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 14, 2023 at 9:00 a.m.
(hybrid meeting may be attended remotely or in-person)

Attend Meeting by Internet: **https://us02web.zoom.us/j/85888035676**
(Password 770150)

Attend Meeting by Conference Call: **Dial 1-669-900-6833 or 1-253-215-8782**
(Webinar ID: 858 8803 5676)

Attend Meeting In-Person: **Board of Supervisors Chambers**
(701 Ocean Street, Room 525, Santa Cruz CA 95060)

HYBRID MEETING PROCESS

Santa Cruz LAFCO has established a hybrid meeting process in accordance with Assembly Bill 2449:

a) Commission Quorum: State law indicates that a quorum must consist of Commissioners in person pursuant to AB 2449.

b) Public Comments: For those wishing to make public comments remotely, identified individuals will be given up to 3 minutes to speak. Staff will inform the individual when one minute is left and when their time is up. For those attending the meeting remotely, please click on the "Raise Hand" button under the "Reactions Tab" to raise your hand. For those joining via conference call, pressing *9 will raise your hand. The 3 minute limit also applies to virtual public comments.

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, but 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 the appropriate arrangements. Persons with disabilities may also 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. **Hybrid Meeting Process**
   The Commission will receive an update on the hybrid meeting process.

   Recommended Action: No action required; Informational item only.

3. **ADOPTION OF MINUTES**
The Commission will consider approving the minutes from the May 3, 2023 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. **Final Budget for Fiscal Year 2023-24**
   The Commission will consider the adoption of a final budget for the upcoming year.

   Recommended Actions:

   1) Adopt the draft resolution (No. 2023-13) approving the final budget for Fiscal Year 2023-24; 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 2023.

   b. **Service & Sphere Review for County Service Area 53**
   The Commission will consider the adoption of a service and sphere of influence review for County Service Area 53 (Mosquito Abatement & Vector Control).

   Recommended Actions:

   1) Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;

2) Determine, pursuant to Government Code Section 56425, that LAFCO is required to develop and determine a sphere of influence for CSA 53, and review and update, as necessary;

3) Determine, pursuant to Government Code Section 56430, that LAFCO is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and

4) Adopt LAFCO Resolution (No. 2023-14) approving the 2023 Service and Sphere of Influence Review for CSA 53 with the following conditions:

   a. Reaffirm CSA 53's current sphere of influence; and

   b. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the CSA 53 representatives and any other interested or affected parties, including but not limited to the County Agricultural Commissioner's Office and the four cities.

6. OTHER BUSINESS

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

a. "Scotts Valley Water District Sphere Annexation" – Protest Results

The Commission will consider certifying the results of the protest proceeding held during Monday, May 8 to Friday, June 2, 2023.

Recommended Action: Adopt the draft minutes from the June 2, 2023 Protest Hearing and draft resolution (No. 2023-15) certifying the protest period results.

b. Special District Risk Management Authority Election Process

The Commission will consider electing up to three candidates for the upcoming vacancies on the SDRMA Board of Directors.

Recommended Action: Adopt draft resolution (No. 2023-16) electing up to three candidates for the SDRMA election.

c. Professional Services Agreement – Payroll Services

The Commission will consider a contractual agreement with the County of Santa Cruz for payroll and accounts payable services.

Recommended Action: Adopt draft contractual agreement between LAFCO and the County for payroll and accounts payable services.

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.

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 2, 2023 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 LAFCO staff 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 will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 24 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, #318-D, 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.

Agenda Item No. 3

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

DRAFT MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, May 3, 2023
Start Time - 9:00 a.m.

1. ROLL CALL

Chair Yvette Brooks called the meeting of the Local Agency Formation Commission of Santa Cruz County (LAFCO) to order at 9:00 a.m. and welcomed everyone in attendance. She asked staff to conduct the roll call.

The following Commissioners were present:

- Chair Yvette Brooks
- Vice-Chair John Hunt
- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Justin Cummings
- Commissioner Rachél Lather
- Commissioner Allan Timms
- Alternate Commissioner Manu Koenig
- Alternate Commissioner Shebreh Kalantari-Johnson

Alternate Commissioner Manu Koenig will be a voting member on behalf of Commissioner Zach Friend (County Representative).

The following LAFCO staff members were present:

- Executive Officer, Joe Serrano
- Legal Counsel, Joshua Nelson
- Analyst, Francisco Estrada

2. EXECUTIVE OFFICER'S MESSAGE

<u>2a. Virtual meeting Process</u>

Executive Officer Joe Serrano announced that the Commission Meeting was being conducted through a hybrid approach with Commissioners and staff attending in-person while members of the public have the option to attend virtually or in-person. Mr. Serrano noted that Legal Counsel was participating remotely in accordance with state law.

DRAFT

2b. City Seat Rotation Schedule Update

Executive Officer Joe Serrano noted that in accordance with the current rotation schedule, the Cities of Capitola and Scotts Valley will serve as voting members of the Commission starting in May 2023, while the City of Santa Cruz will become the alternate member and the City of Watsonville will rotate out of the Commission. Mr. Serrano added that the City Selection Committee will consider updating the historical rotation schedule later this year with the intention of increasing equal representation on LAFCO. Finally, Mr. Serrano welcomed **Commissioner Shebreh Kalantari-Johnson**, councilmember from the City of Santa Cruz, onto the Commission.

3. ADOPTION OF MINUTES

Chair Yvette Brooks requested public comments on the draft minutes. **Executive Officer Joe Serrano** noted no public comments. **Chair Yvette Brooks** closed public comments.

Chair Yvette Brooks called for the approval of the draft minutes. **Commissioner Roger Anderson** motioned for approval of the April 5th Meeting Minutes and **Commissioner Rachél Lather** seconded the motion.

Chair Yvette Brooks called for a voice vote on the approval of the draft minutes with no changes.

MOTION: **Roger Anderson**
SECOND: **Rachél Lather**
FOR: **Jim Anderson, Roger Anderson, Yvette Brooks, Justin Cummings, Manu Koenig, Rachél Lather, and Allan Timms.**
AGAINST: **None**
ABSTAIN: **None**

MOTION PASSED: 7-0

4. ORAL COMMUNICATIONS

Chair Yvette Brooks requested public comments on any non-agenda items. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission.

Becky Steinbruner, member of the public, expressed concerns regarding the following non-agenda items: (a) the City Selection Committee, (b) the potential of a parcel assessment conducted by the Pajaro Valley Healthcare District, (c) the Scotts Valley/Branciforte Fire District Reorganization, and, (d) Ms. Steinbruner informed the Commission about the upcoming County Fire Department Advisory Commission meeting taking place on Thursday, April 6, 2023.

Chair Yvette Brooks closed public comments and moved on to the next agenda item.

5. PUBLIC HEARINGS

Chair Yvette Brooks indicated that there were two public hearing items for Commission consideration today.

5a. “City of Watsonville Service & Sphere Review”

Chair Yvette Brooks requested staff to provide a presentation on the draft service and sphere review for the City of Watsonville.

Executive Officer Joe Serrano noted that the City was incorporated in 1868 and encompasses approximately six square miles of territory. Mr. Serrano explained that the City provides municipal services to areas within and outside the city limits, totaling approximately 65,000 residents. Mr. Serrano also indicated that the City is financially healthy and is operating an efficient government agency. Mr. Serrano also added that he considered the City’s website to be both transparent and robust. The City is currently underway with its 2050 General Plan process, and Mr. Serrano let the Commission know that LAFCO staff was invited to be involved in this process. **Executive Officer Joe Serrano** recommended that the Commission find the report to be exempt from the California Environmental Quality Act, determine the report fulfills Government Code Sections 56425 and 56430, and adopt the draft resolution approving the report.

Chair Yvette Brooks opened the floor for Commission discussion.

Commissioner Rachél Lather expressed to staff her desire to have seen an overlay of the Freedom County Sanitation District and the Salsipuedes Sanitation District included in the draft service and sphere review as she considers the City of Watsonville to be most logical provider of sanitation services to those specific residents. **Executive Officer Joe Serrano** indicated that staff could add further analysis to the report if desired by the Commission.

Commissioner Justin Cummings inquired whether the City was limited to its existing sphere boundary or would it be able to amend it if it considered future growth. **Executive Officer Joe Serrano** indicated that with the renewal of the urban limit line through the passage of Measure Q, the City’s ability to annex territory into city limits would be limited but explained that a sphere boundary was a planning tool that can help prepare for future growth. Mr. Serrano added that the City can still submit applications to LAFCO and it is the duty of the Commission to conduct a thorough process.

Chair Yvette Brooks noted no further Commission discussion and requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission.

Becky Steinbruner, member of the public**,** appreciated Commissioner Lather’s comments and noted the importance of the Watsonville Wastewater Treatment Plant, she provided her thoughts on County Service Area 4, and she commended the City on meeting its Regional Housing Needs Allocation (RHNA) goals.

DRAFT

Chair Yvette Brooks closed public comments and called for a motion to approve staff recommendation. **Commissioner Justin Cummings** motioned for approval of staff recommendation and **Commissioner Allan Timms** seconded the motion**.**

Commissioner Rachél Lather requested the Commission consider including maps of the Freedom and Salsipuedes sanitation district boundaries and an additional analysis of the wastewater agencies near the city limits.

Commissioner Justin Cummings amended the original motion to include the additional condition, and the amendment was seconded by **Commissioner Allan Timms**.

Chair Yvette Brooks called for a voice vote on the motion: **(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. 2023-11) approving the 2023 Service & Sphere Review for the City of Watsonville with the following conditions: (a) Reaffirm the City's current sphere boundary, (b) Direct the Executive Officer to distribute a copy of the adopted report to the City and any other interested/affected agency, (c) Include maps of the Freedom Sanitation District and Salsipuedes Sanitation District in the service and sphere review, and (d) Include an additional section analyzing the wastewater agencies near the city limits.**

MOTION:	**Justin Cummings**
SECOND:	**Allan Timms**
FOR:	**Jim Anderson, Roger Anderson, Yvette Brooks, Justin Cummings, Manu Koenig, Rachél Lather, and Allan Timms.**
AGAINST:	**None**
ABSTAIN:	**None**

MOTION PASSED: 7-0

<u>5b. "Draft Budget for Fiscal Year 2023-24"</u>

Chair Yvette Brooks requested staff to provide a presentation on the draft budget for the upcoming fiscal year.

Executive Officer Joe Serrano informed the Commission that the proposed budget for Fiscal Year 2023-24 is balanced and is 1% below the current budget. The budget provides a three-year outlook for the Commission, all based on historical trends. The final version of the budget, with any proposed edits from funding agencies, will return to the Commission for approval at the June 14, 2023 LAFCO Regular Meeting.

Chair Yvette Brooks opened the floor for Commission discussion.

Commissioner Roger Anderson made a request to **Executive Director Joe Serrano** to verify the CalPERS contribution and ensure that the amount in the proposed budget is accurate.

Chair Yvette Brooks noted no further Commission discussion and requested public comments on the proposal. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission.

Becky Steinbruner, member of the public, asked where she can find budgetary information on outside consulting expenses in the proposed budget. Mr. Serrano indicated that costs associated with outside consultants are found under Professional Services.

Chair Yvette Brooks closed public comments and called for a motion. **Commissioner Roger Anderson** motioned for approval of staff recommendation and **Commissioner Jim Anderson** seconded the motion.

Chair Yvette Brooks called for a voice vote on the motion based on staff's recommendation: **Adopt the draft resolution (No. 2023-12) approving the draft budget for Fiscal Year 2023-24.**

MOTION:	**Roger Anderson**
SECOND:	**Jim Anderson**
FOR:	**Jim Anderson, Roger Anderson, Yvette Brooks, Justin Cummings, Manu Koenig, Rachél Lather, and Allan Timms.**
AGAINST:	**None**
ABSTAIN:	**None**

MOTION PASSED: 7-0

6. OTHER BUSINESS

Chair Yvette Brooks indicated that there was one business item for Commission consideration today.

6a. Comprehensive Quarterly Report – Third Quarter (FY 2022-23)

Chair Yvette Brooks requested staff to provide a presentation on the quarterly report.

LAFCO Analyst Francisco Estrada 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. Estrada covered these areas and indicated that the Commission's budget is doing well with over 100% of anticipated revenues already received and only approximately 44% of anticipated expenses spent.

Chair Yvette Brooks opened the floor for Commission discussion.

Chair Yvette Brooks noted no Commission discussion and requested public comments on the proposal. **Executive Officer Joe Serrano** indicated that there was one request to address the Commission on this item.

Becky Steinbruner, member of the public, expressed appreciation for the staff's efforts to support and assist the residents of County Service Area 33.

Chair Yvette Brooks closed public comments and moved to the next item since no Commission action was required.

7. WRITTEN CORRESPONDENCE

Chair Yvette Brooks inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** noted that there was one late correspondence received from Ms. Becky Steinbruner regarding the Scotts Valley/Branciforte Fire District Reorganization. **Chair Yvette Brooks** moved to the next item since no Commission action was required.

8. PRESS ARTICLES

Chair Yvette Brooks 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. **Chair Yvette Brooks** moved to the next item since no Commission action was required.

9. COMMISSIONERS' BUSINESS

Chair Yvette Brooks inquired whether any Commissioner would like to share any information. There was one comment. **Chair Yvette Brooks** informed the Commission that she attended an event hosted by the California Special District Association with **Executive Officer Joe Serrano**. She also requested staff to provide the Commission an updated calendar invite for the June 14, 2023 LAFCO regular meeting. **Chair Yvette Brooks** moved to the next item since no Commission action was required.

10. ADJOURNMENT

Chair Yvette Brooks adjourned the Regular Commission Meeting at 9:44 a.m. to the next regular LAFCO meeting scheduled for Wednesday, June 14, 2023, at 9:00 a.m.

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YVETTE BROOKS, CHAIRPERSON

Attest:

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JOE A. SERRANO, EXECUTIVE OFFICER

DRAFT

LAFCO
Santa Cruz Local Agency Formation Commission

Date: June 14, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Final Budget for Fiscal Year 2023-24

SUMMARY OF RECOMMENDATION

State law requires that LAFCO adopt a final budget by June 15. LAFCO staff advertised a public notice for the June 14th LAFCO Meeting in order for the Commission to consider the final budget. This report will provide an overview of the FY 2023-24 final budget, totaling $675,450, for Commission consideration and approval.

It is recommended that the Commission take the following actions:

1. Adopt the draft resolution (No. 2023-13) approving the final budget for Fiscal Year 2023-24; 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 2023.

EXECUTIVE OFFICER'S REPORT:

On May 3, 2023, the Commission adopted a draft budget for Fiscal Year 2023-24 with the condition that staff consider increasing the budgeted amount for LAFCO's pension liability to ensure it covers two full-time employees. Afterwards, the draft budget and proposed allocations were distributed to each of the funding agencies for review and comment. No formal comments were received. The following sections provide an overview of LAFCO's final budget with the requested adjustments.

Pension Liability

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. CalPERS publishes valuation reports yearly to illustrate projected expenses, as shown in **Attachment 1**. The latest report indicated that LAFCO's total employer contribution amount would be $80,064. The estimated amount was based on projected payroll for the contribution year. However, LAFCO only had one full-time employee during the time CalPERS developed the report. After speaking with a CalPERS representative, staff was able to get a more accurate estimate for FY 2023-24.

<u>New Contribution Amount</u>

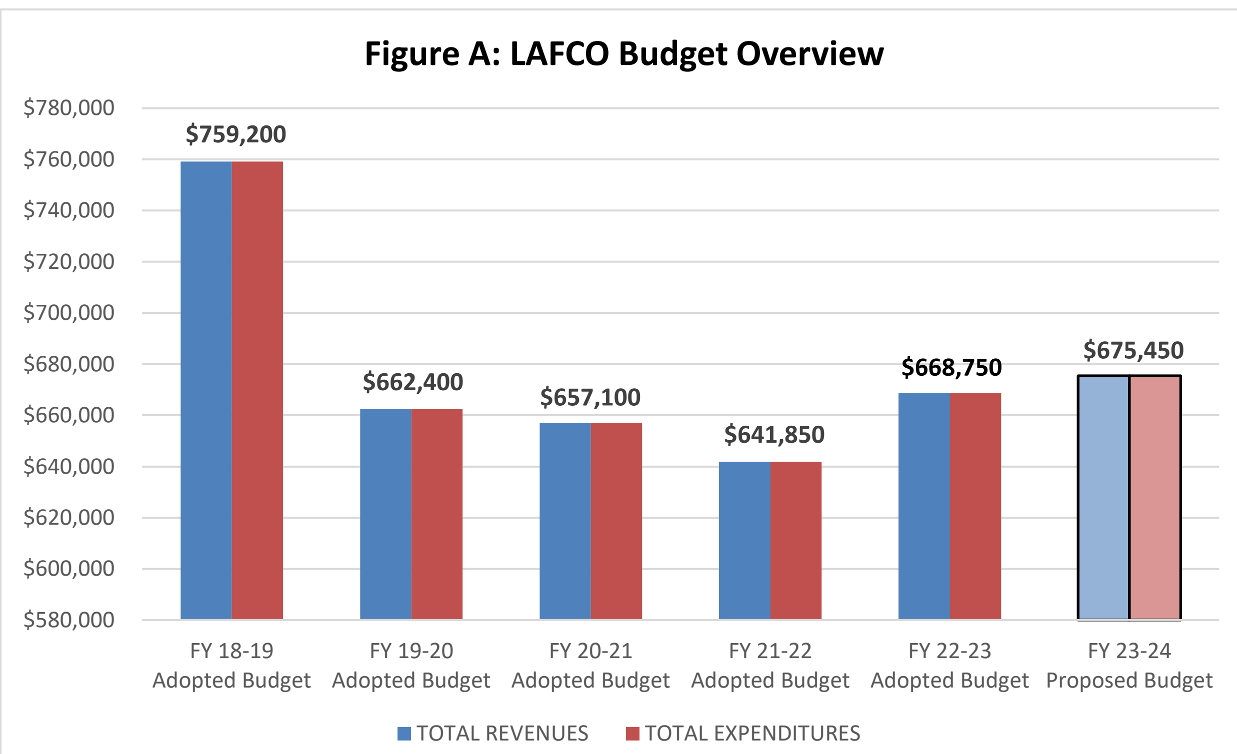
After applying the Total Employer Contribution Rate of 39.58% to the projected salary amount of $245,000, LAFCO determined that the pension liability for FY 2023-24 will be approximately $96,971. Additionally, since the LAFCO Analyst is new to CalPERS, their pension falls under the California Public Employees' Pension Reform Act ("PEPRA") and the total employer amount for that plan is $4,471. In total, the FY 2023-24 Employer Contribution Amount will be approximately $101,442. For budgetary purposes, staff is rounding the budgeted amount to $103,000. The pension budget line item for FY 2023-24 will be increased from $92,200 as originally shown in the Draft Budget to $103,000 in the Final Budget. **Table A** summarizes the proposed amendment.

