42
Boulder Creek Park & Rec			500,135	(1,251)	498,884	555.07	0.133%	3.33	558.40
Branciforte Fire Protection			1,035,012	(48,804)	986,208	1,097.28	0.263%	6.58	1,103.86
Central Fire District (1)			36,934,133	(570,379)	36,363,754	40,459.36	9.708%	242.70	40,702.06
Felton Fire Protection			929,021	(5,919)	923,102	1,027.07	0.246%	6.16	1,033.23
La Selva Beach Park & Rec			245,747	(798)	244,949	272.54	0.065%	1.63	274.17
Opal Cliffs Park & Rec (2)			0	0	0	0.00	0.000%	0.00	0.00
Pajaro Valley Fire Protection			2,130,585	(10,105)	2,120,480	2,359.31	0.566%	14.15	2,373.46
Pajaro Valley Public Cemetery			1,460,834	(4,403)	1,456,431	1,620.47	0.389%	9.72	1,630.19
Pajaro Valley Water Management Agency			15,147,611	(816,898)	14,330,713	15,944.76	3.826%	95.65	16,040.41
Reclamation District 2049			70,847	0	70,847	78.83	0.019%	0.47	79.30
Santa Cruz County Resource Conserv.			3,615,368	(3,074,222)	541,146	602.09	0.144%	3.61	605.70
Scotts Valley Fire Protection			8,137,380	(393,114)	7,744,266	8,616.49	2.067%	51.69	8,668.18
Zayante Fire Protection			636,407	(87,308)	549,099	610.94	0.147%	3.67	614.61
Non-Enterprise Subtotal			73,177,905	(5,023,985)	68,153,920	75,830.01	18.195%	454.87	76,284.88
Enterprise - Operating plus Non-Operating Revenue	Operating Revenue	Non-Operating Revenue	Total Revenue						
Central Santa Cruz County Water	1,110,345	152,608	1,262,953	(677)	1,262,276	1,404.44	0.337%	8.42	1,412.86
Salsipuedes Sanitary	393,583	54,052	447,635	(125)	447,510	497.91	0.119%	2.99	500.90
San Lorenzo Valley County Water (3)	11,135,904	1,546,042	12,681,946	(4,410)	12,677,536	14,105.39	3.384%	84.61	14,190.00
Santa Cruz Port District	9,813,660	807,789	10,621,449	(472,811)	10,148,638	11,291.67	2.709%	67.73	11,359.40
Scotts Valley County Water	6,674,839	1,216,414	7,891,253	(5,073)	7,886,180	8,774.39	2.105%	52.63	8,827.02
Soquel Creek Water District	23,220,664	1,062,242	24,282,906	0	24,282,906	27,017.86	6.483%	162.08	27,179.94
Enterprise Subtotal	57,188,142	(483,096)	56,705,046		63,091.66	15.138%	378.46	63,470.12	
Special District Total	130,366,047	(5,507,081)	124,858,966		138,921.67	33.3333%	833.33	139,755.00	
Grand total						416,765.00	100.000%	2,500.00	419,265.00

Footnotes:

- (1) Aptos/La Selva FPD & Central FPD Consolidated in Feb 2021
(2) Opal Cliffs Recreation District is scheduled to be dissolved in April 2022
(3) Includes SLV Water, SLV Waste, and Lompico Water

	17-18 BUDGET	17-18 ACTUAL	18-19 BUDGET	18-19 ACTUAL	19-20 BUDGET	19-20 ACTUAL	20-21 BUDGET	20-21 ACTUAL	21-22 ADOPTED	21-22 (as of 5-11-22)	22-23 PROPOSED
EXPENDITURES DESCRIPTION											
Regular Pay	\$ 259,700	\$ 196,567	\$ 269,700	\$ 130,770	\$ 245,400	\$ 202,910	\$ 245,400	\$ 231,916	\$ 220,000	\$ 132,293	\$ 200,000
Overtime Pay	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Extra Help	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Sick Leave	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -
Holiday Pay	\$ 9,000	\$ 9,750	\$ 9,800	\$ 8,277	\$ 10,100	\$ 10,260	\$ 10,100	\$ 10,285	\$ 10,000	\$ 7,432	\$ 10,000
Social Security	\$ 20,000	\$ 15,250	\$ 20,700	\$ 9,765	\$ 18,200	\$ 16,513	\$ 18,200	\$ 18,293	\$ 18,000	\$ 10,422	\$ 15,000
PERS	\$ 64,000	\$ 42,029	\$ 65,300	\$ 41,326	\$ 59,800	\$ 66,175	\$ 59,800	\$ 75,525	\$ 68,000	\$ 75,652	\$ 91,000
Insurances	\$ 39,000	\$ 37,042	\$ 43,300	\$ 27,929	\$ 50,500	\$ 40,139	\$ 50,500	\$ 42,394	\$ 50,000	\$ 30,296	\$ 40,000
Unemployment	\$ 400	\$ 224	\$ 400	\$ 224	\$ 400	\$ 310	\$ 400	\$ 450	\$ 450	\$ 126	\$ 450
Workers Comp	\$ 1,100	\$ 1,011	\$ 1,000	\$ (38)	\$ 1,000	\$ 463	\$ 1,000	\$ 853	\$ 1,000	\$ 156	\$ 500
Salaries Sub-total	\$ 396,200	\$ 301,873	\$ 413,200	\$ 218,253	\$ 388,400	\$ 336,771	\$ 388,400	\$ 379,716	\$ 368,450	\$ 256,377	\$ 356,950
Telecom	\$ 1,200	\$ 1,728	\$ 2,100	\$ 1,122	\$ 2,000	\$ 1,887	\$ 2,000	\$ 1,911	\$ 2,000	\$ 933	\$ 1,200
Office Equipment	\$ 200	\$ 102	\$ 200	\$ 94	\$ 200	\$ 105	\$ 200	\$ 119	\$ 200	\$ 458	\$ 200
Memberships	\$ 4,200	\$ 7,257	\$ 4,400	\$ 1,377	\$ 4,500	\$ 4,943	\$ 6,400	\$ 7,362	\$ 7,500	\$ 6,322	\$ 7,500
Hardware	\$ 800	\$ 1,114	\$ -	\$ 218	\$ 300	\$ -	\$ 300	\$ -	\$ 300	\$ -	\$ 200
Duplicating	\$ 1,000	\$ 572	\$ 1,200	\$ 385	\$ 1,200	\$ 1,042	\$ 1,600	\$ 472	\$ 1,000	\$ 459	\$ 800
PC Software	\$ 500	\$ 339	\$ 600	\$ 327	\$ 600	\$ 709	\$ 600	\$ 517	\$ 600	\$ 382	\$ 600
Postage	\$ 3,200	\$ 968	\$ 1,400	\$ 612	\$ 1,400	\$ 640	\$ 1,000	\$ 347	\$ 800	\$ 858	\$ 1,000
Subscriptions	\$ 600	\$ 258	\$ 800	\$ 238	\$ 500	\$ 371	\$ 500	\$ 341	\$ 500	\$ 458	\$ 500
Supplies	\$ 1,300	\$ 450	\$ 1,700	\$ 320	\$ 1,500	\$ 558	\$ 1,000	\$ 1,413	\$ 1,000		\$ 800
Accounting	\$ 1,200	\$ 1,132	\$ 1,200	\$ -	\$ 1,500	\$ 1,283	\$ 1,500	\$ 1,159	\$ 1,500		\$ 1,500
Attorney	\$ 150,000	\$ 11,375	\$ 150,000	\$ 8,000	\$ 150,000	\$ 9,438	\$ 150,000	\$ 11,625	\$ 150,000	\$ 12,315	\$ 150,000
Data Service	\$ 15,800	\$ 12,425	\$ 16,700	\$ 8,403	\$ 16,700	\$ 11,870	\$ 10,000	\$ 16,192	\$ 12,000	\$ 5,556	\$ 12,000
Director Fees	\$ 6,000	\$ 3,200	\$ 6,000	\$ 1,750	\$ 6,000	\$ 2,690	\$ 6,000	\$ 3,845	\$ 6,000	\$ 3,415	\$ 6,000
Surveyor	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Prof. Services	\$ 125,000	\$ 20,174	\$ 125,000	\$ 24,107	\$ 50,000	\$ 336	\$ 50,000	\$ -	\$ 50,000	\$ 6,030	\$ 100,000
Legal Notices	\$ 1,400	\$ 1,401	\$ 1,700	\$ 574	\$ 1,700	\$ 1,472	\$ 1,700	\$ 10,454	\$ 7,000	\$ 3,483	\$ 6,000
Rents	\$ 8,400	\$ 8,385	\$ 8,400	\$ 8,151	\$ 8,500	\$ 8,233	\$ 9,000	\$ 984	\$ 9,000	\$ 17,668	\$ 9,000
Misc. Expenses	\$ 5,900	\$ 449	\$ 5,900	\$ 5,818	\$ 6,500	\$ 4,078	\$ 6,000	\$ 2,776	\$ 5,000	\$ 5,275	\$ 5,000
Books	\$ 300	\$ 20	\$ 300	\$ -	\$ 200	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ -
Air Fare	\$ 3,000	\$ 1,370	\$ 3,000	\$ -	\$ 3,000	\$ 222	\$ 3,000	\$ -	\$ 3,000	\$ -	\$ 1,500
Auto Rental	\$ 200	\$ -	\$ 200	\$ -	\$ 200	\$ -	\$ 200	\$ -	\$ 200	\$ -	\$ 200
Training	\$ 900	\$ -	\$ 900	\$ -	\$ 1,800	\$ 5,000	\$ 1,800	\$ -	\$ 1,800	\$ -	\$ 1,000
Lodging	\$ 5,200	\$ 3,699	\$ 5,200	\$ 2,512	\$ 5,200	\$ 2,771	\$ 5,200	\$ -	\$ 5,200	\$ -	\$ 3,000
Meals	\$ 600	\$ 392	\$ 600	\$ 302	\$ 600	\$ 384	\$ 600	\$ -	\$ 500	\$ -	\$ 500
Mileage	\$ 1,700	\$ 692	\$ 1,600	\$ 3,887	\$ 3,000	\$ 1,604	\$ 3,000	\$ 58	\$ 3,000	\$ -	\$ 1,000
Travel-Other	\$ 200	\$ 393	\$ 500	\$ 5	\$ 500	\$ 61	\$ 500	\$ -	\$ 300	\$ -	\$ 300
Registrations	\$ 5,400	\$ 4,570	\$ 5,400	\$ 3,310	\$ 5,400	\$ 1,245	\$ 5,400	\$ -	\$ 5,000	\$ -	\$ 2,000
Supplies Sub-total	\$ 345,200	\$ 82,466	\$ 346,000	\$ 71,512	\$ 274,000	\$ 60,942	\$ 268,700	\$ 59,575	\$ 273,400	\$ 63,612	\$ 311,800
TOTAL EXPENDITURES	<u>\$741,400</u>	<u>\$384,339</u>	<u>\$759,200</u>	<u>\$289,765</u>	<u>\$662,400</u>	<u>\$397,713</u>	<u>\$657,100</u>	<u>\$439,291</u>	<u>\$641,850</u>	<u>\$ 319,989</u>	<u>\$668,750</u>