Table A – Projected Pension Liability (Draft vs. Final Budget)

FY 2023-24	Draft Budget	Final Budget
CalPERS Employer Contribution Rate	39.58%	39.58%
Projected Salary in CalPERS Valuation Report	$213,597 (initial estimate; 1 employee)	$245,0000 (actual estimate; 2 employees)
Estimated Employer Contribution Amount	$84,535	$96,971
PEPRA Liability for New LAFCO Employee	$5,400 (initial estimate)	$4,471 (actual estimate)
Total Estimated Contribution Amount	$89,935	$101,442
Budgeted Amount in LAFCO Budget	**$92,200**	**$103,000**

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. **Figure A** shows how the Commission has dramatically decreased the overall budget amount each year since FY 2018-19. Under this conservative approach, LAFCO staff was able to propose a budget for Fiscal Year 2023-24 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. CalPERS Valuation Report (July 2022)
2. FY 2023-24 Final Budget
3. FY 2023-24 Apportionments for Funding Agencies
4. Draft Resolution (LAFCO No. 2023-13)

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)

CalPERS

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 2022

Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission (CalPERS ID: 5405887055)
Annual Valuation Report as of June 30, 2021

Dear Employer,

Attached to this letter, you will find the June 30, 2021 actuarial valuation report for the rate plan noted above. Provided in this report is the determination of the minimum required employer contributions for fiscal year (FY) 2023-24. 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, 2021.

Section 2 can be found on the CalPERS website (www.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, 2021.

Your June 30, 2021 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. The plan actuary whose signature is in the Actuarial Certification is available to discuss.

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 (board) 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 requirements as needed. This valuation is based on an investment return assumption of 6.8%, which was adopted by the board in November 2021. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021.

Required Contribution

The table below shows the minimum required employer contributions for FY 2023-24 along with estimates of the required contributions for FY 2024-25. Employee contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2023-24	12.47%	$60,202
Projected Results		
2024-25	*12.5%*	*$57,000*

The actual investment return for FY 2021-22 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 6.8%. *To the extent the actual investment return for FY 2021-22 differs from 6.8%, the actual contribution requirements for FY 2024-25 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 FY 2028-29.

Changes from Previous **Year's Valuation**

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for FY 2020-21. Since the return exceeded the 7.00% discount rate sufficiently, the CalPERS Funding Risk Mitigation policy allows CalPERS to use a portion of the investment gain to offset the cost of reducing the expected volatility of future investment returns. Based on the thresholds specified in the policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate of 0.20%, from 7.00% to 6.80%.

On November 17, 2021, the board adopted new actuarial assumptions based on the recommendations in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumption for public agencies. These new assumptions are incorporated in this actuarial valuation and will impact the required contribution for FY 2023-24. In addition, the board adopted a new strategic asset allocation as part of its Asset Liability Management process. The new asset allocation along with the new capital market assumptions and economic assumptions support a discount rate of 6.80%. This includes a reduction in the price inflation assumption from 2.50% to 2.30%.

Besides the above noted changes, there may also be changes specific to the plan such as contract amendments and funding changes.

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 the plan 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, 2021

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

(CalPERS ID: 5405887055)

Required Contributions
for Fiscal Year
July 1, 2023 - June 30, 2024

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Section 1 – Plan Specific Information

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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

To the best of our knowledge, this report, comprising of Sections 1 and 2, is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation is based on the member and financial data as of June 30, 2021 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Santa Cruz Local Agency Formation Commission, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the Miscellaneous Risk Pool 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 rate plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2021 and employer contribution as of July 1, 2023 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 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, 2021 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 (FY) 2023-24.

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, 2021;
- Determine the minimum required employer contribution for this plan for the FY July 1, 2023 through June 30, 2024; and
- Provide actuarial information as of June 30, 2021 to the CalPERS Board of Administration (board) 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 (www.calpers.ca.gov).

The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact the plan 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; changes in plan provisions or applicable law; and differences between the required contributions determined by the valuation and the actual contributions made by the agency.

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 5.8% and 7.8%.
- 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 2021.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Contributions

	Fiscal Year
Required Employer Contributions	2023-24
Employer Normal Cost Rate	12.47%
Plus	
Required Payment on Amortization Bases[1]	$60,202
Paid either as	
1) Monthly Payment	$5,016.83
Or	
2) Annual Prepayment Option*	$58,254

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).

** Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31).*

	Fiscal Year 2022-23	Fiscal Year 2023-24
Development of Normal Cost as a Percentage of Payroll		
Base Total Normal Cost for Formula	17.24%	18.76%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	0.55%	0.63%
Phase out of Normal Cost Difference[3]	0.00%	0.00%
Plan's Total Normal Cost	17.79%	19.39%
Formula's Expected Employee Contribution Rate	6.92%	6.92%
Employer Normal Cost Rate	10.87%	12.47%

1 The required payment on amortization bases does not take into account any additional discretionary payment made after April 29, 2022.

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 2023-24 FY is $60,202. CalPERS allows agencies 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. Agencies 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 FY 2023-24 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.

Agencies considering making an ADP should contact CalPERS for additional information.

Minimum Required Employer Contribution for Fiscal Year 2023-24

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$19,862	$60,202	$0	$60,202	$80,064

Alternative Fiscal Year 2023-24 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
5 years	$19,862	$60,202	$24,854	$85,056	$104,918

[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, 2023 as determined in the June 30, 2021 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, 2020	June 30, 2021
1. Present Value of Projected Benefits (PVB)	$2,596,538	$2,607,267
2. Entry Age Accrued Liability (AL)	2,284,043	2,260,230
3. Plan's Market Value of Assets (MVA)	1,655,830	1,827,391
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	628,213	432,839
5. Funded Ratio [(3) / (2)]	72.5%	80.8%

The UAL and funded ratio are assessments of the need for future employer contributions based on the 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. The funded ratio, on the other hand, is a relative measure of funded status that allows for comparison between plans of different sizes. For measures of funded status that are 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. In particular, the investment return beginning with FY 2021-22 is assumed to be 6.80% per year, net of investment and administrative expenses. Actual contribution rates during this projection period could be significantly higher or lower than the projection shown below. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22 and Beyond)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	Rate Plan 992 Results					
Normal Cost %	12.47%	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Payment	$60,202	$57,000	$53,000	$50,000	$45,000	$45,000

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 projection tool, Pension Outlook, is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

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 2.80% per year for three years.

	Fiscal Year 2022-23	Fiscal Year 2023-24
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans		
Projected Payroll for the Contribution Year	$235,503	$213,597
Estimated Employer Normal Cost	$25,599	$24,034
Required Payment on Amortization Bases	$64,632	$60,501
Estimated Total Employer Contributions	$90,231	$84,535
Estimated Total Employer Contribution Rate (illustrative only)	38.31%	39.58%

Cost

Actuarial Determination of Plan Cost

Contributions to fund the 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 FY 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 6.9% over the 20 years ending June 30, 2021, yet individual fiscal year returns have ranged from -23.6% to +21.3%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2021.

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

On November 17, 2021, the board adopted new actuarial assumptions based on the recommendations in the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumption for Public Agencies. These new assumptions are incorporated in this actuarial valuation and will impact the required contribution for FY 2023-24. In addition, the board adopted a new asset portfolio as part of its Asset Liability Management process. The new asset mix supports a 6.80% discount rate, which reflects a change in the price inflation assumption to 2.30%.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2021. Changes subsequent to that date are not reflected. Investment returns below the assumed rate of return may increase future required contributions while investment returns above the assumed rate of return may decrease future required contributions.

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 6.8% going forward and that the realized rate of return on assets for FY 2021-22 is 6.8%.

This actuarial valuation report reflects statutory changes, regulatory changes and board actions through January 2022. 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	$65,353
Transferred Members	0
Terminated Members	0
Members and Beneficiaries Receiving Payments	2,194,877
Total	$2,260,230

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	$2,260,230
2.	Projected UAL balance at 6/30/2021	618,580
3.	Pool's Accrued Liability[1]	20,794,529,023
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/2021[1]	4,597,734,264
5.	Pool's 2020/21 Investment (Gain)/Loss[1]	(2,338,185,055)
6.	Pool's 2020/21 Non-Investment (Gain)/Loss[1]	(84,077,623)
7.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (2)] ÷ [(3) - (4)] × (5)	(236,990)
8.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (3) × (6)	(9,139)
9.	Plan's New (Gain)/Loss as of 6/30/2021: (7) + (8)	(246,129)
10.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]	60,407,898
11.	Plan's Share of Pool's Change in Assumptions: (1) ÷ (3) × (10)	6,566
12.	Increase in Pool's Accrued Liability due to Funding Risk Mitigation[1]	495,172,731
13.	Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (3) × (12)	53,822
14.	Offset due to Funding Risk Mitigation	(55,970)
15.	Plan's Net Investment (Gain): (7) – (14)	(181,020)

[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

16.	Plan's UAL: (2) + (9) + (11) + (13)	$432,839
17.	Plan's Share of Pool's MVA: (1) - (16)	$1,827,391

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, 2021.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2023-24.

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 2023-24	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/21	Expected Payment 2021-22	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Minimum Required Payment 2023-24
Fresh Start	6/30/19	No Ramp		0.00%	12	569,071	62,906	542,758	62,906	514,656	62,033
Investment (Gain)/Loss	6/30/20	40%	Up Only	0.00%	19	41,863	0	44,710	979	46,739	1,921
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	19	7,646	0	8,166	747	7,949	733
Assumption Change	6/30/21	No Ramp		0.00%	20	6,566	(1,113)	8,163	(1,144)	9,900	890
Net Investment (Gain)	6/30/21	20%	Up Only	0.00%	20	(181,020)	0	(193,329)	0	(206,475)	(4,438)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	20	(9,139)	0	(9,760)	0	(10,424)	(937)
Risk Mitigation	6/30/21	No Ramp		0.00%	1	53,822	(1,131)	58,651	(1,163)	63,841	65,976
Risk Mitigation Offset	6/30/21	No Ramp		0.00%	1	(55,970)	0	(59,776)	0	(63,841)	(65,976)
Total						432,839	60,662	399,583	62,325	362,345	60,202

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(s) 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 contact the 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 an appropriate 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)

	Current Amortization Schedule		Alternate Schedules			
			5 Year Amortization		0 Year Amortization	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2023	362,345	60,202	362,345	85,056	N/A	N/A
6/30/2024	324,769	56,725	299,084	85,055		
6/30/2025	288,232	53,248	231,522	85,055		
6/30/2026	252,803	49,769	159,366	85,055		
6/30/2027	218,561	45,330	82,304	85,056		
6/30/2028	186,578	45,331				
6/30/2029	152,418	45,331				
6/30/2030	115,935	45,331				
6/30/2031	76,971	45,330				
6/30/2032	35,359	36,541				
6/30/2033						
6/30/2034						
6/30/2035						
6/30/2036						
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6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
6/30/2051						
6/30/2052						
Total		483,138		425,277		N/A
Interest Paid		120,793		62,932		N/A
Estimated Savings				57,861		N/A

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, 2021 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	0
2021 - 22	10.88%	64,090	
2022 - 23	10.87%	64,632	
2023 - 24	12.47%	60,202	

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
06/30/2012	$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
06/30/2021	2,260,230	1,827,391	432,839	80.8%	146,612

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 using the investment return scenarios from the Asset Liability Management process completed in 2021 was performed to determine the effects of various future investment returns on required employer contributions. The projections below reflect the impact of the CalPERS Funding Risk Mitigation policy. The projections also assume that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur.

The first table shows projected contribution requirements if the fund were to earn either 3.0% or 10.8% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2041.

Assumed Annual Return FY 2021-22 through 2040-41	Projected Employer Contributions				
	2024-25	2025-26	2026-27	2027-28	2028-29
3.0% (5th percentile)					
Normal Cost Rate	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Contribution	$58,000	$58,000	$60,000	$63,000	$72,000
10.8% (95th percentile)					
Normal Cost Rate	12.7%	13.0%	13.2%	13.5%	13.7%
UAL Contribution	$55,000	$48,000	$15,000	$0	$0

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 3.0% or greater than 10.8% over a 20-year period, the likelihood of a single investment return less than 3.0% or greater than 10.8% in any given year is much greater. The following analysis illustrates the effect of an extreme, single year investment return.

The portfolio has an expected volatility (or standard deviation) of 12.0% per year. Accordingly, in any given year there is a 16% probability that the annual return will be -5.2% or less and a 2.5% probability that the annual return will be -17.2% or less. These returns represent one and two standard deviations below the expected return of 6.8%.

The following table shows the effect of a one or two standard deviation investment loss in FY 2021-22 on the FY 2024-25 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2024-25.

Assumed Annual Return for Fiscal Year 2021-22	Required Employer Contributions	Projected Employer Contributions
	2023-24	2024-25
(17.2)% (2 standard deviation loss)		
Normal Cost Rate	12.47%	12.5%
UAL Contribution	$60,202	$68,000
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	12.47%	12.5%
UAL Contribution	$60,202	$62,000

- Without investment gains (returns higher than 6.8%) in year FY 2022-23 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2021-22.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2024-25 as well as to model other investment return scenarios.

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 4.5% and 2.3%, 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, 2021 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2021	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	5.8%	6.8%	7.8%
Inflation	2.3%	2.3%	2.3%
Real Rate of Return	3.5%	4.5%	5.5%
a) Total Normal Cost	24.38%	19.39%	15.59%
b) Accrued Liability	$2,497,173	$2,260,230	$2,058,622
c) Market Value of Assets	$1,827,391	$1,827,391	$1,827,391
d) Unfunded Liability/(Surplus) [(b) - (c)]	$669,782	$432,839	$231,231
e) Funded Ratio	73.2%	80.8%	88.8%

Sensitivity to the Price Inflation Assumption

As of June 30, 2021	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	5.8%	6.8%	7.8%
Inflation	1.3%	2.3%	3.3%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	20.35%	19.39%	17.69%
b) Accrued Liability	$2,326,773	$2,260,230	$2,082,711
c) Market Value of Assets	$1,827,391	$1,827,391	$1,827,391
d) Unfunded Liability/(Surplus) [(b) - (c)]	$499,382	$432,839	$255,320
e) Funded Ratio	78.5%	80.8%	87.7%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2021 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 2021. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2021	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	19.72%	19.39%	19.08%
b) Accrued Liability	$2,307,450	$2,260,230	$2,216,708
c) Market Value of Assets	$1,827,391	$1,827,391	$1,827,391
d) Unfunded Liability/(Surplus) [(b) - (c)]	$480,059	$432,839	$389,317
e) Funded Ratio	79.2%	80.8%	82.4%

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, 2020	June 30, 2021
1. Retired Accrued Liability	$1,789,839	$2,194,877
2. Total Accrued Liability	2,284,043	2,260,230
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.78	0.97

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 declines. A mature plan will often have a ratio near or below one.

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, may be less informative than the ratio of retiree liability to total accrued liability above. For comparison, the support ratio for all CalPERS public agency plans is 0.82 and is calculated consistently with how it is for the individual rate plan. Note that to calculate the support ratio for all public agency plans, a retiree with service from more than one CalPERS agency is counted as a retiree more than once.

Support Ratio	June 30, 2020	June 30, 2021
1. Number of Actives	2	1
2. Number of Retirees	3	3
3. Support Ratio [(1) / (2)]	0.67	0.33

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, 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

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

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 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, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2020	June 30, 2021
1. Market Value of Assets	$1,655,830	$1,827,391
2. Payroll	217,096	146,612
3. Asset Volatility Ratio (AVR) [(1) / (2)]	7.6	12.5
4. Accrued Liability	$2,284,043	$2,260,230
5. Liability Volatility Ratio (LVR) [(4) / (2)]	10.5	15.4

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
06/30/2021	0.97	0.33	12.5	15.4

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, 2021. 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 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 seven months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] at 1.00%	Funded Ratio	Unfunded Termination Liability at 1.00%	Hypothetical Termination Liability[1,2] at 2.25%	Funded Ratio	Unfunded Termination Liability at 2.25%
$1,827,391	$4,425,022	41.3%	$2,597,631	$3,852,530	47.4%	$2,025,139

[1] The hypothetical liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A.

[2] The discount rate 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 2.00% on June 30, 2021, the valuation date.

In order to terminate the plan, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. Before beginning this process, please consult with the plan actuary.

Participant Data

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

	June 30, 2020	June 30, 2021
Active Members		
Counts	2	1
Average Attained Age	48.3	35.3
Average Entry Age to Rate Plan	38.4	33.0
Average Years of Credited Service	9.9	2.4
Average Annual Covered Pay	$108,548	$146,612
Annual Covered Payroll	$217,096	$146,612
Present Value of Future Payroll	$1,845,459	$1,899,061
Transferred Members	0	0
Separated Members	0	0
Retired Members and Beneficiaries		
Counts*	3	3
Average Annual Benefits*	$45,979	$53,940

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 the 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 (www.calpers.ca.gov) in the Forms and Publications section

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 2022

PEPRA Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission (CalPERS ID: 5405887055)
Annual Valuation Report as of June 30, 2021

Dear Employer,

Attached to this letter, you will find the June 30, 2021 actuarial valuation report for the rate plan noted above. Provided in this report is the determination of the minimum required employer contributions for fiscal year (FY) 2023-24. 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, 2021.

Section 2 can be found on the CalPERS website (www.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, 2021.

Your June 30, 2021 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. The plan actuary whose signature is in the Actuarial Certification is available to discuss.

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 (board) 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 requirements as needed. This valuation is based on an investment return assumption of 6.8%, which was adopted by the board in November 2021. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021.

Required Contribution

The table below shows the minimum required employer contributions and the Employee PEPRA Rate for FY 2023-24 along with estimates of the required contributions for FY 2024-25. Employee contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	PEPRA Member Rate
2023-24	7.68%	$299	7.75%
Projected Results			
2024-25	*7.7%*	*$300*	*TBD*

The actual investment return for FY 2021-22 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 6.8%. *To the extent the actual investment return for FY 2021-22 differs from 6.8%, the actual contribution requirements for FY 2024-25 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 FY 2028-29.

Changes from Previous **Year's Valuation**

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for FY 2020-21. Since the return exceeded the 7.00% discount rate sufficiently, the CalPERS Funding Risk Mitigation policy allows CalPERS to use a portion of the investment gain to offset the cost of reducing the expected volatility of future investment returns. Based on the thresholds specified in the policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate of 0.20%, from 7.00% to 6.80%.

On November 17, 2021, the board adopted new actuarial assumptions based on the recommendations in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumption for public agencies. These new assumptions are incorporated in this actuarial valuation and will impact the required contribution for FY 2023-24. In addition, the board adopted a new strategic asset allocation as part of its Asset Liability Management process. The new asset allocation along with the new capital market assumptions and economic assumptions support a discount rate of 6.80%. This includes a reduction in the price inflation assumption from 2.50% to 2.30%.

Besides the above noted changes, there may also be changes specific to the plan such as contract amendments and funding changes.

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 the plan 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

CalPERS

Actuarial Valuation
as of June 30, 2021

for the
PEPRA Miscellaneous Plan
of the
Santa Cruz Local Agency Formation Commission

(CalPERS ID: 5405887055)

Required Contributions
for Fiscal Year
July 1, 2023 - June 30, 2024

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Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

(CalPERS ID: 5405887055)
(Rate Plan ID: 26488)

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Actuarial Certification

To the best of our knowledge, this report, comprising of Sections 1 and 2, is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the PEPRA Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation is based on the member and financial data as of June 30, 2021 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Santa Cruz Local Agency Formation Commission, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the Miscellaneous Risk Pool 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 rate plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2021 and employer contribution as of July 1, 2023 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 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, 2021 actuarial valuation of the PEPRA 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 (FY) 2023-24.

Purpose of Section 1

This Section 1 report for the PEPRA 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, 2021;
- Determine the minimum required employer contribution for this plan for the FY July 1, 2023 through June 30, 2024; and
- Provide actuarial information as of June 30, 2021 to the CalPERS Board of Administration (board) 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 (www.calpers.ca.gov).

The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact the plan 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; changes in plan provisions or applicable law; and differences between the required contributions determined by the valuation and the actual contributions made by the agency.

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 5.8% and 7.8%.
- 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 2021.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Contributions

Required Employer Contributions	Fiscal Year 2023-24
Employer Normal Cost Rate	7.68%
Plus	
Required Payment on Amortization Bases[1]	$299
Paid either as	
1) Monthly Payment	$24.92
Or	
2) Annual Prepayment Option*	$289
Required PEPRA Member Contribution Rate	7.75%

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).

** Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31).*

For additional detail regarding the determination of the required PEPRA member contribution rate see section on PEPRA Member Contribution Rates.

	Fiscal Year 2022-23	Fiscal Year 2023-24
Development of Normal Cost as a Percentage of Payroll		
Base Total Normal Cost for Formula	N/A	15.43%
Surcharge for Class 1 Benefits[2]		
None	N/A	0.00%
Phase out of Normal Cost Difference[3]	N/A	0.00%
Plan's Total Normal Cost	N/A	15.43%
Plan's Employee Contribution Rate	N/A	7.75%
Employer Normal Cost Rate	N/A	7.68%

1 The required payment on amortization bases does not take into account any additional discretionary payment made after April 29, 2022.

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 2023-24 FY is $299. CalPERS allows agencies 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. Agencies 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 FY 2023-24 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.

Agencies considering making an ADP should contact CalPERS for additional information.

Minimum Required Employer Contribution for Fiscal Year 2023-24

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$4,172	$299	$0	$299	$4,471

Alternative Fiscal Year 2023-24 Employer Contributions for Greater UAL Reduction

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
N/A	N/A	N/A	N/A	N/A	N/A

[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, 2023 as determined in the June 30, 2021 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, 2020	June 30, 2021
1. Present Value of Projected Benefits (PVB)	N/A	$81,905
2. Entry Age Accrued Liability (AL)	N/A	2,770
3. Plan's Market Value of Assets (MVA)	N/A	3,107
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	N/A	(337)
5. Funded Ratio [(3) / (2)]	N/A	112.2%

The UAL and funded ratio are assessments of the need for future employer contributions based on the 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. The funded ratio, on the other hand, is a relative measure of funded status that allows for comparison between plans of different sizes. For measures of funded status that are 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. In particular, the investment return beginning with FY 2021-22 is assumed to be 6.80% per year, net of investment and administrative expenses. Actual contribution rates during this projection period could be significantly higher or lower than the projection shown below. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22 and Beyond)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	Rate Plan 26488 Results					
Normal Cost %	7.68%	7.7%	7.7%	7.7%	7.7%	7.7%
UAL Payment	$299	$300	$300	$300	$300	$0

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 projection tool, Pension Outlook, is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

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 26488. 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 2.80% per year for three years.

	Fiscal Year 2023-24
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans	
Projected Payroll for the Contribution Year	$213,597
Estimated Employer Normal Cost	$24,034
Required Payment on Amortization Bases	$60,501
Estimated Total Employer Contributions	$84,535
Estimated Total Employer Contribution Rate (illustrative only)	39.58%

Cost

Actuarial Determination of Plan Cost

Contributions to fund the 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 FY 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 6.9% over the 20 years ending June 30, 2021, yet individual fiscal year returns have ranged from -23.6% to +21.3%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2021.

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

On November 17, 2021, the board adopted new actuarial assumptions based on the recommendations in the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumption for Public Agencies. These new assumptions are incorporated in this actuarial valuation and will impact the required contribution for FY 2023-24. In addition, the board adopted a new asset portfolio as part of its Asset Liability Management process. The new asset mix supports a 6.80% discount rate, which reflects a change in the price inflation assumption to 2.30%.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2021. Changes subsequent to that date are not reflected. Investment returns below the assumed rate of return may increase future required contributions while investment returns above the assumed rate of return may decrease future required contributions.

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 6.8% going forward and that the realized rate of return on assets for FY 2021-22 is 6.8%.

This actuarial valuation report reflects statutory changes, regulatory changes and board actions through January 2022. 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	$2,770
Transferred Members	0
Terminated Members	0
Members and Beneficiaries Receiving Payments	0
Total	$2,770

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	$2,770
2.	Projected UAL balance at 6/30/2021	0
3.	Pool's Accrued Liability[1]	20,794,529,023
4.	Sum of Pool's Individual Plan UAL Balances at 6/30/2021[1]	4,597,734,264
5.	Pool's 2020/21 Investment (Gain)/Loss[1]	(2,338,185,055)
6.	Pool's 2020/21 Non-Investment (Gain)/Loss[1]	(84,077,623)
7.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (2)] ÷ [(3) - (4)] × (5)	(400)
8.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (3) × (6)	(11)
9.	Plan's New (Gain)/Loss as of 6/30/2021: (7) + (8)	(411)
10.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]	60,407,898
11.	Plan's Share of Pool's Change in Assumptions: (1) ÷ (3) × (10)	8
12.	Increase in Pool's Accrued Liability due to Funding Risk Mitigation[1]	495,172,731
13.	Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (3) × (12)	66
14.	Offset due to Funding Risk Mitigation	(400)
15.	Plan's Net Investment (Gain): (7) – (14)	0

[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

16.	Plan's UAL: (2) + (9) + (11) + (13)	($337)
17.	Plan's Share of Pool's MVA: (1) - (16)	$3,107

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, 2021.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2023-24.

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 2023-24	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/21	Expected Payment 2021-22	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Minimum Required Payment 2023-24
Fresh Start	6/30/21	No Ramp		0.00%	5	(337)	(766)	432	(786)	1,274	299
Total						(337)	(766)	432	(786)	1,274	299

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.

Actuarial assumptions were changed effective June 30, 2021, which will impact the contribution requirements beginning June 30 , 2023. Although the plan has a funded ratio above 100% as of June 30, 2021, for the subsequent two-year period, the normal cost that the employer is required to pay is based on the old assumptions, while the liability that is projected to accrue is based on the new assumptions. This underpayment on the normal cost during this period is projected to cause an unfunded liability to emerge, which gives rise to the required UAL payment in FY 2023-24.

Amortization Schedule and Alternatives

The amortization schedule on the previous page(s) 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 contact the 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 an appropriate 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)

	Current Amortization Schedule		Alternate Schedules			
			0 Year Amortization		0 Year Amortization	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2023	1,274	299	N/A	N/A	N/A	N/A
6/30/2024	1,052	299				
6/30/2025	815	299				
6/30/2026	561	299				
6/30/2027	290	300				
6/30/2028						
6/30/2029						
6/30/2030						
6/30/2031						
6/30/2032						
6/30/2033						
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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						
6/30/2052						
Total		1,496		N/A		N/A
Interest Paid		222		N/A		N/A
Estimated Savings				N/A		N/A

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, 2021 are not included.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)	Additional Discretionary Payments
2023 - 24	7.68%	$299	

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
06/30/2021	$2,770	$3,107	($337)	112.2%	$50,003

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 using the investment return scenarios from the Asset Liability Management process completed in 2021 was performed to determine the effects of various future investment returns on required employer contributions. The projections below reflect the impact of the CalPERS Funding Risk Mitigation policy. The projections also assume that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur.

The first table shows projected contribution requirements if the fund were to earn either 3.0% or 10.8% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2041.

Assumed Annual Return FY 2021-22 through 2040-41	Projected Employer Contributions				
	2024-25	2025-26	2026-27	2027-28	2028-29
3.0% (5th percentile)					
Normal Cost Rate	7.7%	7.7%	7.7%	7.7%	7.7%
UAL Contribution	$440	$440	$450	$450	$160
10.8% (95th percentile)					
Normal Cost Rate	7.9%	8.1%	8.3%	8.5%	8.7%
UAL Contribution	$180	$160	$150	$120	$0

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 3.0% or greater than 10.8% over a 20-year period, the likelihood of a single investment return less than 3.0% or greater than 10.8% in any given year is much greater. The following analysis illustrates the effect of an extreme, single year investment return.

The portfolio has an expected volatility (or standard deviation) of 12.0% per year. Accordingly, in any given year there is a 16% probability that the annual return will be -5.2% or less and a 2.5% probability that the annual return will be -17.2% or less. These returns represent one and two standard deviations below the expected return of 6.8%.

The following table shows the effect of a one or two standard deviation investment loss in FY 2021-22 on the FY 2024-25 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2024-25.

Assumed Annual Return for Fiscal Year 2021-22	Required Employer Contributions	Projected Employer Contributions
	2023-24	2024-25
(17.2)% (2 standard deviation loss)		
Normal Cost Rate	7.68%	7.7%
UAL Contribution	$299	$320
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	7.68%	7.7%
UAL Contribution	$299	$310

- Without investment gains (returns higher than 6.8%) in year FY 2022-23 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2021-22.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2024-25 as well as to model other investment return scenarios.

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 4.5% and 2.3%, 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, 2021 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2021	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	5.8%	6.8%	7.8%
Inflation	2.3%	2.3%	2.3%
Real Rate of Return	3.5%	4.5%	5.5%
a) Total Normal Cost	19.32%	15.43%	12.47%
b) Accrued Liability	$3,679	$2,770	$2,169
c) Market Value of Assets	$3,107	$3,107	$3,107
d) Unfunded Liability/(Surplus) [(b) - (c)]	$572	($337)	($938)
e) Funded Ratio	84.5%	112.2%	143.2%

Sensitivity to the Price Inflation Assumption

As of June 30, 2021	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	5.8%	6.8%	7.8%
Inflation	1.3%	2.3%	3.3%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	16.27%	15.43%	14.03%
b) Accrued Liability	$2,937	$2,770	$2,534
c) Market Value of Assets	$3,107	$3,107	$3,107
d) Unfunded Liability/(Surplus) [(b) - (c)]	($170)	($337)	($573)
e) Funded Ratio	105.8%	112.2%	122.6%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2021 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 2021. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of June 30, 2021	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	15.71%	15.43%	15.18%
b) Accrued Liability	$2,800	$2,770	$2,735
c) Market Value of Assets	$3,107	$3,107	$3,107
d) Unfunded Liability/(Surplus) [(b) - (c)]	($307)	($337)	($372)
e) Funded Ratio	111.0%	112.2%	113.6%

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, 2020	June 30, 2021
1. Retired Accrued Liability	N/A	$0
2. Total Accrued Liability	N/A	2,770
3. Ratio of Retiree AL to Total AL [(1) / (2)]	N/A	0.00

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 declines. A mature plan will often have a ratio near or below one.

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, may be less informative than the ratio of retiree liability to total accrued liability above. For comparison, the support ratio for all CalPERS public agency plans is 0.82 and is calculated consistently with how it is for the individual rate plan. Note that to calculate the support ratio for all public agency plans, a retiree with service from more than one CalPERS agency is counted as a retiree more than once.

Support Ratio	June 30, 2020	June 30, 2021
1. Number of Actives	N/A	1
2. Number of Retirees	N/A	0
3. Support Ratio [(1) / (2)]	N/A	N/A

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, 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

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

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 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, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2020	June 30, 2021
1. Market Value of Assets	N/A	$3,107
2. Payroll	N/A	50,003
3. Asset Volatility Ratio (AVR) [(1) / (2)]	N/A	0.1
4. Accrued Liability	N/A	$2,770
5. Liability Volatility Ratio (LVR) [(4) / (2)]	N/A	0.1

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2021	0.00	N/A	0.1	0.1

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, 2021. 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 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 seven months after.

Market Value of Assets (MVA)	Hypothetical Termination Liability[1,2] at 1.00%	Funded Ratio	Unfunded Termination Liability at 1.00%	Hypothetical Termination Liability[1,2] at 2.25%	Funded Ratio	Unfunded Termination Liability at 2.25%
$3,107	$13,687	22.7%	$10,580	$8,199	37.9%	$5,092

[1] The hypothetical liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A.

[2] The discount rate 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 2.00% on June 30, 2021, the valuation date.

In order to terminate the plan, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. Before beginning this process, please consult with the plan actuary.

Participant Data

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

	June 30, 2020	June 30, 2021
Active Members		
Counts	N/A	1
Average Attained Age	N/A	30.3
Average Entry Age to Rate Plan	N/A	29.8
Average Years of Credited Service	N/A	0.7
Average Annual Covered Pay	N/A	$50,003
Annual Covered Payroll	N/A	$50,003
Present Value of Future Payroll	N/A	$586,501
Transferred Members	N/A	0
Separated Members	N/A	0
Retired Members and Beneficiaries		
Counts*	N/A	0
Average Annual Benefits*	N/A	$0

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:

- None

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which the 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	No	
Benefit Provision		
Benefit Formula	2% @ 62	
Social Security Coverage	Yes	
Full/Modified	Full	
Employee Contribution Rate	6.75%	
Final Average Compensation Period	Three 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%	

PEPRA Member Contribution Rates

The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members ... shall have an initial contribution rate of at least 50% of the normal cost rate." The normal cost rate is dependent on the plan of retirement benefits, actuarial assumptions, and demographics of the risk pool, particularly members' entry age. Should the total normal cost rate change by more than 1% from the base total normal cost rate, the new member rate shall be 50% of the new normal cost rate rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2023, based on 50% of the total normal cost rate as of the June 30, 2021 valuation.