Footnote: Inclusion of the Attorney reserves (\$150,000) in the annual budgets may cause the appearance of a discrepancy between actual vs. budget amounts. A reserve policy will be created to better reflect LAFCO's budgeting practices.


California Public Employees' Retirement System
Actuarial Office

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744

 888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

July 2021

Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission

(CalPERS ID: 5405887055)

Annual Valuation Report as of June 30, 2020

Dear Employer,

Attached to this letter, you will find the June 30, 2020 actuarial valuation report of your CalPERS pension plan. Provided in this report is the determination of the minimum required employer contributions for fiscal year 2022-23. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2020.

Section 2 can be found on the CalPERS website (calpers.ca.gov). From the home page, go to *"Forms & Publications"* and select *"View All"*. In the search box, enter *"Risk Pool"* and from the results list download the Miscellaneous Risk Pool Actuarial Valuation Report for June 30, 2020.

Your June 30, 2020 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your assigned CalPERS staff actuary, whose signature appears in the Actuarial Certification section on page 1, is available to discuss the report with you.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution rates as needed. This valuation is based on an investment return assumption of 7.0% which was adopted by the board in December 2016. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017.

Required Contribution

The exhibit below displays the minimum employer contributions for fiscal year 2022-23 along with estimates of the required contributions for fiscal year 2023-24. Member contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees.

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2022-23	10.87%	\$64,632
<i>Projected Results</i>		
2023-24	10.9%	\$66,000

The actual investment return for fiscal year 2020-21 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 7.00%. *To the extent the actual investment return for fiscal year 2020-21 differs from 7.00%, the actual contribution requirements for fiscal year 2023-24 will differ from those shown above.* 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.** This section also contains projected required contributions through fiscal year 2027-28.

Changes from Previous **Year's Valuation**

There are no significant changes in actuarial assumptions or policies in your 2020 actuarial valuation. Your annual valuation report is an important tool for monitoring the health of your CalPERS pension plan. Your report contains **useful information about future required contributions and ways to control your plan's funding progress.** In addition to your annual actuarial report my office has developed tools for employers to plan, project and protect the retirement benefits of your employees. Pension Outlook is a tool to help plan and budget pension costs into the future with easy to understand results and charts.

You will be able to view the projected funded status and required employer contributions for pension plans in different potential scenarios for up to 30 years into the future — which will make budgeting more predictable. While Pension Outlook can't predict the future, it can provide valuable planning information based on a variety of future scenarios that you select.

Pension Outlook can help you answer specific questions about your plans, including:

- When is my plan's **funded status** expected to increase?
- What happens to my required contributions in a down market?
- How does the discount rate assumption affect my contributions?
- What is the impact of making an additional discretionary payment to my plan?

To get started, visit our Pension Outlook page at www.calpers.ca.gov/page/employers/actuarial-resources/pension-outlook-overview and take the steps to register online.

CalPERS will be completing an Asset Liability Management (ALM) review process in November 2021 that will review the capital market assumptions and the strategic asset allocation and ascertain whether a change in the discount rate and other economic assumptions is warranted. In addition, the Actuarial Office will be completing its Experience Study to review the demographic experience within the pension system and make recommendations to modify future assumptions where appropriate.

Furthermore, this valuation does not reflect any impacts from the COVID-19 pandemic on your pension plan. The impact of COVID-19 on retirement plans is not yet known and CalPERS actuaries will continue to monitor the effects and where necessary make future adjustments to actuarial assumptions.

Further descriptions of general changes are included in the "Highlights and Executive Summary" section and in Appendix A of the Section 2 report, "Actuarial Methods and Assumptions."

Questions

We understand that you might have questions about these results, and your assigned CalPERS actuary whose signature is on the valuation report is available to discuss. If you have other questions, you may call the Customer Contact Center at (888)-CalPERS or (888-225-7377).

Sincerely,

SCOTT TERANDO, ASA, EA, MAAA, FCA, CFA
Chief Actuary



Actuarial Valuation
as of June 30, 2020

for the
Miscellaneous Plan
of the
Santa Cruz Local Agency Formation
Commission
(CalPERS ID: 5405887055)

Required Contributions
for Fiscal Year
July 1, 2022 - June 30, 2023

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Section 1 – Plan Specific Information

Section 2 – Risk Pool Actuarial Valuation Information

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Specific Information
for the
Miscellaneous Plan
of the
Santa Cruz Local Agency Formation
Commission

(CalPERS ID: 5405887055)
(Rate Plan ID: 992)

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Actuarial Certification

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2020 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2020 provided by employers participating in the Miscellaneous Risk Pool to which the plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the risk pool containing your Miscellaneous Plan has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public **Employees' Retirement Law**.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2020 and employer contribution as of July 1, 2022 have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary who satisfies the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States with regard to pensions.

DAVID CLEMENT, ASA, MAAA, EA
Senior Pension Actuary, CalPERS

Highlights and Executive Summary

- Introduction
- Purpose of Section 1
- Required Employer Contributions
- Additional Discretionary Employer Contributions
- **Plan's Funded Status**
- Projected Employer Contributions
- Other Pooled Miscellaneous Risk Pool Rate Plans
- Cost
- Changes Since the Prior Year's **Valuation**
- Subsequent Events

Introduction

This report presents the results of the June 30, 2020 actuarial valuation of the Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission **of the California Public Employees' Retirement System (CalPERS)**. This actuarial valuation sets the required employer contributions for fiscal year 2022-23.

Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission of CalPERS was prepared by the plan actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2020;
- Determine the minimum required employer contribution for this plan for the fiscal year July 1, 2022 through June 30, 2023; and
- Provide actuarial information as of June 30, 2020 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available on the CalPERS website.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations of Actuarial Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A **"Scenario Test,"** projecting future results under different investment income returns.
- A **"Sensitivity Analysis,"** showing the impact on current valuation results using alternative discount rates of 6.0% and 8.0%.
- A **"Sensitivity Analysis,"** showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current post-retirement mortality assumptions adopted in 2017.
- Pension Plan maturity measures quantifying the risks the employer bears.

Required Employer Contributions

	Fiscal Year
Required Employer Contributions	2022-23
Employer Normal Cost Rate	10.87%
<i>Plus</i>	
Required Payment on Amortization Bases ¹	\$64,632
<i>Paid either as</i>	
1) Monthly Payment	\$5,386.00
<i>Or</i>	
2) Annual Prepayment Option*	\$62,482
<i>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).</i>	
<i>* Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31).</i>	

	Fiscal Year 2021-22	Fiscal Year 2022-23
Development of Normal Cost as a Percentage of Payroll		
Base Total Normal Cost for Formula	17.25%	17.24%
Surcharge for Class 1 Benefits ²		
a) FAC 1	0.54%	0.55%
Phase out of Normal Cost Difference ³	0.00%	0.00%
Plan's Total Normal Cost	17.79%	17.79%
Formula's Expected Employee Contribution Rate	6.91%	6.92%
Employer Normal Cost Rate	10.88%	10.87%

¹ The required payment on amortization bases does not take into account any additional discretionary payment made after April 30, 2021.

² Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

³ The normal cost change is phased out over a five-year period in accordance with the CalPERS contribution allocation policy.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for the 2022-23 fiscal year is \$64,632. CalPERS allows employers to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Employers can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during fiscal year 2022-23 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the **"Amortization Schedule and Alternatives" section of the report.**

If you are considering making an ADP, please contact your actuary for additional information.