		Basis for Current Rate		Rates Effective July 1, 2023			
Rate Plan Identifier	Benefit Group Name	Total Normal Cost	Member Rate	Total Normal Cost	Change	Change Needed	Member Rate
26488	Miscellaneous PEPRA Level	13.735%	6.75%	15.43%	1.695%	Yes	7.75%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

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

FISCAL YEAR 2023-24	FY 22-23 Adopted Budget	FY 23-24 Final Budget	Budget Variance ($)	Budget Variance (%)
REVENUE DESCRIPTION				
Interest	$ 1,500	$ 1,500	$ -	0%
Funding Agencies' Apportionments	$ 419,265	$ 419,265	$ -	0%
LAFCO Processing Fees	$ -	$ -	$ -	-
Medical Charges-Employee	$ -	$ -	$ -	-
Unreserved Fund Balance	$ 247,985	$ 254,685	$ 6,700	3%
TOTAL REVENUES	**$ 668,750**	**$ 675,450**	**$ 6,700**	**1%**
EXPENDITURE DESCRIPTION				
Regular Pay	$ 200,000	$ 245,000	$ 45,000	23%
Holiday Pay	$ 10,000	$ 10,000	$ -	0%
Social Security	$ 15,000	$ 18,000	$ 3,000	20%
PERS	$ 91,000	$ 103,000	$ 12,000	13%
Insurances	$ 40,000	$ 45,000	$ 5,000	13%
Unemployment	$ 450	$ 250	$ (200)	-44%
Workers Comp	$ 500	$ 500	$ -	0%
Total Salaries & Benefits	**$ 356,950**	**$ 421,750**	**$ 64,800**	**18%**
Telecom	$ 1,200	$ 1,200	$ -	0%
Office Equipment	$ 200	$ 200	$ -	0%
Memberships	$ 7,500	$ 7,500	$ -	0%
Hardware	$ 200	$ 150	$ (50)	-25%
Duplicating	$ 800	$ 500	$ (300)	-38%
PC Software	$ 600	$ 600	$ -	0%
Postage	$ 1,000	$ 1,000	$ -	0%
Subscriptions	$ 500	$ 1,800	$ 1,300	260%
Supplies	$ 800	$ 800	$ -	0%
Accounting	$ 1,500	$ 1,500	$ -	0%
Attorney	$ 150,000	$ 150,000	$ -	0%
Data Service	$ 12,000	$ 12,000	$ -	0%
Director Fees	$ 6,000	$ 5,000	$ (1,000)	-17%
Prof. Services	$ 100,000	$ 45,000	$ (55,000)	-55%
Legal Notices	$ 6,000	$ 3,500	$ (2,500)	-42%
Rents	$ 9,000	$ 9,400	$ 400	4%
Misc. Expenses	$ 5,000	$ 5,000	$ -	0%
Air Fare	$ 1,500	$ 1,500	$ -	0%
Auto Rental	$ 200	$ -	$ (200)	-100%
Training	$ 1,000	$ 1,000	$ -	0%
Lodging	$ 3,000	$ 2,000	$ (1,000)	-33%
Meals	$ 500	$ -	$ (500)	-100%
Mileage	$ 1,000	$ 800	$ (200)	-20%
Travel-Other	$ 300	$ 250	$ (50)	-17%
Registrations	$ 2,000	$ 3,000	$ 1,000	50%
Total Services & Supplies	**$ 311,800**	**$ 253,700**	**$ (58,100)**	**-19%**
TOTAL EXPENDITURES	**$ 668,750**	**$ 675,450**	**$ 6,700**	**1%**

FISCAL YEAR 2023-24	FY 22-23 Adopted Budget	FY 22-23 (as of 5/30/23)	FY 23-24 Final Budget	Budget Variance ($)	Budget Variance (%)
REVENUE DESCRIPTION					
Interest	$ 1,500	$ 6,721	$ 1,500	$ -	0%
Funding Agencies' Apportionments	$ 419,265	$ 419,265	$ 419,265	$ -	0%
LAFCO Processing Fees	$ -	$ 3,250	$ -	$ -	-
Medical Charges-Employee	$ -	$ 1,426	$ -	$ -	-
Unreserved Fund Balance	$ 247,985	$ 247,985	$ 254,685	$ 6,700	3%
TOTAL REVENUES	**$ 668,750**	**$ 678,647**	**$ 675,450**	**$ 6,700**	**1%**
EXPENDITURE DESCRIPTION					
Regular Pay	$ 200,000	$ 140,984	$ 245,000	$ 45,000	23%
Holiday Pay	$ 10,000	$ 6,726	$ 10,000	$ -	0%
Social Security	$ 15,000	$ 10,765	$ 18,000	$ 3,000	20%
PERS	$ 91,000	$ 78,243	$ 103,000	$ 12,000	13%
Insurances	$ 40,000	$ 28,172	$ 45,000	$ 5,000	13%
Unemployment	$ 450	$ 252	$ 250	$ (200)	-44%
Workers Comp	$ 500	$ 7	$ 500	$ -	0%
Total Salaries & Benefits	**$ 356,950**	**$ 265,148**	**$ 421,750**	**$ 64,800**	**18%**
Telecom	$ 1,200	$ 1,042	$ 1,200	$ -	0%
Office Equipment	$ 200	$ 24	$ 200	$ -	0%
Memberships	$ 7,500	$ 6,668	$ 7,500	$ -	0%
Hardware	$ 200	$ -	$ 150	$ (50)	-25%
Duplicating	$ 800	$ 58	$ 500	$ (300)	-38%
PC Software	$ 600	$ 305	$ 600	$ -	0%
Postage	$ 1,000	$ 30	$ 1,000	$ -	0%
Subscriptions	$ 500	$ 456	$ 1,800	$ 1,300	260%
Supplies	$ 800	$ 56	$ 800	$ -	0%
Accounting	$ 1,500	$ -	$ 1,500	$ -	0%
Attorney	$ 150,000	$ 10,175	$ 150,000	$ -	0%
Data Service	$ 12,000	$ 9,109	$ 12,000	$ -	0%
Director Fees	$ 6,000	$ 2,520	$ 5,000	$ (1,000)	-17%
Prof. Services	$ 100,000	$ 46,611	$ 45,000	$ (55,000)	-55%
Legal Notices	$ 6,000	$ 2,124	$ 3,500	$ (2,500)	-42%
Rents	$ 9,000	$ 328	$ 9,400	$ 400	4%
Misc. Expenses	$ 5,000	$ 4,974	$ 5,000	$ -	0%
Air Fare	$ 1,500	$ 1,420	$ 1,500	$ -	0%
Auto Rental	$ 200	$ -	$ -	$ (200)	-100%
Training	$ 1,000	$ 500	$ 1,000	$ -	0%
Lodging	$ 3,000	$ 2,461	$ 2,000	$ (1,000)	-33%
Meals	$ 500	$ -	$ -	$ (500)	-100%
Mileage	$ 1,000	$ -	$ 800	$ (200)	-20%
Travel-Other	$ 300	$ 171	$ 250	$ (50)	-17%
Registrations	$ 2,000	$ -	$ 3,000	$ 1,000	50%
Total Services & Supplies	**$ 311,800**	**$ 89,032**	**$ 253,700**	**$ (58,100)**	**-19%**
TOTAL EXPENDITURES	**$ 668,750**	**$ 354,180**	**$ 675,450**	**$ 6,700**	**1%**

LAFCO 2023-2024 print pg 1
In Accordance with Amended Government Code 56381

Ref Page #	Description	Operating Revenue	Non-Operating Revenue	Apportionment Basis Revenue latest Published State Controller's Report	Deduct Intergovernmental	Total less Intergovernmental	Calculate Proportionate Share	Fee Percentage Projection	Auditor Administration Costs	Total
	LAFCO Total 2023-2024 Working Budget			**416,765**					**2,500.00**	**419,265.00**
	Allocate 1/3 fee to County of Santa Cruz									
	County of Santa Cruz			**138,921.66**			138,921.66	33.333%	833.34	139,755.00
	Allocate 1/3 fee to all Cities Revenue Factor 20-21 Cities Annual Report			**138,921.67**						
	City of Capitola			20,363,975	(3,425,153)	16,938,822	5,752.24	1.380%	34.51	5,786.75
	City of Santa Cruz			262,544,187	(22,955,305)	239,588,882	81,361.82	19.522%	488.06	81,849.88
	City of Scotts Valley			21,347,784	(1,729,909)	19,617,875	6,662.02	1.599%	39.96	6,701.98
	City of Watsonville			139,144,170	(6,202,463)	132,941,707	45,145.59	10.832%	270.80	45,416.39
				443,400,116	(34,312,830)	409,087,286	138,921.67	33.333%	833.33	139,755.00
	Allocate 1/3 fee to Independent Districts - Revenue Factor 2020-21 Special Districts Annual Report			**138,921.67**						
	Non-Enterprise									
78	Alba Park & Rec			120	0	120	0.15	0.000%	0.00	0.15
	Ben Lomond Fire Protection			1,041,690	(5,035)	1,036,655	1,265.19	0.304%	7.59	1,272.78
	Boulder Creek Fire Protection			1,464,450	(5,633)	1,458,817	1,780.42	0.427%	10.68	1,791.10
	Boulder Creek Park & Rec			396,130	(1,239)	394,891	481.95	0.116%	2.89	484.84
	Branciforte Fire Protection			1,712,035	(119,781)	1,592,254	1,943.27	0.466%	11.66	1,954.93
	Central Fire District (1)			17,645,433	(83,080)	17,562,353	21,434.01	5.143%	128.57	21,562.58
	Felton Fire Protection			966,673	(6,667)	960,006	1,171.64	0.281%	7.03	1,178.67
	La Selva Beach Park & Rec			220,698	(779)	219,919	268.40	0.064%	1.61	270.01
	Pajaro Valley Fire Protection			2,485,848	(10,017)	2,475,831	3,021.63	0.725%	18.13	3,039.76
79	Pajaro Valley Public Cemetery			1,805,904	(4,693)	1,801,211	2,198.29	0.527%	13.19	2,211.48
	Pajaro Valley Water Management Agency			19,178,569	(4,551,434)	14,627,135	17,851.72	4.283%	107.09	17,958.81
	Reclamation District 2049			48,295	0	48,295	58.94	0.014%	0.35	59.29
	Santa Cruz County Resource Consv.			3,184,231	(2,252,129)	932,102	1,137.59	0.273%	6.82	1,144.41
	Scotts Valley Fire Protection			9,784,349	(1,497,030)	8,287,319	10,114.28	2.427%	60.67	10,174.95
	Zayante Fire Protection			726,720	(154,081)	572,639	698.88	0.168%	4.18	703.06
	Non-Enterprise Subtotal			60,661,145	(8,691,598)	51,969,547	63,426.36	15.219%	380.46	63,806.82
	Enterprise - Operating plus Non-Operating Revenue	**Operating Revenue**	**Non-Operating Revenue**	**Total Revenue**						
78	Central Santa Cruz County Water	1,168,449	146,468	1,314,917	(664)	1,314,253	1,603.98	0.385%	9.62	1,613.60
79	Salsipuedes Sanitary	417,372	35,667	453,039	(122)	452,917	552.76	0.133%	3.32	556.08
	San Lorenzo Valley County Water (2)	11,462,629	1,728,306	13,190,935	(338,626)	12,852,309	15,685.63	3.764%	94.09	15,779.72
	Santa Cruz Port District	9,521,877	577,111	10,098,988	(458,801)	9,640,187	11,765.39	2.823%	70.58	11,835.97
	Scotts Valley County Water	6,985,681	1,142,689	8,128,370	(5,019)	8,123,351	9,914.16	2.379%	59.47	9,973.63
	Soquel Creek Water District	26,298,797	3,176,664	29,475,461	0	29,475,461	35,973.39	8.632%	215.79	36,189.18
	Enterprise Subtotal			62,661,710	(803,232)	61,858,478	75,495.31	18.115%	452.87	75,948.18
	Special District Total			123,322,855	(9,494,830)	113,828,025	138,921.67	33.333%	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) Includes SLV Water, SLV Waste, and Lompico Water

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2023-13

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 2023-24

****

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 2023-24; and

WHEREAS, the proposed budget was advertised in the Santa Cruz Sentinel Newspaper on April 11th for consideration at the May 3rd LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a draft budget during a public hearing held on May 3, 2023; 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 23rd for consideration at the June 14th LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a final budget during a public hearing held on June 14, 2023; 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, 2023 in the amount of $675,450, with the 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 14th day of June 2023.

AYES:

NOES:

ABSTAIN:

____
YVETTE BROOKS, CHAIRPERSON

Attest:	Approved as to form:
__________________________	__________________________
Joe A. Serrano Executive Officer	Joshua Nelson LAFCO Counsel

DRAFT

Agenda Item No. 5b

Santa Cruz Local Agency Formation Commission

Date: June 14, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Service and Sphere Review for County Service Area 53

SUMMARY OF RECOMMENDATION

LAFCO periodically performs municipal service reviews and sphere of influence updates for each agency subject to LAFCO's boundary regulations. As part of the Commission's Multi-Year Work Program, LAFCO staff has drafted a service and sphere review for County Service Area 53 ("CSA 53") and scheduled a public hearing.

It is recommended that the Commission take the following actions:

1. Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;

2. Determine, pursuant to Government Code Section 56425, that LAFCO is required to develop and determine a sphere of influence for CSA 53, and review and update, as necessary;

3. Determine, pursuant to Government Code Section 56430, that LAFCO is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and

4. Adopt LAFCO Resolution (No. 2023-14) approving the 2023 Service and Sphere of Influence Review for CSA 53 with the following conditions:

   a. Reaffirm CSA 53's current sphere of influence; and

   b. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the CSA 53 representatives and any other interested or affected agency identified in the service review.

EXECUTIVE OFFICER'S REPORT:

State law requires LAFCO to periodically review and update the services and spheres of all cities and special districts. In accordance with the Commission's adopted Multi-Year Work Program, LAFCO staff has prepared a service and sphere review for the CSA (refer to **Attachment 1**). Key findings and recommendations are presented in the *Executive Summary* of the attached report. The service and sphere review also includes an analysis of the CSA's ongoing operations, current financial performance, existing governance structure, ability to provide services, and its importance within its jurisdictional area. The attached report concludes with determinations required by State law. This staff report summarizes the service and sphere review's findings, as shown in the following page.

Purpose & Key Findings

The goal of this analysis is to accomplish the Commission's direction to complete a service and sphere review for the CSA under the Multi-Year Work Program and fulfill the service and sphere determinations under the Cortese-Knox-Hertzberg Act. The following are the main conclusions of the report:

1. **CSA 53 provides services to the entire county.**
   The CSA's service area encompasses the entire county (445 square miles). CSA 53 is charged with the responsibility of managing the abatement of breeding mosquito populations in order to provide residents and visitors with relief from the annoyances and potential diseases associated with mosquito bites. CSA 53's primary function is mosquito surveillance and control following Integrated Pest Management practices, which incorporates public education, biological control, breeding source reduction and the use of pesticides that have minimal impact on people, wildlife, and the environment. In addition to mosquito control, CSA 53 provides services related to other vectors such as tick surveillance and rodent exclusion inspections. In 2022, CSA 53 responded to over 500 requests for service. Over 60% of those requests were related to mosquito issues and rodent inspections.

2. **CSA 53 is financially stable at this time.**
   The CSA has experienced two annual deficits over the past five years. Financial statements from Fiscal Years 2017 to 2022 indicate that the CSA ended the last three fiscal years with a surplus (FY 19-20 to FY 21-22). However, the CSA is also expecting to experience another deficit at the end of the current fiscal year (FY 22-23). Stagnant revenue is the primary reason why annual deficits affect CSA 53's financial performance as total expenses continue to rise. It is LAFCO's understanding that annual charges for services have remained virtually the same for the last six years. LAFCO staff projects that this negative trend may continue unless internal operations or budgetary practices improve.

3. **CSA 53 requires improvement in governmental transparency.**
   State law now requires all independent special districts to maintain and operate a website by January 1, 2020. CSA 53 is a dependent special district, and therefore, not subject to this statutory requirement. However, CSA 53 provides an essential service to the entire county and should be as transparent as possible. Based on LAFCO's analysis, the CSA only met 2 out of the 20 transparency benchmarks evaluated in this service review. While CSA 53's website is rich with information on prevention and mitigation of various diseases and vectors, LAFCO's analysis shows a lack of transparency in CSA 53's governance. Thus, LAFCO staff encourages the CSA to improve its website and offer more information on how the district operates as a governmental entity.

4. **CSA 53's sphere of influence is coterminous with its jurisdictional limits.**
   The Commission adopted CSA 53's original sphere of influence back in December 1992. The sphere boundary was amended in 2005 to reflect the countywide expansion of CSA 53. Today, the sphere boundary continues to be coterminous with CSA 53's service area. Staff is recommending that the current sphere boundary be reaffirmed as part of this review.

Environmental Review
LAFCO staff has conducted an environmental review for the draft service and sphere review in accordance with the California Environmental Quality Act (CEQA). Staff has determined that the service and sphere review is exempt because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, and the activity is not subject to CEQA (Section 15061[b][3]). A Notice of Exemption, as shown in **Attachment 2**, will be recorded after Commission action.

Agency Coordination and Public Notice
A hearing notice for this draft service review was published in the May 23rd issue of the Santa Cruz Sentinel (**Attachment 3**). The draft service and sphere review is attached to this staff report. As part of the thorough LAFCO process, an administrative draft of the report was also shared with representatives of CSA 53, including the Interim Agricultural Commissioner David Sanford, Assistant Vector Control Manager Amanda Poulsen, and Senior Accounting Technician Michelle Garcia. This allowed the CSA an opportunity to review LAFCO staff's findings and provide corrections and/or feedback before the report was finalized. The assistance of Mr. Sanford and his staff in completing this service review was greatly appreciated. In conclusion, staff is recommending that the Commission adopt the attached resolution (refer to **Attachment 4**) approving the service and sphere review.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. Service and Sphere Review – Administrative Draft
2. Environmental Determination – Categorical Exemption
3. Public Hearing Notice
4. Draft Resolution No. 2023-14

cc: David Sanford, Interim Agricultural Commissioner
Amanda Poulsen, Assistant Vector Control Manager

COUNTY SERVICE AREA 53

(Mosquito Abatement & Vector Control)

Service and Sphere of Influence Review

Administrative Version (May 30, 2023)

Local Agency Formation Commission of Santa Cruz County

701 Ocean Street, Room 318-D Santa Cruz, CA 95060
Website: www.santacruzlafco.org
Phone: (831) 454-2055

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EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries of County Service Area 53, also known as the Santa Cruz County Mosquito Abatement and Vector Control. The report will be used by the Local Agency Formation Commission to conduct a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence for all cities and districts in Santa Cruz County (Government Code Section 56425). It also requires LAFCO to conduct a review of municipal services before adopting Sphere updates (Government Code Section 56430). CSA 53's last service review was adopted on December 5, 2018.

The municipal service review process does not require LAFCO to initiate changes of organization based on service review conclusions or findings; it only requires that LAFCO make determinations regarding the delivery of public services in accordance with the provisions of Government Code Section 56430. However, LAFCO, local agencies, and the public may subsequently use the determinations and related analysis to consider whether to pursue changes in service delivery, government organization, or spheres of influence.

Service and sphere reviews are informational documents and are generally exempt from environmental review. LAFCO staff has conducted an environmental review of the District's existing sphere of influence pursuant to the California Environmental Quality Act (CEQA) and determined that this report is exempt from CEQA. Such exemption is due to the fact that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (Section 15061[b][3]).

Countywide Jurisdictional & Sphere Boundaries

CSA 53 was formed in 1992 in response to public demand for relief from mosquito pestilence. Upon formation, service delivery was limited to a 70-square mile area in South County, specifically Aptos, La Selva Beach, the City of Watsonville, and the Pajaro Valley. The total population within the original service area was estimated to be 85,000. In 2005, property owners approved the North County Mosquito and Disease Control Assessment that expanded the CSA's service area to the entire County, following city-supported annexations of Capitola, Santa Cruz, and Scotts Valley. The CSA now serves approximately 281,000 people within 445 square miles, as shown in **Figure 1** on page 5.

<u>Sphere Boundary</u>

CSA 53's original sphere was adopted on December 9, 1992, as part of the formation action. The sphere was amended and increased on May 4, 2005, to reflect the countywide expansion. Since then, the sphere has remained coterminous with CSA 53's jurisdictional boundary. Staff is recommending that the sphere of influence be reaffirmed as part of this review.