Minimum Required Employer Contribution for Fiscal Year 2022-23

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
\$25,599	\$64,632	\$0	\$64,632	\$90,231

Alternative Fiscal Year 2022-23 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP ¹	Total UAL Contribution	Estimated Total Contribution
10 years	\$25,599	\$64,632	\$17,514	\$82,146	\$107,745
5 years	\$25,599	\$64,632	\$76,082	\$140,714	\$166,313

¹ The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected Unfunded Accrued Liability as of June 30, 2022 as determined in the June 30, 2020 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Plan's Funded Status

	June 30, 2019	June 30, 2020
1. Present Value of Projected Benefits (PVB)	\$2,435,293	\$2,596,538
2. Entry Age Accrued Liability (AL)	2,182,496	2,284,043
3. Plan's Market Value of Assets (MVA)	1,586,457	1,655,830
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	596,039	628,213
5. Funded Ratio [(3) / (2)]	72.7%	72.5%

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. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. Actual contribution rates during this projection period could be significantly higher or lower than the projection shown below.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Rate Plan 992 Results					
Normal Cost %	10.87%	10.9%	10.9%	10.9%	10.9%	10.9%
UAL Payment	\$64,632	\$66,000	\$67,000	\$68,000	\$69,000	\$69,000

For some sources of UAL, the change in UAL is 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 of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce 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 when 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.

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

Our online pension plan modeling and projection tool, Pension Outlook, is available in the Employers section of the CalPERS website. Pension Outlook is a tool to help plan and budget pension costs into the future with results and charts that are easy to understand.

Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown below, correspond to rate plan 992. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated **contribution amounts and rates for all of the employer's rate plans in the** Miscellaneous Risk Pool are shown below and assume that the payroll for each rate plan will grow according to the overall payroll growth assumption of 2.75% per year for three years.

	Fiscal Year 2021-22	Fiscal Year 2022-23
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans		
Projected Payroll for the Contribution Year	\$200,378	\$235,503
Estimated Employer Normal Cost	\$21,801	\$25,599
Required Payment on Amortization Bases	\$64,090	\$64,632
Estimated Total Employer Contributions	\$85,891	\$90,231
Estimated Total Employer Contribution Rate (illustrative only)	42.86%	38.31%

Cost

Actuarial Determination of Pension Plan Cost

Contributions to fund the pension plan are comprised of two components:

- Normal Cost, expressed as a percentage of total active payroll
- Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to 2016-17, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with fiscal year 2016-17, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There continues to be an option to prepay this amount during July of each fiscal year.

The Normal Cost component is expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature.

We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 5.5% over the 20 years ending June 30, 2020, yet individual fiscal year returns have ranged from -23.6% to +20.7%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2017.

Changes Since the Prior **Year's** Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan changes by amendments effective before the date of the report. Please refer to **the "Plan's Major Benefit Options" and Appendix B** of the Section 2 Report for a summary of the plan provisions used in this valuation.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the 2020 actuarial valuation.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2020. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

CalPERS will be completing an Asset Liability Management (ALM) process in November 2021 that will review the capital market assumptions and the strategic asset allocation and ascertain whether a change in the discount rate and other economic assumptions is warranted. As part of the ALM process the Actuarial Office will be completing an Experience Study to review the demographic experience of the retirement system and make recommendations to modify future assumptions where appropriate.

Furthermore, this valuation does not reflect any impacts from the COVID-19 pandemic on your pension plan. The impact of COVID-19 on retirement plans is not yet known and CalPERS actuaries will continue to monitor the effects and where necessary make future adjustments to actuarial assumptions.

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 7.0% going forward and that the realized rate of return on assets for fiscal year 2020-21 is 7.0%.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2021. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- Breakdown of Entry Age Accrued Liability
- **Allocation of Plan's Share of Pool's Experience/Assumption Change**
- **Development of Plan's Share of Pool's** Market Value of Assets
- **Schedule of Plan's** Amortization Bases
- Amortization Schedule and Alternatives
- Employer Contribution History
- Funding History

Breakdown of Entry Age Accrued Liability

Active Members	\$494,204
Transferred Members	0
Terminated Members	0
Members and Beneficiaries Receiving Payments	<u>1,789,839</u>
Total	\$2,284,043

Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The Pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1. Plan's Accrued Liability	\$2,284,043
2. Projected UAL balance at 6/30/2020	581,943
3. Pool's Accrued Liability ¹	19,314,480,060
4. Sum of Pool's Individual Plan UAL Balances at 6/30/2020 ¹	4,306,566,797
5. Pool's 2019/20 Investment (Gain)/Loss ¹	344,968,792
6. Pool's 2019/20 Non-Investment (Gain)/Loss ¹	60,428,629
7. Plan's Share of Pool's Investment (Gain)/Loss: $[(1) - (2)] \div [(3) - (4)] \times (5)$	39,124
8. Plan's Share of Pool's Non-Investment (Gain)/Loss: $(1) \div (3) \times (6)$	7,146
9. Plan's New (Gain)/Loss as of 6/30/2020: $(7) + (8)$	46,270

¹ Does not include plans that transferred to Pool on the valuation date.

Development of the Plan's Share of Pool's Market Value of Assets

10. Plan's UAL: $(2) + (9)$	\$628,213
11. Plan's Share of Pool's MVA: $(1) - (10)$	\$1,655,830

Schedule of **Plan's** Amortization Bases

Note that there is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2020.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: fiscal year 2022-23.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level 2022-23	Ramp Shape	Escalation Rate	Amort. Period	Balance 6/30/20	Expected Payment 2020-21	Balance 6/30/21	Expected Payment 2021-22	Balance 6/30/22	Minimum Required Payment 2022-23
Fresh Start	6/30/19	No Ramp		0.00%	13	581,943	51,825	569,071	62,906	543,835	62,906
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	20	7,146	0	7,646	0	8,181	747
Investment (Gain)/Loss	6/30/20	20%	Up Only	0.00%	20	39,124	0	41,863	0	44,793	979
Total						628,213	51,825	618,580	62,906	596,809	64,632

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed a desire for a more stable pattern of payments or have indicated interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative **"fresh start" amortization schedules** using two sample periods that would both result in interest savings relative to the current amortization schedule. To initiate a Fresh Start, please consult with your plan actuary.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing **unfunded liability bases with a single "fresh start" base and amortizing it over a reasonable period.**

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives (continued)

Date	<u>Current Amortization</u>		<u>Alternate Schedules</u>			
	<u>Schedule</u>		10 Year Amortization		5 Year Amortization	
	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2022	596,809	64,632	596,809	82,146	596,809	140,714
6/30/2023	571,730	65,612	553,613	82,146	493,030	140,715
6/30/2024	543,882	66,590	507,393	82,146	381,985	140,714
6/30/2025	513,072	67,569	457,938	82,145	263,168	140,714
6/30/2026	479,093	68,550	405,022	82,145	136,034	140,715
6/30/2027	441,721	68,549	348,402	82,146		
6/30/2028	401,734	68,550	287,818	82,146		
6/30/2029	358,946	68,549	222,993	82,145		
6/30/2030	313,165	68,549	153,631	82,146		
6/30/2031	264,180	68,550	79,413	82,145		
6/30/2032	211,764	68,549				
6/30/2033	155,680	68,550				
6/30/2034	95,669	68,548				
6/30/2035	31,459	5,643				
6/30/2036	27,824	5,644				
6/30/2037	23,934	5,643				
6/30/2038	19,772	5,643				
6/30/2039	15,318	5,642				
6/30/2040	10,554	5,643				
6/30/2041	5,456	5,644				
6/30/2042						
6/30/2043						
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
6/30/2051						
Total		920,849		821,456		703,572
Interest Paid		324,040		224,647		106,763
Estimated Savings				99,393		217,277

Employer Contribution History

The table below provides a recent history of the required employer contributions for the plan. The amounts are based on the actuarial valuation from two years prior and does not account for prepayments or benefit changes made during a fiscal year. Additional discretionary payments before July 1, 2019 or after June 30, 2020 are not included.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment (\$)	Additional Discretionary Payments
2016 - 17	8.880%	\$22,662	N/A
2017 - 18	8.921%	24,727	N/A
2018 - 19	9.409%	29,911	N/A
2019 - 20	10.221%	35,565	20,000
2020 - 21	11.031%	52,786	
2021 - 22	10.88%	64,090	
2022 - 23	10.87%	64,632	

Funding History

The table below shows the recent history of the **actuarial accrued liability**, **share of the pool's market value of assets**, **unfunded accrued liability**, **funded ratio**, and **annual covered payroll**.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2011	\$1,348,085	\$999,795	\$348,290	74.2%	\$172,245
06/30/2012	1,395,254	978,643	416,611	70.1%	172,245
06/30/2013	1,408,608	1,041,199	367,409	73.9%	172,245
06/30/2014	1,546,267	1,199,884	346,383	77.6%	176,550
06/30/2015	1,553,337	1,139,411	413,926	73.4%	176,550
06/30/2016	1,628,548	1,129,342	499,206	69.3%	182,410
06/30/2017	1,727,049	1,228,262	498,787	71.1%	192,897
06/30/2018	1,870,733	1,302,843	567,890	69.6%	203,965
06/30/2019	2,182,496	1,586,457	596,039	72.7%	184,716
06/30/2020	2,284,043	1,655,830	628,213	72.5%	217,096

Risk Analysis

- Future Investment Return Scenarios
- Discount Rate Sensitivity
- Mortality Rate Sensitivity
- Maturity Measures
- Maturity Measures History
- Hypothetical Termination Liability

Future Investment Return Scenarios

Analysis was performed to determine the effects of various future investment returns on required employer contributions. The projections below provide a range of results based on five investment return scenarios assumed to occur during the next four fiscal years (2020-21, 2021-22, 2022-23 and 2023-24). The projections also assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

For fiscal years 2020-21, 2021-22, 2022-23, and 2023-24, each scenario assumes an alternate fixed annual return. The fixed return assumptions for the five scenarios are 1.0%, 4.0%, 7.0%, 9.0% and 12.0%.

These alternate investment returns were chosen based on stochastic analysis of possible future investment returns over the four-year period ending June 30, 2024. Using the expected returns and volatility of the asset classes in which the funds are invested, we produced five thousand stochastic outcomes for this period based on the most recently completed Asset Liability Management process. We then selected annual returns that approximate the 5th, 25th, 50th, 75th, and 95th percentiles for these outcomes. For example, of all the 4-year outcomes generated in the stochastic analysis, approximately 25% had an average annual return of 4.0% or less.

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 1.0% or greater than 12.0% over this four-year period, the likelihood of a single investment return less than 1.0% or greater than 12.0% in any given year is much greater.

Assumed Annual Return From 2020-21 through 2023-24	Projected Employer Contributions			
	2023-24	2024-25	2025-26	2026-27
1.0%				
Normal Cost	10.9%	10.9%	10.9%	10.9%
UAL Contribution	\$68,000	\$74,000	\$83,000	\$94,000
4.0%				
Normal Cost	10.9%	10.9%	10.9%	10.9%
UAL Contribution	\$67,000	\$70,000	\$75,000	\$81,000
7.0%				
Normal Cost	10.9%	10.9%	10.9%	10.9%
UAL Contribution	\$66,000	\$67,000	\$68,000	\$69,000
9.0%				
Normal Cost	11.1%	11.3%	11.5%	11.8%
UAL Contribution	\$65,000	\$65,000	\$64,000	\$62,000
12.0%				
Normal Cost	11.1%	11.3%	11.5%	11.8%
UAL Contribution	\$64,000	\$61,000	\$56,000	\$48,000

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.50% and 2.50%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2020 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 7.0% as well as alternate discount rates of 6.0% and 8.0%. The rates of 6.0% and 8.0% were selected since they illustrate the impact of a 1.0% increase or decrease to the 7.0% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2020	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	6.0%	7.0%	8.0%
Inflation	2.5%	2.5%	2.5%
Real Rate of Return	3.5%	4.5%	5.5%
a) Total Normal Cost	22.18%	17.79%	14.42%
b) Accrued Liability	\$2,521,414	\$2,284,043	\$2,081,216
c) Market Value of Assets	\$1,655,830	\$1,655,830	\$1,655,830
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$865,584	\$628,213	\$425,386
e) Funded Status	65.7%	72.5%	79.6%

Sensitivity to the Price Inflation Assumption

As of June 30, 2020	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	6.0%	7.0%	8.0%
Inflation	1.5%	2.5%	3.5%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	18.96%	17.79%	16.39%
b) Accrued Liability	\$2,392,684	\$2,284,043	\$2,123,855
c) Market Value of Assets	\$1,655,830	\$1,655,830	\$1,655,830
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$736,854	\$628,213	\$468,025
e) Funded Status	69.2%	72.5%	78.0%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2020 plan costs and funded status under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2017. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2020	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	18.10%	17.79%	17.50%
b) Accrued Liability	\$2,332,138	\$2,284,043	\$2,239,768
c) Market Value of Assets	\$1,655,830	\$1,655,830	\$1,655,830
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$676,308	\$628,213	\$583,938
e) Funded Status	71.0%	72.5%	73.9%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan sponsor to tolerate risk is important in understanding how the pension plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions. Since it is the employer that bears the risk, it is appropriate to perform this analysis on a pension plan level considering all rate plans. The following measures are for one rate plan only.

One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2019	June 30, 2020
1. Retired Accrued Liability	1,797,385	1,789,839
2. Total Accrued Liability	2,182,496	2,284,043
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.82	0.78

Another measure of maturity level of CalPERS and its plans is to look at the ratio of actives to retirees, also called the Support Ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures, and members retire, the ratio starts declining. A mature plan will often have a ratio near or below one. The average support ratio for CalPERS public agency plans is 1.25.

Support Ratio	June 30, 2019	June 30, 2020
1. Number of Actives	2	2
2. Number of Retirees	3	3
3. Support Ratio [(1) / (2)]	0.67	0.67

Maturity Measures (Continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio (AVR)

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an asset-to-payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an asset-to-payroll ratio of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

Liability Volatility Ratio (LVR)

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to investment return and changes in liability. For example, a plan with LVR ratio of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move closer to the LVR as a plan matures.

Contribution Volatility	June 30, 2019	June 30, 2020
1. Market Value of Assets	\$1,586,457	\$1,655,830
2. Payroll	184,716	217,096
3. Asset Volatility Ratio (AVR) [(1) / (2)]	8.6	7.6
4. Accrued Liability	\$2,182,496	\$2,284,043
5. Liability Volatility Ratio (LVR) [(4) / (2)]	11.8	10.5

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.11	1.00	6.4	9.0
06/30/2018	0.10	1.00	6.4	9.2
06/30/2019	0.82	0.67	8.6	11.8
06/30/2020	0.78	0.67	7.6	10.5

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2020. The plan liability on a termination basis is calculated differently **compared to the plan's ongoing funding liability**. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to 7 months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability ^{1,2} at 0.75%	Funded Status	Unfunded Termination Liability at 0.75%	Hypothetical Termination Liability ^{1,2} at 2.50%	Funded Status	Unfunded Termination Liability at 2.50%
\$1,655,830	\$4,667,251	35.5%	\$3,011,421	\$3,822,613	43.3%	\$2,166,783

¹ The hypothetical liabilities calculated above include a 5% mortality contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A of the Section 2 report.

² The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 1.18% on June 30, 2020, and was 1.68% on January 31, 2021.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Participant Data

The table below shows a summary of **your plan's** member data upon which this valuation is based:

	June 30, 2019	June 30, 2020
Active Members		
Counts	2	2
Average Attained Age	N/A	48.3
Average Entry Age to Rate Plan	N/A	38.4
Average Years of Credited Service	N/A	9.9
Average Annual Covered Pay	\$92,358	\$108,548
Annual Covered Payroll	\$184,716	\$217,096
Projected Annual Payroll for Contribution Year	\$200,378	\$235,503
Present Value of Future Payroll	\$1,476,097	\$1,845,459
Transferred Members	0	0
Separated Members	0	0
Retired Members and Beneficiaries		
Counts*	3	3
Average Annual Benefits*	N/A	\$45,979

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

* Values include community property settlements.

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

	Benefit Group	
Member Category	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	No	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2% @ 55	
Social Security Coverage	Yes	
Full/Modified	Full	
Employee Contribution Rate	7.00%	
Final Average Compensation Period	One Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	No	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	\$500	
Survivor Allowance (PRSA)	No	
COLA	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

**Section 2 may be found on the CalPERS website
(calpers.ca.gov) in the Forms and
Publications section**

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2022-09

On the motion of Commissioner
duly seconded by Commissioner
the following resolution is adopted:

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
ADOPTING A FINAL BUDGET FOR FISCAL YEAR 2022-23

WHEREAS, California Government Code Section 56381(a) requires the Local Agency Formation Commission of Santa Cruz County ("LAFCO" or "Commission") to adopt draft and final budgets each year by May 1st and June 15th, respectively; and

WHEREAS, the Commission's Executive Officer prepared a written report outlining recommendations with respect to anticipated work activities and budgetary needs in Fiscal Year 2022-23; and

WHEREAS, the proposed budget was advertised in the Santa Cruz Sentinel Newspaper on March 15th for consideration at the April 6th LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a draft budget during a public hearing held on April 6, 2022; and

WHEREAS, the Commission directed the Executive Officer to distribute the adopted draft budget to all funding agencies for additional comments; and

WHEREAS, the Commission did not receive any formal written correspondence from the funding agencies regarding the draft budget or the proposed apportionment amount; and

WHEREAS, the final budget was advertised in the Santa Cruz Sentinel Newspaper on May 10th for consideration at the June 1st LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a final budget during a public hearing held on June 1, 2022; and

WHEREAS, the draft and final budget will allow the Commission to fulfill the programs and purposes of the Cortese-Knox-Hertzberg Act because it will allow the Commission to prepare the state-mandated service reviews in a timely manner; and

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby adopts a final budget for the fiscal year beginning July 1, 2021 in the amount of \$668,750 with the new amount to be funded by the participating agencies of \$419,265 which includes the County Auditor-Controller's fee to calculate and collect the participating agencies' apportionments.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 1st day of June 2022.

AYES:

NOES:

ABSTAIN:

RACHÉL LATHER, CHAIRPERSON

Attest:

Approved as to form:

Joe A. Serrano
Executive Officer

Joshua Nelson
LAFCO Counsel



Date: June 1, 2022
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Continuation of Remote Meetings**

SUMMARY OF RECOMMENDATION

The Governor issued a series of executive orders in connection with the ongoing COVID-19 pandemic, which included a waiver of all physical-presence requirements under the Brown Act. These orders expired on September 30, 2021. Assembly Bill 361, which took effect as an urgency measure on September 16, 2021, allowed local agencies to continue conducting remote meetings under specific conditions and following the adoption of a resolution. This Commission adopted a resolution on November 3, 2021. The findings within the resolution are required to be periodically renewed to allow for future remote meetings under the AB 361 guidelines.

It is recommended that the Commission ratify the existing resolution (No. 2021-19) approving the continuation of remote meetings under AB 361 with the option of implementing a hybrid model at the next LAFCO meeting, if possible.