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Key Findings

The following are key findings of the 2023 Service and Sphere of Influence Review for County Service Area 53 (Mosquito Abatement & Vector Control):

1. **CSA 53 provides services to the entire county.**
   The CSA's service area encompasses the entire county (445 square miles). CSA 53 is charged with the responsibility of managing the abatement of breeding mosquito populations in order to provide residents and visitors with relief from the annoyances and potential diseases associated with mosquito bites. CSA 53's primary function is mosquito surveillance and control following Integrated Pest Management practices, which incorporates public education, biological control, breeding source reduction and the use of pesticides that have minimal impact on people, wildlife, and the environment. In addition to mosquito control, CSA 53 provides services related to other vectors such as tick surveillance and rodent exclusion inspections. In 2022, CSA 53 responded to over 500 requests for service. Over 60% of those requests were related to mosquito issues and rodent inspections.

2. **CSA 53 is financially stable at this time.**
   The CSA has experienced two annual deficits over the past five years. Financial statements from Fiscal Years 2017 to 2022 indicate that the CSA ended the last three fiscal years with a surplus (FY 19-20 to FY 21-22). However, the CSA is also expecting to experience another deficit at the end of the current fiscal year (FY 22-23). Stagnant revenue is the primary reason why annual deficits affect CSA 53's financial performance as total expenses continue to rise. It is LAFCO's understanding that annual charges for services have remained virtually the same for the last six years. LAFCO staff projects that this negative trend may continue unless internal operations or budgetary practices improve.

3. **CSA 53 requires improvement in governmental transparency.**
   State law now requires all independent special districts to maintain and operate a website by January 1, 2020. CSA 53 is a dependent special district, and therefore, not subject to this statutory requirement. However, CSA 53 provides an essential service to the entire county and should be as transparent as possible. Based on LAFCO's analysis, the CSA only met 2 out of the 20 transparency benchmarks evaluated in this service review. While CSA 53's website is rich with information on prevention and mitigation of various diseases and vectors, LAFCO's analysis shows a lack of transparency in CSA 53's governance. Thus, LAFCO staff encourages the CSA to improve its website and offer more information on how the district operates as a governmental entity.

4. **CSA 53's sphere of influence is coterminous with its jurisdictional limits.**
   The Commission adopted CSA 53's original sphere of influence back in December 1992. The sphere boundary was amended in 2005 to reflect the countywide expansion of CSA 53. Today, the sphere boundary continues to be coterminous with CSA 53's service area. Staff is recommending that the current sphere boundary be reaffirmed as part of this review.

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Recommended Actions

Based on the analysis and findings in the 2023 Service and Sphere of Influence Review for County Service Area 53, the Executive Officer recommends that the Commission:

1. Find that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, LAFCO determined that the sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;

2. Determine, pursuant to Government Code Section 56425, the Local Agency Formation Commission of Santa Cruz County is required to develop and determine a sphere of influence for County Service Area 53, and review and update, as necessary;

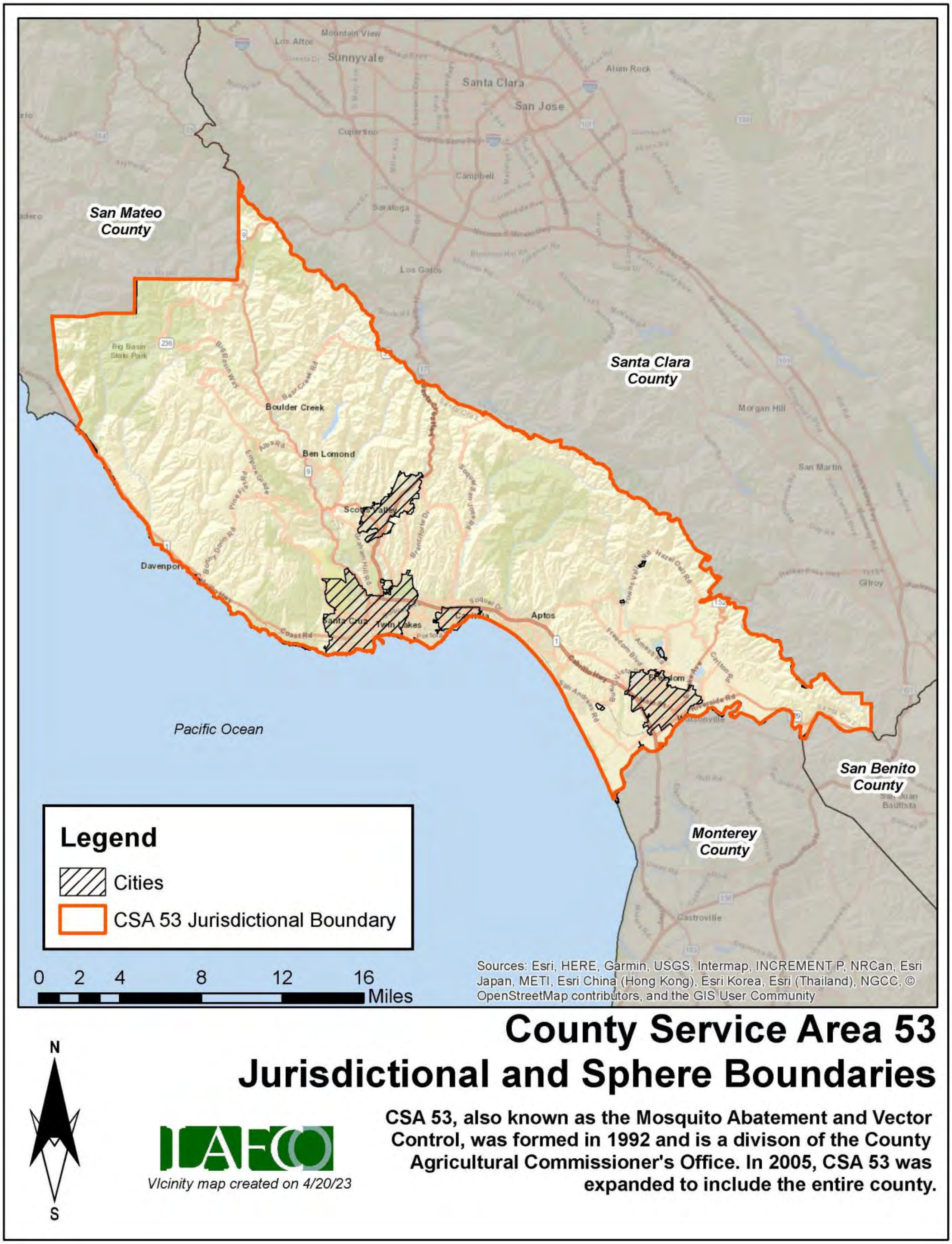
3. Determine, pursuant to Government Code Section 56430, the Local Agency Formation Commission of Santa Cruz County is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and

4. Adopt a Resolution (LAFCO No. 2023-14) approving the 2023 Service and Sphere of Influence Review for County Service Area 53 with the following conditions:

    a. Reaffirm CSA 53's current sphere of influence; and

    b. Direct the Executive Officer to distribute a copy of the adopted service and sphere review to CSA 53 representatives and any other interested or affected parties, including but not limited to the County Agricultural Commissioner's Office and the four cities: Capitola, Santa Cruz, Scotts Valley, and Watsonville.

Figure 1: Vicinity Map



DISTRICT OVERVIEW

History

County Service Area 53 was formed on December 9, 1992, and originally served 70 square miles of land including communities such as Aptos and the City of Watsonville. **Appendix A** provides a copy of the formation resolution. The original boundary identified two separate zones: Zone 2 & 4 to reflect the associated supervisorial districts within CSA 53. In May 2005, LAFCO approved the expansion of CSA 53 to annex the remaining portion of the county, including the cities of Capitola, Santa Cruz, and Scotts Valley. This action increased CSA 53's jurisdictional and sphere boundaries from 70 square miles to 445 square miles. **Appendix B** provides a copy of the annexation resolution. During the same year, the voters also approved the North County Mosquito and Disease Control Assessment to adequately fund the CSA's countywide operations. CSA 53 has been operating as a division of the County Agricultural Commissioner's Office for the last 30 years.

Services and Operations

CSA 53 first operated with revenues generated from a flat service charge on property tax bills. In 1996, the charges for service was then converted into an assessment to meet Proposition 218 requirements. In 2003, the original assessment was deemed inadequate to fund the ongoing and future services. In 2004, south county property owners passed a new benefit assessment. In 2005, an additional "north county" benefit assessment was approved as part of the 2005 annexation which expanded CSA 53's service area to include the entire county. Today, CSA 53 provides an array of services tailored to protect the public from mosquito and vector-borne diseases. The CSA's primary function is mosquito surveillance and control using *Integrated Pest Management* practices that incorporate public education, biological control, source reduction and pesticides that have minimal impact on people, wildlife, and the environment. Surveillance includes sampling immature mosquitoes in water bodies and monitoring populations of adult mosquitoes using traps. Treatments are focused on the immature, aquatic stage of the mosquito because this approach is the most effective and environmentally sound. Services also include monitoring for invasive mosquitoes, tick surveillance and identification, rodent exclusion inspections, mosquito-eating fish for backyard ornamental ponds, and public health education. The 2022 Annual Report was recently published which provides a detailed overview of the CSA's current and past accomplishments and projects (refer to **Appendix C**).

CSA 53 operates with an Assistant Vector Control Manager, a Vector Ecologist, and five Vector Control Specialists on an annual basis, with additional administrative support provided by the Agricultural Commissioner's Office. The Assistant Vector Control Manager, Vector Ecologist and field staff are certified by the California Department of Health Services in mosquito and vector control and must complete 40 hours of continuing education every two years. CSA 53 is an active member of the Mosquito and Vector Control Association of California and participates regularly in meetings of mosquito and vector control regional associations. Staff attend training programs and incorporate the latest information on vector control and Integrated Pest Management methods and materials into the CSA's program.

Population and Growth

Based on staff's analysis, the population of CSA 53 in 2020 is estimated to be 281,000. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. However, since CSA 53 encompasses the entire county, LAFCO was able to determine the current and projected population growth. In general, the Coastal Region is anticipated to have a slow growth over the next fifteen years. **Table A** shows the anticipated population for the CSA as well as each city and the unincorporated territory within CSA 53. The average rate of change within CSA 53 is approximately 2.21%.

Population Projection

Based on the projections for the cities and unincorporated county territory within the service area, LAFCO staff was able to develop a population forecast for CSA 53. Under this assumption, LAFCO staff projects that the entire population of the CSA will be approximately 307,000 by 2040.

Table A: Projected Population

Area	2020	2025	2030	2035	2040	Average
City of Capitola	10,194	10,312	10,451	10,622	10,809	1.48%
City of Santa Cruz	68,381	72,091	75,571	79,027	82,266	4.73%
City of Scotts Valley	12,145	12,214	12,282	12,348	12,418	0.56%
City of Watsonville	53,536	55,187	56,829	58,332	59,743	2.78%
County of Santa Cruz (unincorporated area)	136,891	137,896	139,105	140,356	141,645	0.86%
CSA 53	281,147	287,700	294,238	300,685	306,881	**2.21%**

Disadvantaged Unincorporated Communities

State law requires LAFCO to identify and describe all "disadvantaged unincorporated communities" (DUCs) located within or contiguous to the existing spheres of influence of cities and special districts that provide fire protection, sewer, and/or water services. DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

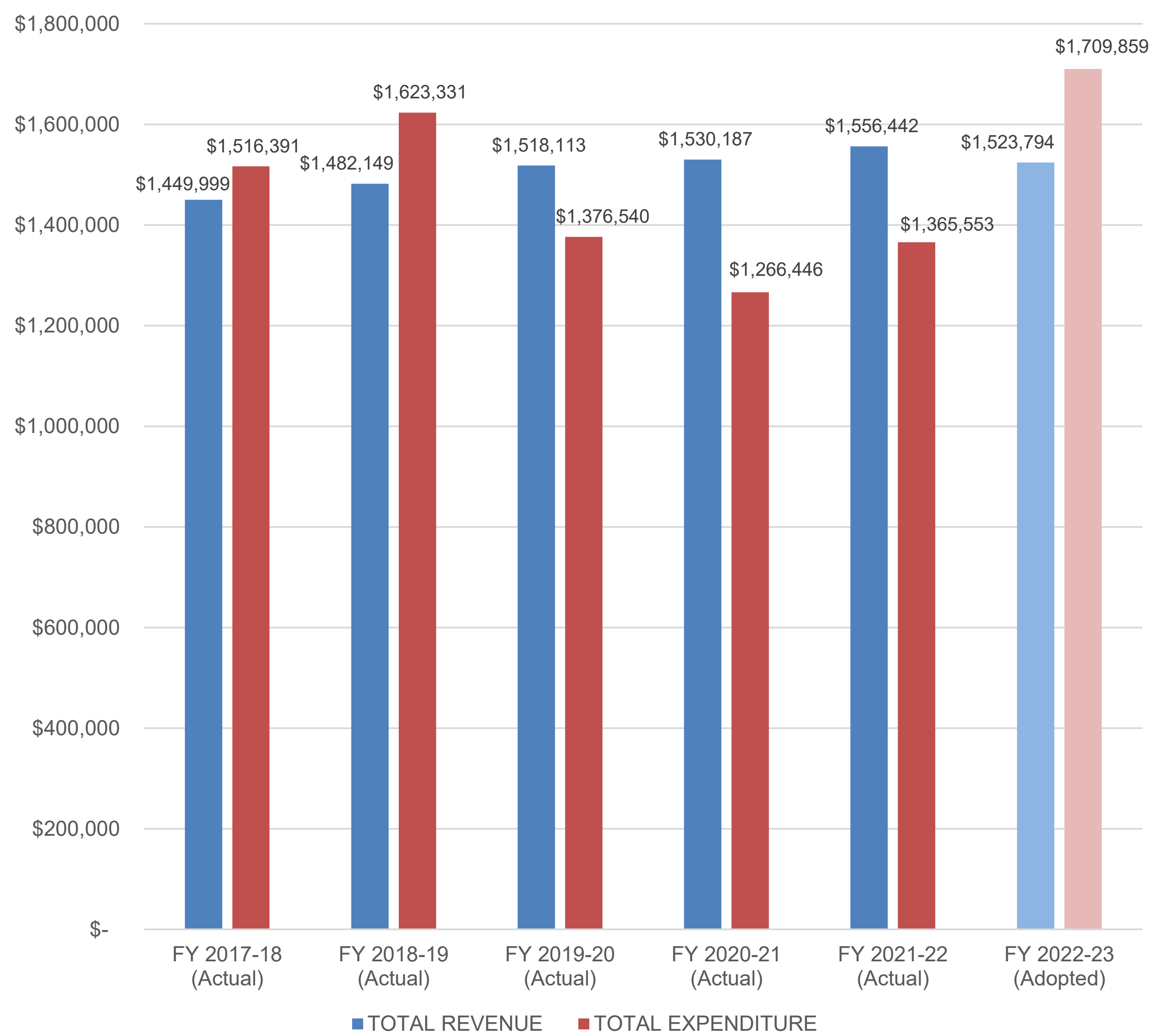
In 2020, the California statewide annual median household income was $78,672, and 80% of that was $62,938. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in Santa Cruz County. It is important to note that CSA 53 is not subject to SB 244 because it does not provide water, sewer, or fire service, and therefore, no further analysis is required.

FINANCES

This section will highlight the CSA's financial performance during the most recent fiscal years. Fiscal Year 2021-22 is the latest audited financial statement available. However, LAFCO will evaluate CSA 53's financial health from 2017 to 2022, including the last adopted budget (FY 2022-23). A comprehensive analysis of CSA 53's financial performance during the past five years is shown in **Table D** on page 11.

At the end of Fiscal Year 2021-22, total revenue collected was approximately $1.56 million, representing a 2% increase from the previous year ($1.53 million in FY 20-21). Total expenses for FY 2021-22 were approximately $1.37 million, which increased from the previous year by 8% ($1.27 million in FY 20-21). CSA 53 has ended with a deficit twice since 2017 (FY 17-18 and FY 18-19), as shown in **Figure 2**. The CSA is also expecting to end FY 2022-23 with a deficit. LAFCO staff believes this negative trend will continue unless operational and/or budgetary changes are made.

Figure 2: Statement of Revenues & Expenditures



Revenues

The CSA's primary source of revenue is from Charges for Services. In FY 2021-22, Charges for Services totaled approximately $1.5 million which represents 99% of the CSA's entire revenue stream. The other revenue source is from Interest and Other Revenue.

Annual Charges

As previously mentioned, CSA 53's main source of revenue is from annual charges, which are adopted each year by the County Board of Supervisors. **Table B** shows the annual charges for services and per unit. With only a few exceptions, the annual charges have remained virtually the same for the past five years, including the recently adopted rates for FY 2022-23.