EXECUTIVE OFFICER'S REPORT:

In November 2021, the Commission adopted a resolution (refer to **Attachment 1**) to continue remote meetings in accordance with the guidelines under AB 361, which acts as a temporary waiver of the Brown Act's in-person attendance requirements. In order to continue to qualify for AB 361's waiver of in-person meeting requirements, the Commission is required to renew the findings outlined in the adopted resolution.

Hybrid Model Option

While AB 361 and the COVID-related State of Emergency are still in effect, LAFCO staff believes that it may have enough resources to implement a hybrid model when conducting LAFCO meetings. This model will offer the Commissioners, staff, and members of the public the option of attending future LAFCO meetings virtually on Zoom or in-person at the Board of Supervisors Chambers. Staff is recommending that the Commission continue remote meetings under AB 361 and give the Executive Officer discretion on whether a hybrid model can be implemented at the next LAFCO Meeting (August 3) and/or subsequent meetings.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, written in a cursive style.

Joe A. Serrano
Executive Officer

Attachment: Resolution No. 2021-19 (Adopted Version)

Continuation of Remote Meetings Staff Report

Page 1 of 1

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2021-19

On the motion of Commissioner Rachél Lather
duly seconded by Commissioner Jim Anderson
the following resolution is adopted:

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
MAKING DETERMINATIONS AND ORDERING THE CONTINUATION OF
TELECONFERENCE MEETINGS DUE TO THE GOVERNOR'S PROCLAMATION OF
STATE EMERGENCY AND STATE RECOMMENDATIONS RELATED TO PHYSICAL
DISTANCING DUE TO THE THREAT OF COVID-19

WHEREAS, the Local Agency Formation Commission of Santa Cruz County ("Commission" or "LAFCO") is committed to preserving and nurturing public access and participation in meetings of the Commission; and

WHEREAS, all Commission meetings are open and public, as required by the Ralph M. Brown Act (Government Code Section 54950 et seq.), so that any member of the public may attend, participate, and observe how the Commission conducts its business; and

WHEREAS, the Brown Act, pursuant to Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code Section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code Section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code Section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the state; and

WHEREAS, such conditions now exist in the state, specifically, the Governor of the State of California proclaimed a state of emergency on March 4, 2020, related to the threat of COVID-19, which remains in effect; and

WHEREAS, on September 16, 2021, the Governor signed Assembly Bill 361 ("AB 361"), urgency legislation effective immediately, that amended Government Code section 54953 to permit legislative bodies subject to the Brown Act to continue to meet under modified teleconferencing rules provided they comply with specific requirements set forth in the statute; and

WHEREAS, pursuant to AB 361, the Commission may hold an initial teleconference meeting under the modified teleconferencing rules and may continue to hold such teleconference meetings during a proclaimed state of emergency where the Commission has reconsidered the circumstances of the state of emergency, the state of emergency continues to directly impact the ability of the Commission to meet safely in person, and state or local officials have recommended measures to promote physical distancing; and

WHEREAS, the California Division of Occupational Safety and Health ("Cal/OSHA") regulations at Title 8 Section 3205 recommends physical distancing in the workplace as precautions against the spread of COVID-19 and imposes certain restrictions and requirements due to a "close contact" which occurs when individuals are within six feet of another in certain circumstances; and

WHEREAS, the proliferation of the Delta variant of the virus continues to pose imminent risk to health and safety and directly impacts the ability of the public and the Commission to meet safely in person, accordingly, the Commission hereby recognizes the proclamation of state of emergency by the Governor of the State of California and the regulations of Cal/OSHA recommending physical distancing; and

WHEREAS, as a consequence of the emergency related to COVID-19, the Commission does hereby find that the Commission shall conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code Section 54953, as authorized by subdivision (e) of section 54953, and that the Commission shall comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of Section 54953; and

WHEREAS, the Commission meetings will be accessible to the public to attend virtually or via phone.

NOW, THEREFORE, BE IT RESOLVED THAT THE COMMISSION DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.
2. State of Emergency due to COVID-19. The Commission hereby recognizes the imminent threat to the health and safety of attendees at public meetings due to the impacts of COVID-19 and the continued recommendation of state officials to promote physical distancing to minimize any potential adverse health and safety risks.
3. Remote Teleconference Meetings. The Executive Officer is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, conducting open and public meetings of the Commission in accordance with Government Code Section 54953(e) and other applicable provisions of the Brown Act for remote only teleconference meetings.

4. Reconsideration of the State of Emergency. The Commission has reconsidered the state of emergency proclaimed by the Governor of the State of California and finds that the state of emergency continues to directly impact the ability of the members to meet safely in person.
5. Reoccurring Evaluation by the Commission. The Executive Officer is hereby directed to continue to monitor the conditions and health and safety conditions related to COVID-19, the status of the Governor's State of Emergency, and the state regulations related to social distancing, and present to the Commission at its next regularly scheduled meeting the related information and recommendations for remote only meetings pursuant to the provisions of Government Code Section 54953(e)(3) and to extend the time during which the Commission may continue to teleconference without compliance with paragraph (3) of subdivision (b) of Section 54953.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 3rd day of November 2021.

AYES: Commissioners Jim Anderson, Roger Anderson, Ryan Coonerty, Justin Cummings, Francisco Estrada, Zach Friend, and Rachél Lather

NOES: None

ABSTAIN: None



JUSTIN CUMMINGS, CHAIRPERSON

Attest:



Joe A. Serrano
Executive Officer

Approved as to form:



Daniel H. Zazueta
LAFCO Counsel



Date: June 1, 2022
 To: LAFCO Commissioners
 From: Joe Serrano, Executive Officer
 Subject: **New Office Lease**

SUMMARY OF RECOMMENDATION

Under State law, LAFCO has the option to maintain its office in a public building owned by another governmental agency or rent an office space in a privately-owned facility. LAFCO has been renting office space in the County Governmental Center since 2005. The Commission's current lease is scheduled to expire on June 30, 2022. The County has offered a new four-year lease agreement starting July 1, 2022 and ending on June 30, 2026 with an option for a two-year extension (July 1, 2026 to June 30, 2028).

It is recommended that the Commission approve the new four-year lease agreement.

EXECUTIVE OFFICER'S REPORT:

The Commission has been leasing 425 square feet of office space in the legislative wing of the County Governmental Center for almost 20 years. The lease agreement has been renewed and extended over the past decade under an ongoing partnership between the County and LAFCO. A new lease agreement is required to continue this partnership.

Lease Agreement Cost

The current lease agreement is set to expire on June 30, 2022. LAFCO currently pays \$1.75 per square foot for an annual cost of \$8,925. The new lease proposes a rate increase from \$1.75 to \$1.83. This rate will remain the same until June 30, 2024. **Table 1** shows the past rent rates since July 2005 and the proposed rent rates for the coming years under the new lease.

Table 1: Lease Agreement (2005 to 2026)

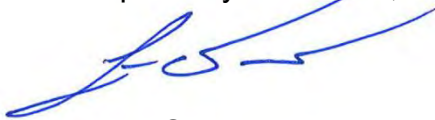
Term Limit	Sq. Ft. Cost	Monthly Cost	Annual Cost	Change (%)
July 2005 to June 2010	\$1.40	\$595.00	\$7,140.00	-
July 2010 to June 2012	\$1.40	\$595.00	\$7,140.00	0%
July 2012 to June 2014	\$1.45	\$616.25	\$7,395.00	4%
July 2014 to June 2016	\$1.55	\$658.75	\$7,905.00	7%
July 2016 to June 2018	\$1.55	\$658.75	\$7,905.00	0%
July 2018 to June 2020	\$1.55	\$658.75	\$7,905.00	0%
July 2020 to June 2021	\$1.65	\$701.25	\$8,415.00	6%
July 2021 to June 2022	\$1.75	\$743.75	\$8,925.00	6%
New Lease: July 2022 to June 2024	\$1.83	\$777.75	\$9,333.00	5%
New Lease: July 2024 to June 2026	\$1.93	\$820.25	\$9,843.00	5%

New Lease Agreement

Following discussions between LAFCO and the County General Services Department, the County has agreed to offer a new four-year lease agreement whereby LAFCO will continue to use the same office space until June 30, 2026. The new agreement also includes a two-year extension option (July 1, 2026 to June 30, 2028). The proposed lease agreement maintains the same terms under the existing contract but does include an increase of 5% to the rent rate during FY 2022 to 2024 (\$1.83/square foot) and another 5% increase during FY 2024 to 2026 (\$1.93/square foot). There are no additional costs. Given that the rate includes utilities and janitorial services, coupled with the fact that the rates will be locked for the next four years, the new lease is fair for a downtown location.

It is staff's recommendation that the Commission direct the Executive Officer to coordinate with the County General Services Department and execute the new four-year lease agreement.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachment: New Lease Agreement

cc: Carol Johnson, County General Services Department
Luna Harter, County General Services Department

LOCAL AGENCY FORMATION COMMISSION (LAFCO)

LEASE

THIS LEASE, made and entered into this 1st day of JULY 2022, by and between:

County of Santa Cruz
701 Ocean Street, Rm. 330
Santa Cruz, CA 95060-4073
Attention: General Services Department

hereinafter called Lessor, and the LOCAL AGENCY FORMATION COMMISSION,
hereinafter called LAFCO.

WITNESSETH:

The parties hereto mutually agree as follows:

1. Lessor hereby leases unto LAFCO and LAFCO hereby hires from Lessor those certain premises situated in the City of Santa Cruz, County of Santa Cruz, State of California, and more particularly described as follows:

Room 318 D, Santa Cruz County Government Center, 701 Ocean Street,
Santa Cruz, California: consisting of 425 square feet.

2. TO HAVE AND HOLD said leased premises, together with the appurtenances, rights, privileges, and easements thereunto belonging or appertaining unto LAFCO, for a term commencing on the first day of JULY 2022 and ending on the 30th day of JUNE 2026, with such rights of termination as are hereinafter set forth, with rent payable by LAFCO in advance as follows:

Seven hundred-seventy seven dollars and 75 cents per month for the time period of July 1, 2022, through June 30, 2024. \$1.83 per square feet for 425 square feet. Monthly office space rental – \$777.75.

Eight hundred twenty dollars and 25 cents per month for the time period of July 1, 2024, through June 30, 2026. \$1.93 per square feet for 425 square feet. Monthly office space rental – \$820.25.

3. LAFCO agrees to pay the aforesaid rent to Lessor at the address specified in paragraph 5, or to such other address as the Lessor may designate by a notice in writing, to the Local Agency Formation Commission, c/o Joe Serrano, County Government Center, 701 Ocean Street, Rm. 318D, Santa Cruz, CA 95060-4073.

4. Option to extend. Lessor grants the LAFCO one (1) option to extend the term for the Premises for a period of two (2) years subject to agreement between the parties as to fair market rent.
5. All notices herein provided to be given, or which may be given, by either party to the other, shall be deemed to have been fully given when made in writing and deposited in the United States mail certified and postage prepaid, and addressed as follows: To the Lessor at General Services Department, County Government Center, 701 Ocean Street, Rm. 330, Santa Cruz, CA 95060-4073, and to LAFCO, at the address indicated in paragraph 3. Nothing herein contained shall preclude the giving of any such written notice by personal service.
6. The LAFCO may terminate this lease by giving notice to the Lessor at least SIXTY (60) days prior to the date when such termination shall become effective.
7. Lessor shall furnish to LAFCO, during the lease term, at Lessor's sole cost, the following services and utilities:
 - a. Janitorial services, including but not limited to, regular cleaning of office areas and restrooms, toilet supplies and waste disposal.
 - b. All utilities except telephone.
8. During the lease term, Lessor shall maintain the leased premises together with appurtenances, rights, privileges, and easements belonging or appertaining thereto, in good repair and tenantable conditions, except in case of damage arising from the negligence of LAFCO's agent, invitees, or employees.
9. Lessor reserves the right to enter and inspect the leased premises, at reasonable times, and to make any necessary repairs to the premises.
10. Lessor agrees that LAFCO, keeping and performing the covenants and agreements herein contained on the part of LAFCO to be kept and performed, shall at all times during the existence of this lease peaceably and quietly, have hold and enjoy the leased premises, without suit, trouble or hindrance from Lessor, or any person claiming under Lessor.
11. In the event the leased premises or any essential part thereof shall be destroyed by fire or other casualty, this lease, shall, in the case of total destruction of the leased premises, immediately terminate and, in case of partial destruction or damage, shall terminate at the option of LAFCO upon giving in writing to the Lessor within fifteen (15) days after such fire or casualty, and no rent shall accrue or be payable to the Lessor after such termination. In the event of any such destruction where the LAFCO remains in possession of said premises, the rent as herein provided shall be reduced by the same ratio as the floor space LAFCO is thus precluded from occupying bears to the total floor space of the leased premises.

12. Rent payable hereunder for any period of time less than that for which periodic rental is paid shall be determined by prorating the rent herein specified for the applicable period.
13. To the extent authorized by fire and extended coverage insurance issued to Lessor on the herein demised premises. Lessor releases LAFCO from liability for loss or damage covered by said insurance and waives subrogation rights of the insurer.
14. This lease is subject to the provisions of the California Fair Employment and Housing Act (Section 12900, et seq., Government Code) and in its performance the Lessor will not discriminate against any employee or applicant for employment because of race, religious creed, color, or national origin, ancestry, physical handicap, medical condition, marital status, or sex, age (over 18), veteran status, gender, pregnancy or any other non-merit factor unrelated to job duties. The Lessor will take affirmative action to ensure that applicants are employed, and that employees are treated during their employment without regard to their race, religious creed, color, or national origin, ancestry, physical handicap, medical condition, marital status, or sex, age (over 18), veteran status, gender, pregnancy or any other non-merit factor unrelated to job duties. This action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

IN WITNESS WHEREOF, this lease has been executed by the parties hereto as of the date first above written.

LESSOR:

LESSEE:

By _____

LOCAL AGENCY FORMATION
COMISSION

Title _____

By _____

Approved as to Form:

Approved as to Insurance:

County Counsel

Risk Management

Distribution: General Services
LAFCO
Auditor Controller



Santa Cruz Local Agency Formation Commission

Date: June 1, 2022
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **“Pajaro Valley Fire District Reorganization” – Comment Letters**

SUMMARY OF RECOMMENDATION

The Pajaro Valley Fire Protection District (“PVFPD”) submitted an application to LAFCO on March 22, 2022 to consider a reorganization of fire protection responsibilities in Pajaro Valley area. The application affects three public agencies: PVFPD, County Service Area 4 (“CSA 4”) and County Service Area 48 (“CSA 48”). Both CSAs are governed and operated by the County. The reorganization, if approved, would involve four key actions: (1) dissolution of CSA 4, (2) concurrent annexation of the dissolved CSA 4 territory into PVFPD, (3) detachment of CSA 48 territory, and (4) concurrent annexation of the detached CSA 48 territory into PVFPD. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer’s report.

EXECUTIVE OFFICER’S REPORT:

In accordance with Government Code Section 56658, LAFCO solicited comments from the affected and interested agencies within 30 days of receiving the application from PVFPD. The deadline to submit comments was Friday, May 20. LAFCO received three comment letters during that timeframe. The first letter was from the Pajaro Valley Association (**Attachment 1**) which outlined some concerns from the residents about the potential reorganization. The second letter was from the Central Fire District expressing support in LAFCO’s effort in exploring methods on how to improve the delivery of fire protection throughout Santa Cruz County (**Attachment 2**). The third letter was from the County also supporting the concept of reorganizing County fire service areas but included concerns about the proposed PVFPD reorganization (**Attachment 3**). LAFCO staff believes that conducting further discussions with the affected residents and agencies, coupled with the completion of the upcoming feasibility study, will allow the affected parties to better understand the benefits of the proposed reorganization.

Respectfully Submitted,

A blue ink signature of Joe A. Serrano, written in a cursive style.

Joe A. Serrano
Executive Officer

Attachments:

1. Pajaro Dunes Association Letter (dated May 2, 2022)
2. Central Fire District Letter (dated May 3, 2022)
3. County of Santa Cruz Letter (dated May 13, 2022)

RECEIVED

MAY 9 2022

Santa Cruz County LAFCO Board Members
 701 Ocean St #318D
 Santa Cruz, CA 95060

Santa Cruz LAFCO

May 2, 2022

To: LAFCO Board Members
 From: Pajaro Dunes Associations

We represent the more than 550 homeowners at Pajaro Dunes in southern Santa Cruz County who provide the sole tax assessment funding for the CSA4 Fire District. Thank you for the informational support your LAFCO executive director, Joe Serrano, has provided as you consider the potential subordination of CSA4 into Pajaro Valley Fire Protection District (PVFPD) or CSA48.

Based on the information we have received so far, we cannot support any merger at this time. Pajaro Dunes homeowners have worked hard for three decades and paid millions of dollars to support our on-site fire station, which is the only station within a 15-minute response time of our homes.

LAFCO law states there must be no degradation of service in a fire district consolidation. Given that standard, we cannot envision how a merger would benefit us for the following reasons:

1. A fire station must be within a five-minute drive of all Pajaro Dunes Buildings to maintain our insurance rating of ISO-5. Thus, any merger would require LAFCO to keep our fire station, equipment and personnel intact, at no new benefit to taxpayers of CSA4.
2. PVFPD has only a single fire station, at 562 Casserly Rd., 11 miles and 20 minutes away from Pajaro Dunes. CSA48 has even great proximity and time-of-service challenges. We see no benefit to Pajaro Dunes homeowners or taxpayers from a takeover by such distant and potentially noncontiguous new districts.
3. If a study is to proceed, we believe it should consider whether it would be more cost-effective, logical and safer to consolidate with Central Fire District (closest station 7.2 miles/12 minutes away in La Selva Beach) or the City of Watsonville (closest station 4.6 miles/12 minutes away). While we cannot at this time support either of those options for reasons stated above and below, that information could have a future bearing on our homeowners' consideration of a potential consolidation.
4. Pajaro Dunes homeowners already are willingly paying the cost of maintaining and operating our CSA4 fire station, including the programmed cost of financing new fire engines, building costs, salaries and equipment. Any merger could require Pajaro Valley Fire Protection District to assume all of that cost with no clear benefit to PVFPD or, alternatively, to leave the cost fully on Pajaro Dunes homeowners, with no new benefit to them. A similar situation exists with CSA48.

5. The cost of Cal Fire command leadership for the CSA4 fire station staff is shared with other Santa Cruz County fire agencies, and a portion of those management costs are paid by Pajaro Dunes homeowners already. There would be no cost savings or organizational streamlining through elimination of CSA4

6. In concert with the Santa Cruz County Board of Supervisors and CalFire, we provide budget oversight, maintenance and administration through the Community Affairs Committee of Pajaro Dunes – residents jointly appointed by the two homeowner association boards of directors. That budgeting and oversight would be transferred to a new 5-member governing board, on which we would have only one member (at most). Moreover, even if the initial merger did not negatively change the service level, there is no guarantee that our service level would be maintained by a future merged PVFPD board. We see no benefit to our homeowners with that arrangement.