Table B – Annual Rates

Annual Charges	FY 2017-18 (Actual)	FY 2018-19 (Actual)	FY 2019-20 (Actual)	FY 2020-21 (Actual)	FY 2021-22 (Actual)	FY 2022-23 (Adopted)
Mosquito Abatement						
Single Family / MH with Land	$ 11.58	$ 11.59	$ 11.59	$ 11.59	$ 11.59	$ 11.59
Multi-Family (2-4 units)	$ 15.42	$ 15.42	$ 15.42	$ 15.42	$ 15.42	$ 15.42
Multi-Family (5 & Up) & MH Parks	$ 46.38	$ 46.38	$ 46.38	$ 46.38	$ 46.38	$ 46.38
Recreational Use	$ 16.70	$ 16.70	$ 16.70	$ 16.70	$ 16.70	$ 16.70
Comm / Institutional Use	$ 14.14	$ 14.15	$ 14.15	$ 14.15	$ 14.15	$ 14.15
Agricultural Use	$ 11.58	$ 11.59	$ 11.59	$ 11.59	$ 11.59	$ 11.59
Vacant Land	$ 5.80	$ 5.80	$ 5.80	$ 5.80	$ 5.80	$ 5.80
Mosquito Disease - South County						
Single Family / Institutional	$ 10.48	$ 10.78	$ 11.10	$ 11.38	$ 11.60	$ 11.94
Multi-Family (2-4 units)	$ 4.18	$ 4.30	$ 4.42	$ 4.52	$ 4.60	$ 4.74
Condominium / Vacant	$ 5.24	$ 5.38	$ 5.54	$ 5.68	$ 5.80	$ 5.96
Mobile Home	$ 2.42	$ 2.48	$ 2.56	$ 2.62	$ 2.66	$ 2.74
Industrial / Comm'l	$ 5.24	$ 5.38	$ 5.54	$ 5.68	$ 5.80	$ 5.96
Office	$ 14.88	$ 15.32	$ 15.78	$ 16.18	$ 16.50	$ 17.00
Apartments (5+ units)	$ 4.18	$ 4.30	$ 4.42	$ 4.52	$ 4.60	$ 4.74
Auto Stor / Prkg	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22
Agricultural	$ 0.02	$ 0.03	$ 0.03	$ 0.03	$ 0.03	$ 0.03
Mosquito Disease - North County						
Single Family / Institutional	$ 15.44	$ 15.88	$ 16.36	$ 16.76	$ 17.10	$ 17.62
Multi-Family (2-4 units)	$ 6.16	$ 6.34	$ 6.53	$ 6.70	$ 6.84	$ 7.04
Condominium / Vacant	$ 7.72	$ 7.94	$ 8.18	$ 8.38	$ 8.54	$ 8.78
Mobile Home	$ 3.54	$ 3.64	$ 3.74	$ 3.84	$ 3.92	$ 4.04
Industrial / Comm'l	$ 7.72	$ 7.94	$ 8.18	$ 8.38	$ 8.54	$ 8.80
Office	$ 21.92	$ 22.56	$ 23.24	$ 23.82	$ 24.30	$ 25.02
Apartments (5+ units)	$ 6.16	$ 6.34	$ 6.52	$ 6.68	$ 6.80	$ 7.00
Auto Stor / Prkg	$ 0.32	$ 0.32	$ 0.34	$ 0.34	$ 0.34	$ 0.34
Agricultural	$ 0.02	$ 0.03	$ 0.03	$ 0.03	$ 0.03	$ 0.03

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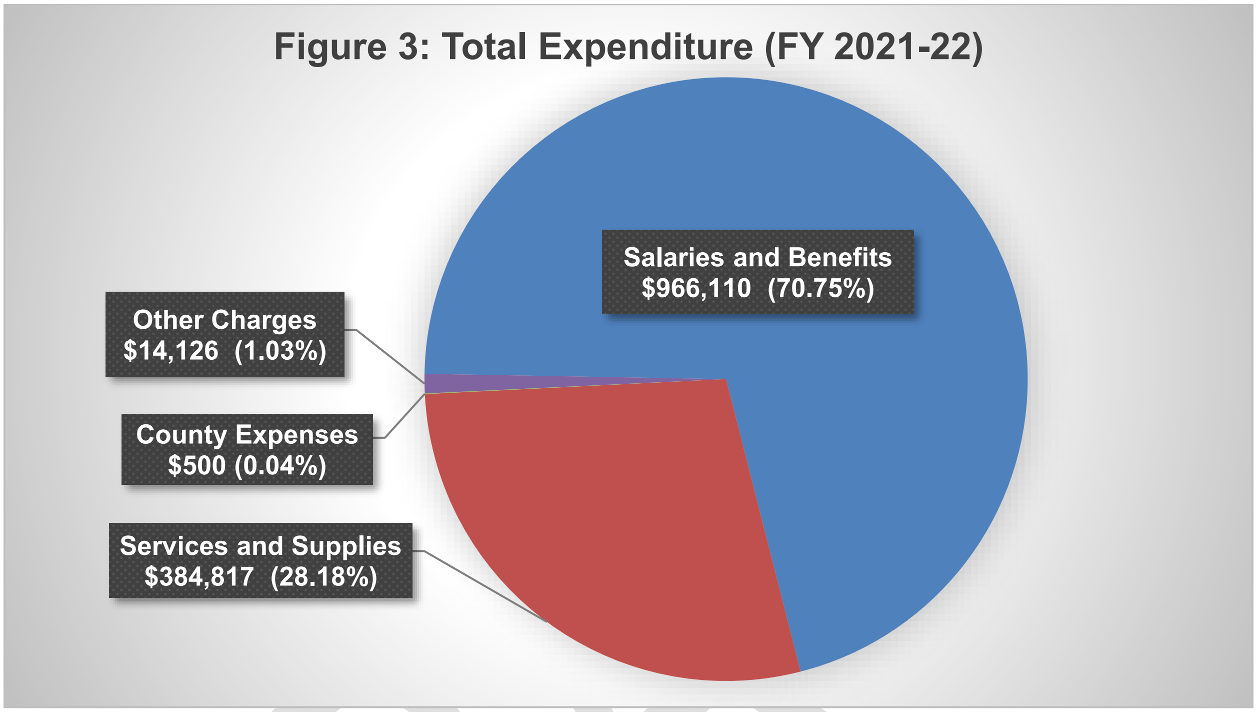
Expenditures

CSA 53's total expenditures can be categorized into five budgetary groups: Salaries & Benefits, Services & Supplies, County Expenses, and Other Charges (County Overhead),. **Figure 3** shows that in FY 2021-22, Salaries & Benefits represented approximately 71% of the District's entire operational expenses. The remaining expenses are based on the costs associated with operational tasks (services and supplies) and overhead.



Fund Balance / Net Position

As of June 30, 2022, the total net position balance ended with approximately $333,000. The following table highlights the net position balance from 2017 to 2022. As shown in the table below, CSA 53's fund balance has fluctuated over the years, experiencing a significant deficit in FY 2017-18.

Table C: Fund Balance

	FY 17-18 (Audited)	FY 18-19 (Audited)	FY 19-20 (Audited)	FY 20-21 (Audited)	FY 21-22 (Audited)
Ending Balance	**$(415,641)**	**$93,733**	**$426,427**	**$471,224**	**$332,773**
Change from Previous Year ($)		$509,374	$332,694	$44,797	$(138,451)
Change from Previous Year (%)		-	355%	11%	-29%

Footnote: Fund balance significantly reduced in FY 21-22 primarily due to remodeling/upgrading the laboratory and safety features at the 640 Capitola Road Facility (District Headquarters).

Table D: Total Revenues & Expenditures

	FY 2017-18 (Actual)	FY 2018-19 (Actual)	FY 2019-20 (Actual)	FY 2020-21 (Actual)	FY 2021-22 (Actual)	FY 2022-23 (Adopted)
REVENUE						
Interest						
CSA 53 (North County Only)	$ 10,593	$ 9,360	$ 8,566	$ 4,193	$ 4,239	$ 4,100
CSA 53 (Remaining County)	$ 12,004	$ 13,440	$ 11,625	$ 4,318	$ 3,364	$ 4,900
Total Interest	**$ 22,597**	**$ 22,800**	**$ 20,191**	**$ 8,511**	**$ 7,603**	**$ 9,000**
Charges for Services						
CSA 53 (North County Only)	$ 892,057	$ 917,313	$ 947,708	$ 965,518	$ 982,599	$ 953,167
CSA 53 (Remaining County)	$ 535,345	$ 542,036	$ 550,172	$ 556,158	$ 562,496	$ 561,627
Total Charges for Services	**$1,427,402**	**$1,459,349**	**$1,497,880**	**$1,521,676**	**$1,545,095**	**$1,514,794**
Other Revenue						
Other Charges	$ 1,581	$ 1,937	$ 1,789	$ -	$ -	
Other Revenue	$ -	$ -	$ 42	$ -	$ 3,744	
Total Other Revenue	**$ -**	**$ -**	**$ 42**	**$ -**	**$ 3,744**	
TOTAL REVENUE	**$1,449,999**	**$1,482,149**	**$1,518,113**	**$1,530,187**	**$1,556,442**	**$1,523,794**
EXPENDITURE						
Salaries and Benefits						
Regular Pay - Permanent	$ 698,342	$ 748,330	$ 625,146	$ 541,937	$ 610,050	
Overtime Pay - Permanent	$ 1,611	$ 1,162	$ 541	$ 2,311	$ -	
Regular Pay - Extra Help	$ 3,062	$ 4,039	$ 8,319	$ 3,947	$ 2,593	
Differential Pay	$ 2,598	$ 5,427	$ 7,573	$ 3,844	$ 3,022	
Social Security	$ 52,781	$ 55,862	$ 47,651	$ 41,654	$ 46,451	
CalPERS (Pension)	$ 131,653	$ 151,977	$ 145,010	$ 130,039	$ 165,288	
Employee Insurance	$ 187,465	$ 188,975	$ 156,927	$ 133,483	$ 136,981	
Workers Compensation	$ 9,789	$ 10,459	$ -	$ 10,940	$ -	
Unemployment Insurance	$ 6,345	$ 4,489	$ 565	$ 502	$ 1,725	
Total Salaries and Benefits	**$1,093,646**	**$1,170,720**	**$ 991,732**	**$ 868,656**	**$ 966,110**	**$1,693,948**
Services and Supplies						
Agricultural Expense	$ 53,444	$ 29,827	$ 37,381	$ 24,186	$ 35,934	
Surveillance and Lab Supplies	$ -	$ -	$ -	$ -	$ 7,471	
Clothing and Personal Supplies	$ 6,159	$ 7,065	$ 4,937	$ 5,849	$ 5,273	
Telecom Services	$ 11,359	$ 32,633	$ 12,868	$ 7,951	$ 8,386	
Maintenance-Office-Equipment Services	$ 793	$ 1,131	$ 1,782	$ 2,453	$ 415	
Other Equipment Services	$ -	$ 73	$ 102	$ 392	$ 133	
Memberships	$ 9,070	$ 9,715	$ 9,500	$ 9,500	$ 9,500	
Miscellaneous Expenses	$ 61	$ 49	$ 76	$ 459	$ 9	
Duplicating Services	$ 34	$ 155	$ 549	$ 68	$ 14	
PC Software Purchases	$ -	$ 314	$ 327	$ 68	$ 407	
Postage	$ 126	$ 484	$ 247	$ 145	$ 176	
Supplies	$ 7,409	$ 6,132	$ 2,671	$ 6,361	$ 2,949	
Inventoriable Items	$ 36,024	$ 14,500	$ 1,661	$ 6,065	$ 448	
Custodial Services	$ -	$ -	$ 12,760	$ 11,355	$ 17,738	
Data Processing Services	$ 23,604	$ 25,106	$ 26,906	$ 16,992	$ 53,214	
Management Services	$ 151,968	$ 160,597	$ 160,596	$ 173,481	$ 176,546	
Professional and Special Services	$ 23,171	$ 25,134	$ 22,093	$ 34,191	$ 12,960	
Legal Notices	$ -	$ 5,238	$ -	$ 3,498	$ 1,709	
Rents-Leases	$ 660	$ -	$ 754	$ -	$ -	
Small Tools and Instruments	$ 14,205	$ 16,380	$ 7,617	$ 8,268	$ 665	
Advertising and Promotion	$ 4,044	$ 3,500	$ 180	$ 1,980	$ 4,760	
Subscriptions-Books-Educational Material	$ 22	$ -	$ 18	$ 47	$ -	
Airfare	$ -	$ 390	$ 430	$ -	$ -	
Education and Training	$ 1,618	$ 2,479	$ 1,620	$ 1,265	$ 1,869	
Lodging	$ 1,575	$ 4,441	$ 1,782	$ -	$ 3,017	
Meals	$ 576	$ 1,125	$ 936	$ -	$ 726	
Mileage	$ -	$ 186	$ 260	$ 95	$ 173	
Other Travel	$ 97	$ 369	$ 324	$ -	$ -	
Registrations	$ 885	$ 1,555	$ 1,205	$ 633	$ 1,050	
Service Center Charges	$ 20,842	$ 19,870	$ 12,843	$ 21,526	$ 19,036	
Service Center Replacement Increment	$ 5,636	$ 5,029	$ 6,899	$ 7,092	$ 9,292	
Service Center Depreciation Charges	$ 12,412	$ 11,308	$ 14,708	$ 15,059	$ -	
Service Center Pool Vehicle Charges	$ -	$ 402	$ 123	$ -	$ -	
Sanitation Services	$ -	$ -	$ -	$ 1,274	$ 1,337	
Fixed Assets - Equipment	$ -	$ 35,269	$ -	$ -	$ -	
Utilities	$ -	$ -	$ -	$ 9,565	$ 9,612	
Total Services and Supplies	**$ 385,794**	**$ 420,455**	**$ 344,154**	**$ 369,817**	**$ 384,817**	**$ -**
County Expenses						
CSA 53 (North County Only)	$ 310	$ 310	$ 310	$ 310	$ 310	$ 316
CSA 53 (Remaining County)	$ 190	$ 190	$ 190	$ 190	$ 190	$ 194
Total County Expenses	**$ 500**	**$ 500**	**$ 500**	**$ 500**	**$ 500**	**$ 510**
Other Charges (County Overhead)						
CSA 53 (North County Only)	$ 25,516	$ 18,994	$ 24,092	$ 16,484	$ 8,476	$ 9,241
CSA 53 (Remaining County)	$ 10,935	$ 12,662	$ 16,061	$ 10,989	$ 5,650	$ 6,160
Total Other Charges	**$ 36,451**	**$ 31,656**	**$ 40,153**	**$ 27,473**	**$ 14,126**	**$ 15,401**
TOTAL EXPENDITURE	**$1,516,391**	**$1,623,331**	**$1,376,540**	**$1,266,446**	**$1,365,553**	**$1,709,859**
Surplus/(Deficit)	**$ (66,392)**	**$ (141,182)**	**$ 141,573**	**$ 263,741**	**$ 190,888**	**$ (186,065)**
FUND BALANCE						
Funds Available (End of Fiscal Year)						
CSA 53 (North County Only)	$ (261,318)	$ 49,638	$ 265,815	$ 297,501	$ 213,978	-
CSA 53 (Remaining County)	$ (154,323)	$ 44,095	$ 160,612	$ 173,723	$ 118,795	-
TOTAL FUND BALANCE	**$ (415,641)**	**$ 93,733**	**$ 426,427**	**$ 471,224**	**$ 332,773**	**$ 332,773**

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GOVERNANCE

All mosquito and vector control districts within the State of California operate under the authority of the State of California, which is codified in the Health and Safety Code, Section 2000, et seq, and which is known as the Mosquito Abatement and Vector Control District Law. The Mosquito Abatement and Vector Control District Law allows a district to exercise a series of powers, including surveillance programs, property inspection, participation in land use planning and environmental quality processes, abate nuisances and raise revenues with special taxes, benefit assessments, and fees.

The Mosquito Abatement and Vector Control District Law allows a district to exercise the following powers:

- Conduct surveillance programs, prevent, abate, and control vectors and vector-borne diseases;
- Request inspection warrants and enter property "where there is no reasonable expectation of privacy";
- Participate in land use planning and environmental quality processes;
- Abate public nuisances and recover the districts' costs with liens;
- Impose a $1,000 a day civil penalty for failing to abate a public nuisance;
- Pay the boards of trustees' expenses and benefits but not regular stipends;
- Raise revenues with special taxes, benefit assessments, and fees;
- Borrow funds, like other local governments, for cash-flow purposes; and
- Manage their own finances, similar to some other special districts.

The Mosquito Abatement and Vector Control District Law also:

- Provides that forming a new district requires adherence to the Cortese-Knox-Hertzberg Act but does not require voter approval;
- Allows county boards of supervisors and city councils to appoint the members of the districts' boards of trustees;
- Allows the Director of the State Department of Health Services to resolve disputes between districts and other public agencies;
- Retains an exception from public nuisance abatement for flies from agricultural operations that use accepted standards and practices;
- Exempts property that has not been artificially altered from its natural condition from the districts' power to abate public nuisances;

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- Clarifies the districts' annual budget procedures, increasing the controls over budget reserves, including public health emergencies;

- Allows special benefit assessments to finance vector control projects and programs, consistent with Proposition 218;

- Allows officials to create zones within a district to provide different levels of service with different revenue sources;

- Contains cross-references to other major statutes that apply to mosquito abatement districts as well as to other local governments;

- Requires officers and employees to be bonded if they manage a district's funds;

- Requires stricter accounting for budgetary reserves; and

- Repeats the requirement for the districts to conduct regular audits and file annual reports with the State Controller.

It is important to note that several of these bullet points do not apply to CSA 53 because it is a dependent special district and falls under the County's rules and regulations within the County Agricultural Commission's Office.

Local Accountability & Structure

California Health and Safety Code Section 2022(a) states that each person appointed by a board of supervisors to be a member of a board of trustees shall be a voter in that county and a resident of that portion of the county that is within the district. Section 2022(b) states that each person appointed by a city council to be a member of a board of trustees shall be a voter in that city and a resident of that portion of the city that is within the district. California Health & Safety Code Section 2022(d) states that it is the intent of the Legislature that persons appointed to boards of trustees have experience, training, and education in fields that will assist in the governance of the districts.

Finally, Section 2022(e) states that all trustees shall exercise their independent judgment on behalf of the interests of the residents, property owners, and the public as a whole in furthering the purposes and intent of this chapter. The trustees shall represent the interests of the public as a whole and not solely the interests of the board of supervisors or the city council that appointed them. A mosquito abatement district trustee serves for a fixed term of office, and not merely at the pleasure or discretion of the appointing authority. It is LAFCO's understanding that the County Board of Supervisors acts as the CSA's board of directors. The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.

Recently, David Sanford has been selected by the County Administrative Office as the recommended candidate for Agricultural Commissioner. However, action by the County Board of Supervisors is required to make the appointment official.

Challenges and Opportunities

Although state laws on mosquito abatement districts date back to 1915, the state's first efforts to control mosquito populations occurred against salt marsh mosquitoes in San Rafael in 1904 under the direction of Professor C.W. Woodworth of the University of California, Berkeley. Since then, statutory revisions have occurred throughout the years. In September 2002, Governor Gray Davis signed Senate Bill 1588, enacting the Mosquito Abatement and Vector Control District Law which is still being used today. As part of the SB 1588 enactment, Governor Davis issued a press release stating: "This law gives mosquito abatement and vector control districts the tools they need to stand as guardians of epidemics, public health emergencies, and economic disasters. California needs this additional protection to help prevent the spread of diseases carried by mosquitoes." As such, CSA 53 plays a key role in managing local public health emergencies. It is also important to remember that CSA 53 is a governmental entity with statutory requirements that go beyond mosquito abatement. The following section discusses current challenges and identifies possible opportunities to ensure the delivery of services in a more efficient and effective manner.