Most important, elimination or reduction of the service we receive through our CSA4 fire station would constitute an existential threat to Pajaro Dunes homeowners and our property. We have suffered major fire losses in the past that demonstrate what can happen when fires strike our early-'70s wood-frame buildings. Today, the California Coastal Commission consistently makes it difficult if not impossible to rebuild homes in the coastal zone. A merger of CSA4 with any other agency constitutes a potential threat to property values, to the safety of hundreds of residents and visitors on any given day and to the ability of homeowners to rebuild their residences.

We hope you will include our concerns in your study and look forward to learning the results. But, again, it is hard for us to imagine any scenario in which the homeowners at Pajaro Dune would benefit from such a merger and dissolution of CSA4 and any circumstances in which CSA4 voters could support this consolidation.

Sincerely,



Robert Scranton
President, Pajaro Dunes Association (South)



Steven Tate
President Pajaro Dunes North Association



Central Fire District of Santa Cruz County

930 17th Avenue ♦ Santa Cruz, CA 95062 ♦ (831) 479-6842 ♦ www.centralfiresc.org

May 3, 2022

RECEIVED

Santa Cruz County LAFCO
Executive Officer Joe Serrano
701 Ocean St #318D
Santa Cruz, CA 95060

MAY 2022

Santa Cruz LAFCO

Executive Officer Serrano,

Central Fire District of Santa Cruz County has received the Referral Letter regarding Pajaro Valley Fire Protection District Reorganization. To that end, as the Fire Chief of a fire district that has recently successfully completed a reorganization and consolidation, I would like to offer my support of this process for the Pajaro Valley Fire Protection District, the Corralitos area (covered as a portion of County Service Area 48), and County Service Area 4 (Pajaro Dunes).

As the members of Central Fire can attest, a single governance model for local oversight from a consolidated effort provides for higher level of service for the member agencies, increased purchasing power, improved organizational resiliency and improves the level of service throughout the entire county.

It is my understanding that the goals of the consolidation process are to increase daily staffing and move towards Advanced Life Support (ALS) staffing at all three affected station locations. This move would greatly improve the overall level of service that our county fire agencies provide. Further, the move to ALS would provide improved flexibility for county-wide coverage when neighboring resources are utilized to provide service or district coverage during large, extended incidents.

Thank you, Executive Officer Serrano, for continuing to facilitate fire service reorganizations in Santa Cruz County to improve the overall level of service to the public. Please contact me directly with any questions or comments about this communication.

Respectfully,

A handwritten signature in blue ink, appearing to read "Jason Nee".

Jason Nee, Fire Chief
Central Fire District of Santa Cruz County



MICHAEL BEATON
DIRECTOR

County of Santa Cruz

GENERAL SERVICES DEPARTMENT

701 OCEAN STREET, SUITE 330, SANTA CRUZ, CA 95060-4073

(831) 454-2210 FAX: (831) 454-2710 TDD/TTY: 711



Joe A. Serrano
Executive Officer
Local Agency Formation Commission
Of Santa Cruz County
701 Ocean Street, Room 318-D
Santa Cruz, Ca 95060

Re: Project Number RO 22-06 Potential Annexation CSA 4 & CSA 48 Corralitos Area

A referral letter dated April 18th, 2022 notified the County of Santa Cruz that an application had been filed on behalf of the Pajaro Valley Fire Protection District (PVFPD). That application requests a reorganization to annex the Corralitos area of Community Service Area (CSA) 48 and a dissolved CSA 4 Pajaro Dunes into PVFPD. That referral letter requests comments on the application on or before Friday, May 20, 2022.

We support the concept of reorganization of County fire service areas through annexations and consolidations for the purposes of improving the overall effectiveness and efficiency of such services for community members. However, the County believes that the current application from PVFPD is premature and cannot be supported at this time. We believe it lacks the necessary service level impact analysis and financial feasibility study. We are not in support of unsupported piecemeal annexations that could have a negative impact on the effected residents. The result of annexations like this may have considerably deleterious financial and service impacts for remaining residents and businesses within the CSA 4 & 48 boundaries.

The County continues to be in support of LAFCO's board-approved request for proposal for a special fire study that will examine all fire districts and fire service areas in the County. We anticipate that the special fire study could result in recommendations for potential reorganizations and consolidations of fire protection districts and services countywide in a fiscally sound manner.

The County is optimistic that the special fire study that LAFCO is commissioning will result in more holistic proposals for consideration.

Sincerely,

Michael Beaton,
County Fire Contract Administrator

CC: Carlos J. Palacios County Administrative Officer
County Board of Supervisors Koenig, Friend, Coonerty, Caput, and McPherson



Santa Cruz Local Agency Formation Commission

Date: June 1, 2022
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Press Articles during the Months of April and May**

SUMMARY OF RECOMMENDATION

LAFCO staff monitors local newspapers, publications, and other media outlets for any news affecting local agencies or LAFCOs around the State. Articles are presented to the Commission on a periodic basis. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer's report.

EXECUTIVE OFFICER'S REPORT

The following is a summary of recent press articles. Full articles are attached.

Article #1: "Shasta LAFCO agent discusses state of Old Shasta Fire Department":

The article, dated April 25, notes that Shasta LAFCO has concerns about the lack of volunteers under the Shasta Community Services District (CSD). The decline in volunteer firefighters has been, and continues to be, a statewide issue. Shasta LAFCO is scheduled to discuss the possible transfer of fire protection responsibilities from the CSD to the County during its May 19th meeting.

Article #2: "Scotts Valley's New City Clerk Excited For Civic Duties": The article, dated April 29, announces that the City of Scotts Valley has hired Cathie Simonovich as their new city clerk. Ms. Simonovich was previously with the Scotts Valley Unified School District. She has been a resident of Scotts Valley for almost 25 years.

Article #3: "New chief steps into Central Fire District's top role": The article, dated May 5, announces that the Central Fire District (CFD) has appointed Jason Nee to be the District's new fire chief. Mr. Nee has been with CFD for over 20 years. He was previously the assistant fire chief before accepting his new role. He replaces John Walbridge, who decided to retire following a 30-year career in the fire protection business.

Article #4: "Santa Cruz names Lisa Murphy new deputy city manager": The article, dated May 20, announces that the City of Santa Cruz has appointed Lisa Murphy as the new deputy city manager. Ms. Murphy has been the City's Director of Human Resources for over seven years. Prior to the City of Santa Cruz, she was also the assistant to the city manager and administrative services director with the City of Capitola.

Article #5: “Old Shasta community members fight to keep volunteer fire station open by creating a new fire service district”: The article, dated May 20, provides an update regarding a struggling volunteer fire department in Shasta County. The community has an opportunity to transfer fire protection responsibilities from the Shasta Community Services District to an independent fire district, if formed. Shasta LAFCO is expecting the community to initiate the reorganization by landowner petitions.

Article #3: “PV Water awarded \$7.6 million for supplemental water resource”: The article, dated May 20, indicates that the water agency has received \$7.6 million to support its College Lake Project, which will supply a supplemental source of water to the Pajaro Valley area. This project is timely since LAFCO staff is currently coordinating with the Reclamation District No. 2049, which is responsible for the annual drainage of the College Lake. Based on LAFCO’s preliminary analysis as part of the ongoing Countywide Water Services & Sphere Review, the reclamation district has significant governance and operational issues that warrants the consideration of dissolution.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. “Shasta LAFCO agent discusses state of Old Shasta Fire Department”
2. “Scotts Valley’s New City Clerk Excited For Civic Duties”
3. “New chief steps into Central Fire District’s top role”
4. “Santa Cruz names Lisa Murphy new deputy city manager”
5. “Old Shasta community members fight to keep volunteer fire station open...”
6. “PV Water awarded \$7.6 million for supplemental water resource”

krcrtv.com

Shasta LAFCO agent discusses state of Old Shasta Fire Department

Anwar Stetson

2-3 minutes



A door to Shasta Fire Department, Company 56, off of High Street in old Shasta, Shasta County, CA. (KRCR)

SHASTA, Calif. — In Shasta, locals have been concerned for over a year about the fate of their fire department.

Last week, just down the street from the station, a barn burned down with no volunteers at the local station to come stop it.

In November, a resolution passed to rescind fire services. However, Shasta district board members assured the community the fire station is not going away.

The [Shasta Local Agency Formation Commission](#) (Shasta LAFCO) is in charge of processing and approving applications to rescind fire services.

"We recognize the importance of fire services, it's one of the critical services that is needed for our communities," said Shasta LAFCO



A door to Shasta Fire Department, Company 56, off of High Street in old Shasta, Shasta County, CA. (KRCR)

In terms of a lack of volunteers, he continued to say, "My staff report will analyze the volunteer issue and report that to the commission, and they will have that information to help guide their decision."

Williamson said he has consulted with numerous agencies including CAL FIRE and the Shasta Community Services District Manager.

"I can certainly understand community concern and [it is] a big part of my job, as staff, to analyze that," he finished.

Williamson added that he will work in coordination with Supervisors Patrick Jones, and Joe Chimenti, as well as Anderson Council Member Stan Neutze, as well as Redding City Council Member Michael D'Acquisto.

Speaking for some locals, however, trust in public officials, particularly in the Shasta Community Services District, is low.

Williamson said that there will be a Shasta LAFCO hearing on May 19 to analyze the issue of staffing this station.

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To report errors or issues with this article please [email](#) the editorial team.

pressbanner.com

Scotts Valley's New City Clerk Excited For Civic Duties - Press Banner

By: Drew Penner

4-5 minutes

Following months of struggling to find a new city clerk, after the previous occupant of the role, Tracy Ferrara, announced her retirement, Scotts Valley appointed a veteran school board official to the post.

And in an interview with the *Press Banner* during her second day on the job, April 19, Cathie Simonovich, who most recently worked as assistant to Scotts Valley Unified School District Superintendent Tanya Krause, said she's super keen on the new challenge.

"Moving over here to the City was a very logical step for me," she said. "I'm happy to be able to serve."

Meeting in the dim light of wood-paneled Council Chambers that have gone unused during the pandemic—near a 1970s-style fireplace with large stones for a border—Simonovich walked the newspaper through the professional experiences that she says have set her up for success in municipal affairs.

After graduating from California State University, Sacramento with a marketing-focused business degree, she took a job as a banker. She worked in Sacramento, Texas and San Mateo, and became the assistant vice president of a loan servicing division.

"That was life before kids," she comments, reflecting on how her days in the private sector compared with the world of education she transitioned into.

Simonovich moved to Scotts Valley with her husband in 1998, and

two babies soon turned into three.

“It’s a great town,” she said. “We’re very passionate about the city.”

She found herself wanting to become more engaged with the school system.

“When your kids are little, you go in as a classroom volunteer and you start wondering how you could do more, or help more,” she said. “At the school district, no matter what position I had, it was all about the students.”

She began as a classroom aide at Vine Hill Elementary School, then substitute taught at all the local public schools besides Scotts Valley High School. After that, she moved over to the district, working as the administrative assistant to the director of curriculum.

She spent 14 years there, including five as the superintendent’s assistant.

While she was no longer working on the front lines with learners, Simonovich says it was rewarding to see how her efforts translated into benefits for the kids.

“That trickles down to the teachers and the students,” she said. “You know you’re not working directly with children, but you also know that you can make a difference.”

In her role at the district, she was intimately involved in record-keeping.

“I was the liaison with the Board of Trustees,” she said. “I did a lot of work on the board meetings.”

That included putting together agendas and official minutes and publishing everything to the web portal.

Now, she’ll be taking on similar responsibilities, but this time for the entire town.

“I’m not 100% sure what exactly the job is going to entail, but I know generally what a city clerk does—sort of that liaison between the public and the council members, and the official keeper of

records,” she said. “From there I’ll learn what else I’m responsible for.”

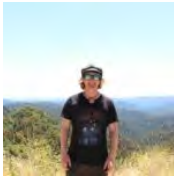
To figure this out, Simonovich had an early conference with the deputy city clerk.

Plus, her predecessor left detailed notes, to serve as a roadmap to her new path.

“I hope I can do as great of a job as she did,” she said, noting Ferrara’s example provides “—something to aspire to.”

So far, Simonovich says she’s been pleased with her new work environment.

“Everyone seems extremely professional,” she said. “They’re so welcoming.”



[Drew Penner](#)

Drew Penner is an award-winning Canadian journalist whose reporting has appeared in the Globe and Mail, Good Times Santa Cruz, Los Angeles Times, Scotts Valley Press Banner, San Diego Union-Tribune, KCRW and the Vancouver Sun. Please send your Los Gatos and Santa Cruz County news tips to dpenner@weeklys.com.

santacruzsentinel.com

New chief steps into Central Fire District's top role

Jessica A. York

2-3 minutes

LIVE OAK — A new chief has taken the helm of the county's largest fire agency this week.



Jason Nee

Jason Nee took on the lead role in protecting some 90,000 people in 55 square miles via the Central Fire District of Santa Cruz County's seven fire stations Tuesday.

Beginning his firefighting career in 1999, Nee worked first both as a

Central Fire paid call firefighter and a Watsonville Fire reserve firefighter. He was hired as a full-time firefighter/paramedic for Central Fire in September 2000. Most recently, Nee served as the agency's assistant fire chief. Nee holds an associate degree in fire protection technology from Cabrillo College and a Bachelor of Arts in environmental studies from UC Santa Barbara. He is also a California State Certified Fire Officer and Chief Officer.

Central Fire District joins the Santa Cruz Fire Department in promoting from within to find its fire chief recently. Last month, the City of Santa Cruz [appointed Robert Oatey as Santa Cruz Fire chief](#).

Nee, whose pending promotion was announced last month, steps into the vacancy left by retired Chief John Walbridge, who helped usher the fire district through a merger between the Central and Aptos-La Selva fire protection districts in 2021 and served as the newly combined agency's first fire chief. In a letter announcing his retirement to the Central Fire District Board of Directors in February, Walbridge said he was appreciative of what the Central Fire Protection District had given him during a more than 30-year career there.

"It has been an incredible journey and I appreciate each day that I was able to work with everyone, from the campaign fires to local incidents, and of course the boardroom," Walbridge said in February, reading from his retirement letter. "As Central Fire District moves into the future with a new plan ready for execution, based off of internal and external stakeholder input, I can't help but feel excited to see what this amazing organization will accomplish with the efforts of the amazing men and women that serve."

Nee will earn \$271,578 annually.

santacruzsentinel.com

Santa Cruz names Lisa Murphy new deputy city manager

Santa Cruz Sentinel

2 minutes

SANTA CRUZ — City Manager Matt Huffaker on Thursday announced the appointment of Lisa Murphy as deputy city manager for the city of Santa Cruz.

Murphy has led the Santa Cruz's human resources department as director for more than seven years. Before joining the city, she served as assistant to the city manager and was promoted to administrative services director in Capitola.

"Lisa has a great track record with the city and also in Capitola, where she served for nearly 12 years," Huffaker said in a prepared release from the city. "She loves challenges and has wide-ranging experience leading complex programs and projects. Her focus on service to her community is directly aligned with helping implement our three-year homelessness response action plan."

In addition to the city's homelessness response, Murphy will help lead various programs and administrative functions for the city manager's office.

Murphy was selected through a competitive recruitment process that included a strong pool of internal and external candidates.

"I am honored to have the opportunity to continue to serve the city

of Santa Cruz in this new capacity. While I will miss my HR staff dearly, my heart and soul have always been in public service, and in this new role, I will have the opportunity to help make a real difference in many people's lives," Murphy said in the prepared release. "I look forward to working with the staff, council and the community to make strides in helping respond to homelessness in our community."

Murphy's pay grade in her new position will remain the same as her role as human resources director: \$212,244 annually.

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https://www.actionnewsnow.com/news/old-shasta-community-members-fight-to-keep-volunteer-fire-station-open-by-creating-a-new/article_4f9f6b70-d8a5-11ec-b6d5-4fca66bba314.html

Old Shasta community members fight to keep volunteer fire station open by creating a new fire service district

By: Ryan Kanne

May 20, 2022

OLD SHASTA, Calif.- The battle to keep fire station 56 staffed and operational has been going on for over a year, and now community members have new hope to keep it alive.

In April, The Shasta County Board of Supervisors voted to move forward with the first steps to change the fire service in Old Shasta from its volunteer fire department to CAL FIRE and the Shasta County Fire Department.



By: Ryan Kanne

The decision wasn't final, pending a special meeting by the Local Agency Formation Commission (LAFCO).

The latest decision that came from LAFCO is allowing the people of Old Shasta to file a petition and potentially create their own fire service district.

A group of Old Shasta citizens is leading the plan to keep fire protection local, and not have to rely on the Shasta Community Services District, which used to be in charge of fire coverage in the area.

Many people in Old Shasta told Action News Now that they're frustrated with the service district's plan to have CAL FIRE and the Shasta County Fire Department take over.

People like Tom Carroll say creating their own fire service district will be the best way to keep the area safe.

"So, we would no longer be underneath the objectivity of that board, we would have our own board, we would have our own fire service area, which would be the same boundaries as before," Carroll said. "Everybody's always worried about fire, so that's a big deal. The more firetrucks, the more fireman, the better off everyone is, the better people sleep at night."

Calls for service are being answered by CAL FIRE and the Shasta County Fire Department, but no one is staffed at Station 56.

Many people in the area told Action News Now that they're concerned about long wait times with the closest CAL FIRE station more than three miles away near Keswick.

"So, the more resources you have the better it is, and absolutely the community knows

that there will be an additional time lag if this station is shut down,” Carroll said.

The petition to start a new fire service district isn’t circulating yet, but should be officially out soon.

Over 250 people in Old Shasta will have to sign that petition before a new fire service district is created.

The group leading this effort told action news now it will have until the next LAFCO meeting on August 4 to come up with the signatures.

Ryan Kanne

Ryan Kanne is a reporter for Action News Now.

pajaronian.com

PV Water awarded \$7.6 million for supplemental water resource

By: Staff Report

1 minute

WATSONVILLE—Pajaro Valley Water Management Agency (PV Water) received \$7.6 million to support its College Lake Project, which will supply a supplemental source of water for the Pajaro Valley.

The grant was awarded May 4 through the California Department of Water Resources (DWR) Sustainable Groundwater Management Grant Program.

The College Lake Project will provide up to 2,300 acre-feet per year of surface water, offsetting that amount of groundwater pumping. Groundwater accounts for more than 90% of water demand in the Pajaro Valley Basin.

PV Water will use water from College Lake to reduce the annual groundwater deficit of approximately 12,000 acre-feet per year.

Learn more about PV Water and its projects at pvwater.org.