<u>Climate Change</u>

Changing climate and proliferating breeding sites are challenging vector control programs nationwide in their efforts to protect humans, pets, and wildlife from emerging and re-emerging vector-borne diseases such as West Nile, Zika, and dengue viruses. Climate change has led invasive mosquitoes (native to tropical and subtropical regions of the world) to establish throughout California, bringing with them an increased threat to public health. One of these species was recently found in Watsonville (October 2022), which has challenged CSA 53's resources and staff in an unprecedented way. CSA 53 conducts mosquito-borne virus surveillance by collecting dead wild birds and live mosquitoes and submitting them to State and UC virus laboratories for testing. The CSA also cooperates closely with Federal, State and local health, regulatory and environmental agencies and the University of California, and has a cooperative agreement with the California Department of Public Health. A community education program is aimed at providing information to residents to enable mosquito and rodent control on their own property, and to inform them of other vector-transmitted diseases.

<u>Website Requirements</u>

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. SB 929 identifies a number of components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created as an effort to promote transparency in the operations and governance of special districts to the public. Based on SB 929's criteria and the recommendations set by the SDLF, LAFCO conducted a thorough review of the CSA's website even though said law only applies to independent special districts. **Table E** summarizes staff's findings on whether the website is meeting the statutory requirements. At present, the CSA does not meet the statutory requirements under SB 929 and SDLF's website transparency criteria. In addition to the missing items, LAFCO staff found numerous broken links throughout the website. While the CSA has useful information available online, the website is not considered to be transparent and is difficult to navigate based on LAFCO's evaluation.

Table E: Website Transparency

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	
2. Board Member Term Limits	
3. Names of Key Staff, including General Manager	
4. Contact Information for Staff	
5. Election/Appointment Procedure & Deadlines	
6. Board Meeting Schedule*	
7. Mission Statement	✓
8. Description of District's Services/Functions and Service Area	✓
9. Authorizing Statute/Enabling Act	
10. Adopted District Budgets*	
11. Financial Audits*	
12. Archive of Board Meeting Agendas & Minutes*	
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	
15. Reimbursement & Compensation Policy / Annual Policies	
16. Home Page Link to Agendas/Board Packets	
17. SB 272 - Compliance-Enterprise Catalogs	
18. Machine Readable/Searchable Agendas	
19. Recipients of Grant Funding or Assistance	
20. Link or Copies of LAFCO's Service & Sphere Reviews	
Total Score (out of a possible 20)	**2 (10%)**
Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	
2. Picture, Bio, and Email Addresses of Board Members	
3. Last Three Years of Audits	
4. Financial Reserves Policy	
5. Online/Downloadable Public Records Act Request Form	
6. Audio or Video Recordings of Board Meetings	
7. Map of District Boundaries/Service Area	
8. Link to CSDA Mapping Program	
9. General Description of Special Districts or Link to www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	
Total Score (out of a possible 10)	**0 (0%)**

**Footnote: Senate Bill 929 Statutory Requirements*

LAFCO Staff Recommendation: *The CSA should continue updating its website to fulfill the legal requirements under SB 929. The CSA, as a countywide district, should also consider translating its website and supporting documents (i.e. annual reports) in Spanish or other languages to ensure the information is reaching the county's diverse population.*

DRAFT

Cortese-Knox-Hertzberg Act

City and special district spheres of influence define the probable physical boundaries and service area of a local agency, as determined by the Commission (Government Code Section 56076). The law requires that spheres be updated at least once every five years either concurrently or subsequently in preparation of Municipal Service Reviews. Spheres are determined and amended solely at the discretion of the Commission. In determining the sphere of influence for each local agency, the Commission is required by Government Code Section 56425(e) to consider certain factors, including:

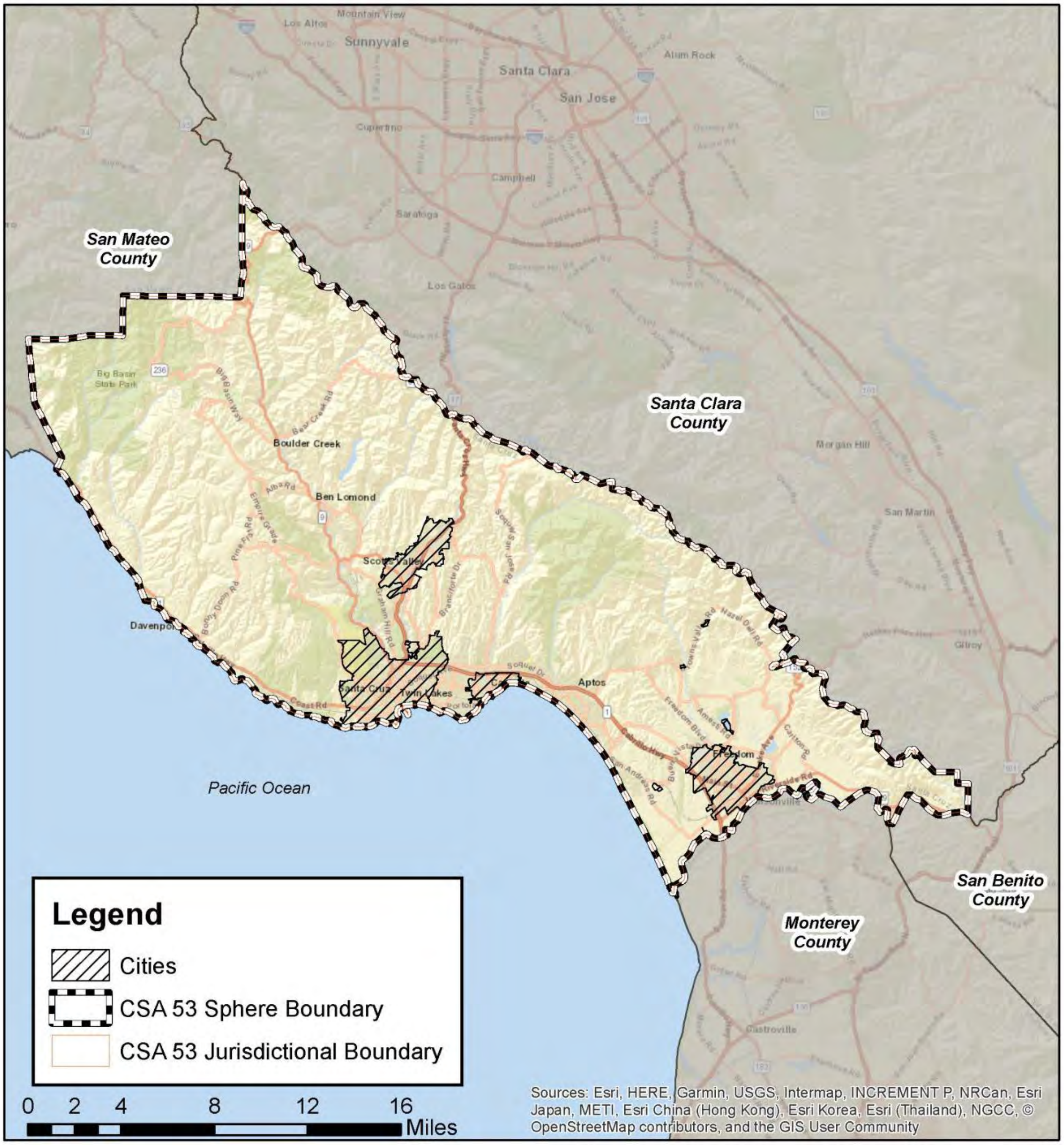
- The present and planned uses in the area, including agricultural and open-space lands;
- The present and probable need for public facilities and services in the area;
- The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
- The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency; and
- For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.

Current & Proposed Sphere Boundary

CSA 53's original sphere was adopted on December 9, 1992, as part of the formation action. The sphere was amended on May 4, 2005, to reflect the countywide expansion. Since then, the sphere has remained coterminous with CSA 53's jurisdictional boundary. Staff is recommending that the sphere of influence be reaffirmed, as shown in Figure 4 on page 17.

DRAFT

Figure 4: CSA Sphere Map



County Service Area 53
Jurisdictional and Sphere Boundaries

N
S

VIcinity map created on April 20, 2023

Original sphere adopted on December 9, 1992
Sphere expansion on May 4, 2005
Sphere reaffirmed on December 5, 2018
Sphere reaffirmed on June 14, 2023

DISTRICT SUMMARY

CSA 53 (Mosquito Abatement & Vector Control)	
Formation	Mosquito Abatement & Vector Control Law (Health & Safety Code §2000 et seq.
Board of Trustees	County Board of Supervisors; five members; elected at-large to four-year terms
Contact Person	David Sanford, Interim Agricultural Commissioner
Employees	7 full-time employees
Facilities	640 Capitola Road, Santa Cruz CA 95062 (District Headquarters)
District Area	445 square miles (countywide)
Sphere of Influence	The sphere boundary is coterminous with the District's jurisdictional limits and the County of Santa Cruz.
FY 2022-23 Budget	Total Revenue = $1,523,794 Total Expenditure = $1,709,859 Projected Net Position (Beginning Balance) = $332,773
Contact Information	Mailing Address: 640 Capitola Road, Santa Cruz, CA 95062 Phone Number: 831-454-2590 Email Address: David.Sanford@santacruzcounty.us Website: https://www.agdept.com/AgriculturalCommissioner/MosquitoAbatementVectorControl.aspx
Public Meetings	The Board regularly meets on most Tuesdays in the Board of Supervisors' Chambers, 701 Ocean St, Rm. 525. Meetings generally begin at 9:00 am.
Mission Statement	Our Mission is to protect your health through responsible management of mosquitoes and other vectors (pests that can carry disease agents or cause discomfort or injury). Upon request, our staff can inspect your property or neighborhood and provide assistance and advice for County residents.

DRAFT

SERVICE AND SPHERE REVIEW DETERMINATIONS

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere boundary. Written statements of determination must be prepared with respect to each of the following:

1. **Growth and population projections for the affected area.**
   CSA 53 encompasses the entire county (445 square miles). It is estimated that approximately 281,000 residents currently live within the CSA's jurisdiction. LAFCO staff projects that the CSA's population may reach 307,000 by 2040.

2. **The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**
   CSA 53 is not subject to SB 244 because it does not provide water, sewer, or fire service.

3. **Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.**
   CSA 53 provides an array of services tailored to protect the public from mosquito and vector-borne diseases. In 2022, the CSA responded to over 506 requests for service throughout Santa Cruz County. Over 18% of those requests involved mosquito issues.

4. **Financial ability of agencies to provide services.**
   CSA 53 has experienced two annual deficits over the past five years. Stagnant revenue is the primary reason why annual deficits affect CSA 53's financial performance as total expenses continue to rise. It is LAFCO's understanding that annual charges for services have remained virtually the same for the last six years. LAFCO staff projects that this negative trend may continue unless internal operations or budgetary practices improve.

5. **Status of, and opportunities for, shared facilities.**
   CSA 53 is a member of the Mosquito and Vector Control Association of California. This organization is comprised of 63 public agencies and provides its members with a number of valuable services, including cost avoidance opportunities relating to training services and publication materials.

6. **Accountability for community service needs, including governmental structure and operational efficiencies.**
   LAFCO encourages more transparency by CSA 53 by sharing information on how residents can participate in the CSA's decision-making process and future actions. Public awareness is key, especially for public health emergencies.

7. **Any other matter related to effective or efficient service delivery, as required by commission policy.**
   No additional local LAFCO policies are specifically relevant to this service review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

1. **The present and planned land uses in the area, including agricultural and open-space lands.**
   The present and planned land uses are based on the general plans from the County and the four cities, which range from urban to rural uses. General plans anticipate growth centered on existing urban areas and the maintenance of agricultural production, rural residential uses, and environmental protection in rural areas.

2. **The present and probable need for public facilities and services in the area.**
   CSA 53's administrative office is located at 640 Capitola Road in the City of Santa Cruz. CSA 53 falls under the Agricultural Commissioner's Office which is at 175 Westridge Drive, however, the district headquarters is at 640 Capitola Road.

3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
   A major factor influencing service demand is the presence of vectors (in particular mosquitoes) and vector-borne disease agents within CSA 53. The CSA responds to service requests within its boundaries. Any property owner, business, or resident in CSA 53 may contact the CSA to request mosquito abatement service and staff will respond promptly to the particular property to evaluate the threat situation and to perform appropriate control services. The CSA indicates that it responds to all service requests in a timely manner, regardless of location, within its boundaries.

4. **The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.**
   CSA 53's jurisdictional boundary consists of the entirety of Santa Cruz County, which includes the four cities: Capitola, Santa Cruz, Scotts Valley, and Watsonville.

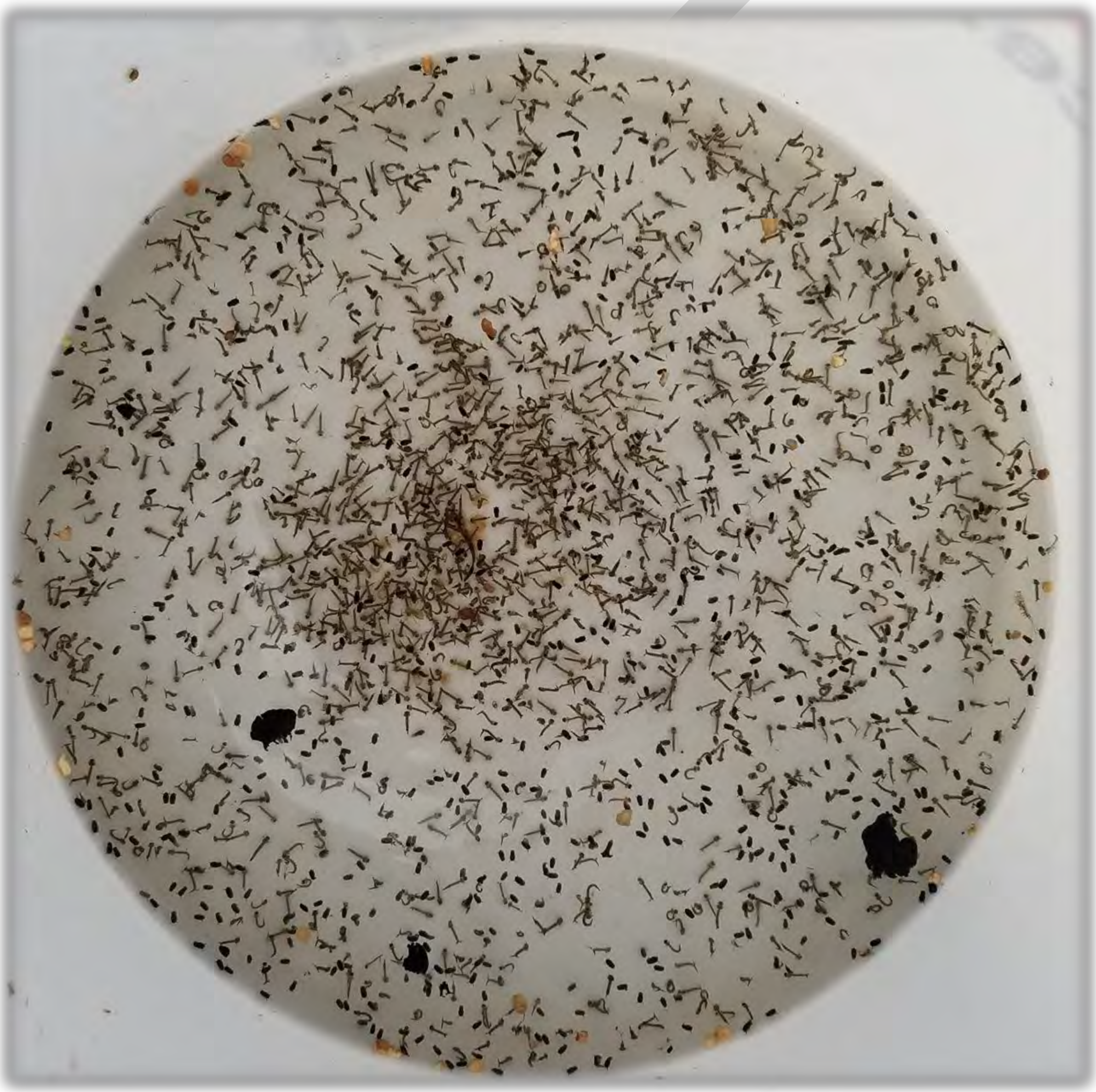
5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**
   The CSA does not provide services related to sewers, municipal and industrial water, or structural fire protection. Therefore, this determination is not applicable.

APPENDICES

Appendix A: 1992 Formation Resolution

Appendix B: 2005 Annexation Resolution

Appendix C: 2022 Annual Report



APPENDIX A:

1992 Formation Resolution

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 788

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

ADOPTING THE SPHERE OF INFLUENCE FOR
MOSQUITO ABATEMENT COUNTY SERVICE AREA

****

The Santa Cruz Local Agency Formation Commission does hereby RESOLVE, DETERMINE AND ORDER as follows:

1. The Commission has initiated the Mosquito Abatement County Service Area Sphere of Influence Study pursuant to Section 56425 of the Government Code.

2. The Executive Officer has given notice of public hearing by this Commission upon the Mosquito Abatement County Service Area Sphere of Influence in the form and manner prescribed by law.

3. The public hearing was held by this Commission on October 7, 1992, and November 4, 1992, and at the hearing this Commission heard all interested persons.

4. The Commission has considered the Negative Declaration dated September 2, 1992 together with the comments received during the public review process, and approves the Negative Declaration. The Commission finds that adopting this sphere of influence will not have a significant effect on the environment.

5. The Commission adopts the Sphere of Influence Findings listed in Exhibit "B".

6. The Commission hereby adopts the Sphere of Influence for the Mosquito Abatement County Service Area to include the territory within the unincorporated area of Santa Cruz County and the City of Watsonville, subject to the following policy:

    a) The services provided by the County Service Area shall be limited to mosquito abatement and vector control.

PASSED AND ADOPTED by the Local Agency Formation Commission of the County of Santa Cruz this 9th day of December, 1992 by the following vote:

AYES: Levy, Patton, Garcia

NOES: None

ABSENT: Koshland, Routh, Beiers

ROBERT GARCIA, CHAIRPERSON

Attest:

Patrick M. McCormick
Executive Officer

Approved as to form:

Jane M. Scott
LAFCO Counsel

EXHIBIT B

Santa Cruz LAFCO
Resolution No. 788
Sphere of Influence Determinations
Mosquito Abatement County Service Area

****

The following determinations are made pursuant to Government Code Section 56425.

(1) The present and planned land uses in the area, including agricultural and open space lands.

Determination: The County of Santa Cruz has planned the unincorporated area of the county for a mix of urban, suburban, and rural land uses. Agricultural uses predominate in the Pajaro Valley around Watsonville, and along the North Coast near Davenport. Open space uses predominate in the Santa Cruz Mountains.

(2) The present and probable need for public facilities and services in the area.

Determination: The unincorporated area of the County currently and foreseeably needs a normal range of urban and rural services. Currently, no agency provides mosquito abatement and vector control services in Santa Cruz County. An effective mosquito abatement program would provide residents relief from seasonal mosquito nuisances and would help to reduce chances for the transmission of mosquito-borne diseases.

(3) The present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide.

Determination: In order to provide this new service, the County Service Area would have to either set up a new program with staff and equipment, or contract for these services. The nearest provider of mosquito abatement and vector control services is the Northern Salinas Valley Mosquito Abatement District.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

Determination: Social or economic communities of interest are not relevant to the matter of mosquito abatement. Topography is more important in establishing reasonable management units for abatement programs.

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 788-A

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

MAKING DETERMINATIONS AND AUTHORIZING PROCEEDINGS
FOR FORMATION OF A COUNTY SERVICE AREA
DESIGNATED AS "MOSQUITO ABATEMENT"

****

The Santa Cruz Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. An application for the proposed formation of a county service area was heretofore filed with the Executive Officer of this Commission pursuant to the Cortese/Knox Local Government Reorganization Act of 1985 (Government Code Section 56000 et seq.); said territory is assigned the short term designation of "Mosquito Abatement County Service Area."

2. The Executive Officer of this Commission has examined said application; has given notice of public hearing by this Commission upon said application in the form and manner provided by law; and has reviewed said application, has prepared a report, including his recommendation thereon, and has presented the same before this Commission for consideration.

3. The public hearing by this Commission was held on October 7, 1992, and November 4, 1992, being the time and date and at the place specified in said notice of public hearing, and at such hearing this Commission heard and received all oral and written protests, objections, and evidence which were made, presented, or filed.

4. Said territory includes approximately 420 square miles and is inhabited.

5. The boundaries set forth in the description of territory proposed for service area formation are approved to be the entire unincorporated area of Santa Cruz County and the City of Watsonville.

6. The approval of this formation is conditioned upon the following terms and conditions:

   a) The proponent shall provide a legal map, description, and fees to meet State Board of Equalization requirements.

   b) The services to be performed by the County Service Area shall be limited to mosquito abatement and vector control.

7. The Commission hereby determines pursuant to Section 56842 of the Government Code that there will be no exchange of property tax revenues as a result of this district formation.

8. The Commission has considered the Negative Declaration dated September 2, 1992 together with the comments received during the public review process, and approves the Negative Declaration.

9. The proposal, as amended and conditioned, is consistent with the Sphere of Influence for the Mosquito Abatement County Service Area.

10. The Commission hereby approves this proposal and authorizes the Board of Supervisors to conduct formation proceedings in compliance with this resolution and state law.

PASSED AND ADOPTED by the Local Agency Formation Commission of the County of Santa Cruz this 9th day of December, 1992, by the following vote:

AYES: Levy, Patton, Garcia

NOES: None

ABSENT: Koshland, Routh, Beiers

ROBERT GARCIA, CHAIRPERSON
Santa Cruz Local Agency
Formation Commission

Attest:

Patrick M. McCormick
Executive Officer

Approved as to form:

Jane M. Scott
LAFCO Counsel

APPENDIX B:

2005 Annexation Resolution

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 897

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

APPROVING THE MOSQUITO AND VECTOR CONTROL SERVICE REVIEW
AND
AMENDING THE SPHERE OF INFLUENCE FOR COUNTY SERVICE AREA 53 TO INCLUDE THE CITIES OF CAPITOLA, SANTA CRUZ, AND SCOTTS VALLEY

****

The Santa Cruz Local Agency Formation Commission (the "Commission") does hereby resolve, determine, and order as follows:

1. In accordance with Government Code Section 56428, the Santa Cruz County Board of Supervisors, acting as the board of County Service Area 53 (Mosquito and Vector Control), has filed an application with the Commission to amend the district's Sphere of Influence to include the cities of Capitola, Santa Cruz, and Scotts Valley; this application is designated as the Cities Amendment to the County Service Area 53 Sphere of Influence--LAFCO No. 897.

2. In accordance with Government Code Section 56430, the Commission has initiated and conducted a Service Review of Mosquito and Vector Control Services in Santa Cruz County.

3. In accordance with Government Code Section 56425 et seq., the Commission has received a report and recommendation from its staff evaluating the Cities Amendment to the County Service Area's Sphere of Influence.

4. The Commission's Executive Officer has given notice of a public hearing by this Commission upon the service review and sphere of influence amendment in the form and manner prescribed by law.

5. The Commission held its public hearing on this matter on May 4, 2005; and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented.

6. The Commission has reviewed and considered the information contained in the Negative Declaration (04-0503) prepared by the County of Santa Cruz and approved by the County Environmental Coordinator on March 15, 2005. The Commission finds that the Negative Declaration is adequate for its review of this project.

7. The Commission hereby approves the Service Review of Mosquito and Vector Services including the Statement of Determinations listed in Exhibit A attached hereto.

8. The Commission hereby amends the Sphere of Influence for County Service Area 53 to add the cites of Capitola, Santa Cruz, and Scotts Valley as shown on Exhibit B.

9. The Commission makes the Sphere of Influence Determinations as shown in Exhibit C.

PASSED AND ADOPTED by the Local Agency Formation Commission in the County of Santa Cruz this fourth day of May 2005.

AYES: Commissioners Reilly, Rapoza, Doering-Nielsen, Beautz, and Chairperson Ramos
NOES: None
ABSENT: Commissioners Campos and Wormhoudt

Don Ra

DON RAMOS, CHAIRPERSON

Attest:

Patrick M. McCormick
Executive Officer

Approved as to form:

Miriam L. Stombler
LAFCO Counsel

Exhibit A
Santa Cruz Local Agency Formation Commission
Resolution No. 897
Mosquito and Vector Control

SERVICE REVIEW DETERMINATIONS

The following determinations are made pursuant to Government Code Section 56430 and are based upon a study titled "Service Review, Mosquito and Vector Control Services in Santa Cruz County, April 2005"

1. Population and Growth

CSA 53, Santa Cruz County Mosquito Abatement and Vector Control, serves an estimated population of 85,000 in the Aptos and Pajaro Supervisorial Districts in South County. This area, particularly the City of Watsonville, is projected to have the highest growth rate in the county through 2030. There will be an increased need for mosquito and vector control services to protect public health.

2. Infrastructure Needs and Deficiencies

CSA 53 has the necessary equipment to provide adequate service throughout its current service area.

3. Financing Constraints and Opportunities

CSA 53 is funded through assessments; funding is adequate for the current levels of service.

4. Cost Avoidance Opportunities

CSA 53 is avoiding costs by targeting mosquito treatment efforts on the immature, aquatic stage where it is most effective.

CSA 53 shares staff and facilities with the County Agricultural Commissioner, which minimizes program overhead costs.

5. Management Efficiencies

CSA 53 is achieving management efficiencies by operating under the direction of the County Agricultural Commissioner. It is also demonstrating efficiency by conforming to the County's Integrated Pest Management Policy.

The CSA uses its GIS system extensively to map service areas, treatment and trap locations, pesticide use, wetlands, organic farms, school sites, and other pertinent information. Work orders and data are also tracked through a database that integrates into the GIS system.

6. Shared Facilities

CSA 53 shares facilities with the County Agricultural Commissioner, including staff and office space with Agricultural Weights and Measures, and office facilities with the County Sheriff. CSA 53 works cooperatively with the California Center for Disease Control, the California Department of Fish and Game, and the US Fish and Wildlife Service.

7. Rate Restructuring

CSA 53 is funded through property assessments based on land use type. The County Board of Supervisors reviews the rates annually.

8. Government Structure Options

CSA 53 currently serves the Aptos and Pajaro Supervisorial Districts. The County has submitted an application to LAFCO to extend the service area to the cities of Capitola, Santa Cruz and Scotts Valley. The County is also proceeding to activate the zones in the unserved unicorporated areas of the mid and north county. The advantages included higher levels of service, greater service efficiencies and more public health protection. The disadvantage is the increased cost and additional assessment for currently unserved parcels.

9. Local Accountability and Governance

CSA 53 is a dependent special district governed by the County Board of Supervisors. The Board addresses the CSA's services during regular meetings. The County's website and the Agricultural Commissioner's website provide mosquito and vector control information.

Exhibit B
Santa Cruz Local Agency Formation Commission
Resolution No. 897
Mosquito and Vector Control

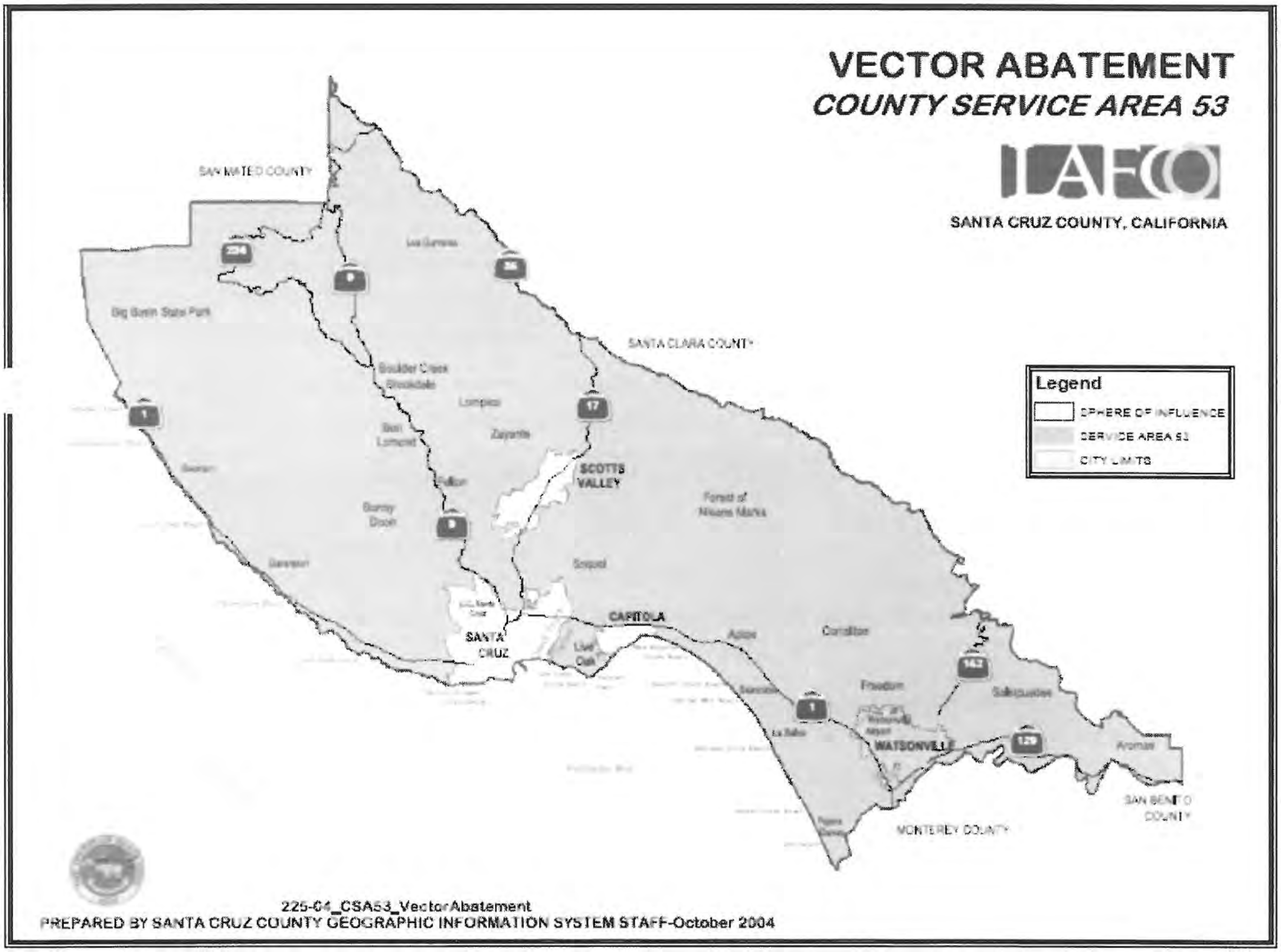


EXHIBIT C

SANTA CRUZ LAFCO RESOLUTION NO. 897
AMENDING SPHERE OF INFLUENCE OF COUNTY SERVICE AREA 53
(MOSQUITO AND VECTOR CONTROL) TO INCLUDE THE CITIES OF
CAPITOLA, SANTA CRUZ, AND SCOTTS VALLEY

SPHERE OF INFULENCE DETERMINATIONS

****

The following sphere of influence determinations are made pursuant to Government Code Section 56425:

(1) The present and planned land uses in the area, including agricultural and open space lands.

DETERMINATION: The cities of Capitola, Santa Cruz, and Scotts Valley have planned within their current city boundaries for a mix of urban residential, suburban residential, business, and conservation land uses. The cities' general plans stress infill development and assist the preservation of existing agricultural lands outside the current urbanized areas of the county.

(2) The present and probable need for public facilities and services in the area.

DETERMINATION: The three cities need a normal range of urban services. Currently, no agency provides comprehensive mosquito abatement and vector control services to the cities. An effective mosquito abatement program would provide residents relief from seasonal mosquito nuisances and would help to reduce chances for the transmission of mosquito-borne diseases.

(3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

DETERMINATION: In order to provide a comprehensive mosquito and vector control program to the three cities, County Service Area 53 would have to develop funding and expand its budget to add staffing and equipment. The plan for service, as contained in the "North County Mosquito and Disease Control Assessment, Preliminary Engineer's Report, February 2005," demonstrates how the services would be provided to the cities without negatively impacting the services being provided to the Pajaro Valley and Aptos residents who currently fund the CSA.

(4) The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

DETERMINATION: The dispersion pattern of viruses borne by mosquitoes cross city limits. An effective vector control program is more likely to be successful if there are no holes in the treatment area. A sub-region, such as Santa Cruz County, is a good scale in which to conduct an effective, integrated program while maintaining local accountability.

End of Exhibit C

LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 897-A

On the motion of Commissioner Reilly
Duly seconded by Commissioner Rapoza
The following resolution is adopted:

MAKING DETERMINATIONS AND ORDERING PROTEST PROCEEDINGS
OF TERRITORY DESIGNATED AS THE
CITIES ANNEXATION
TO COUNTY SERVICE AREA 53 (MOSQUITO AND VECTOR CONTROL)
****

The Santa Cruz Local Agency Formation Commission does hereby RESOLVE, DETERMINE, AND ORDER as follows:

1. A resolution for the proposed annexation of certain territory was filed by the Santa Cruz County Board of Supervisors pursuant to the Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.); and the territory is assigned the short term designation of "Cities Annexation to County Service Area 53."

2. The annexation consists of annexing all territory within the cities of Capitola, Santa Cruz, and Scotts Valley to County Service Area 53 for the purpose of receiving mosquito and vector control services.

3. The City Councils of the City of Capitola, the City of Santa Cruz, and the City of Scotts Valley have all passed resolutions consenting to this annexation.

4. The Executive Officer of the Commission has reviewed the resolution, and has prepared a report, including his recommendations thereon, and has presented the same before this Commission for consideration.

5. Public hearing by the Commission was held on May 4, 2005; and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented.

6. Said territory includes approximately 19 square miles and is found to be inhabited for purposes of annexation law.

7. The boundaries of the area of the proposed reorganization are approved as shown on Exhibit A to be all territory within the city limits of Capitola, Santa Cruz, and Scotts Valley.

8. The approval of the reorganization is conditioned upon the following terms and conditions:

   A) The Executive Officer shall not record the certificate of completion finalizing this annexation unless a special tax or benefit assessment is adopted to cover mosquito and vector control services in the annexation area.

B) The proponent shall provide a legal map, description, and fees to meet State Board of Equalization requirements.

C) The proponent shall be responsible to pay any fees required to comply with Fish and Game Code Section 711.4 (Fish and Game Fees required when notices of environmental decisions are filed).

D) The proponent shall pay any remaining processing fees as set in this Commission's Schedule of Fees and Deposits.

9. The Commission has reviewed and considered the information contained in the Negative Declaration (04-0503) prepared by the County of Santa Cruz and approved by the County Environmental Coordinator on March 15, 2005. The Commission finds that the Negative Declaration is adequate for its review of this project.

10. Upon completion of the reorganization, the property tax revenues will be transferred in accordance with the Board of Supervisors tax exchange resolution adopted for the Cities Annexation to County Service Area 53--LAFCO No. 897.

11. The annexation, as approved, is consistent with the Sphere of Influence of the County Service Area 53 as amended on May 4, 2005 by LAFCO Resolution No. 897.

12. This Commission hereby approves this annexation, as conditioned, and directs the Executive Officer to conduct protest proceedings in accordance with State law.

PASSED AND ADOPTED by the Local Agency Formation Commission in the County of Santa Cruz this fourth day of May 2005.

AYES: Commissioners Reilly, Rapoza, Doering-Nielsen, Beautz, and Chairperson Ramos
NOES: None
ABSENT: Commissioners Campos and Wormhoudt

Don Ram

DON RAMOS, CHAIRPERSON
Santa Cruz Local Agency Formation Commission

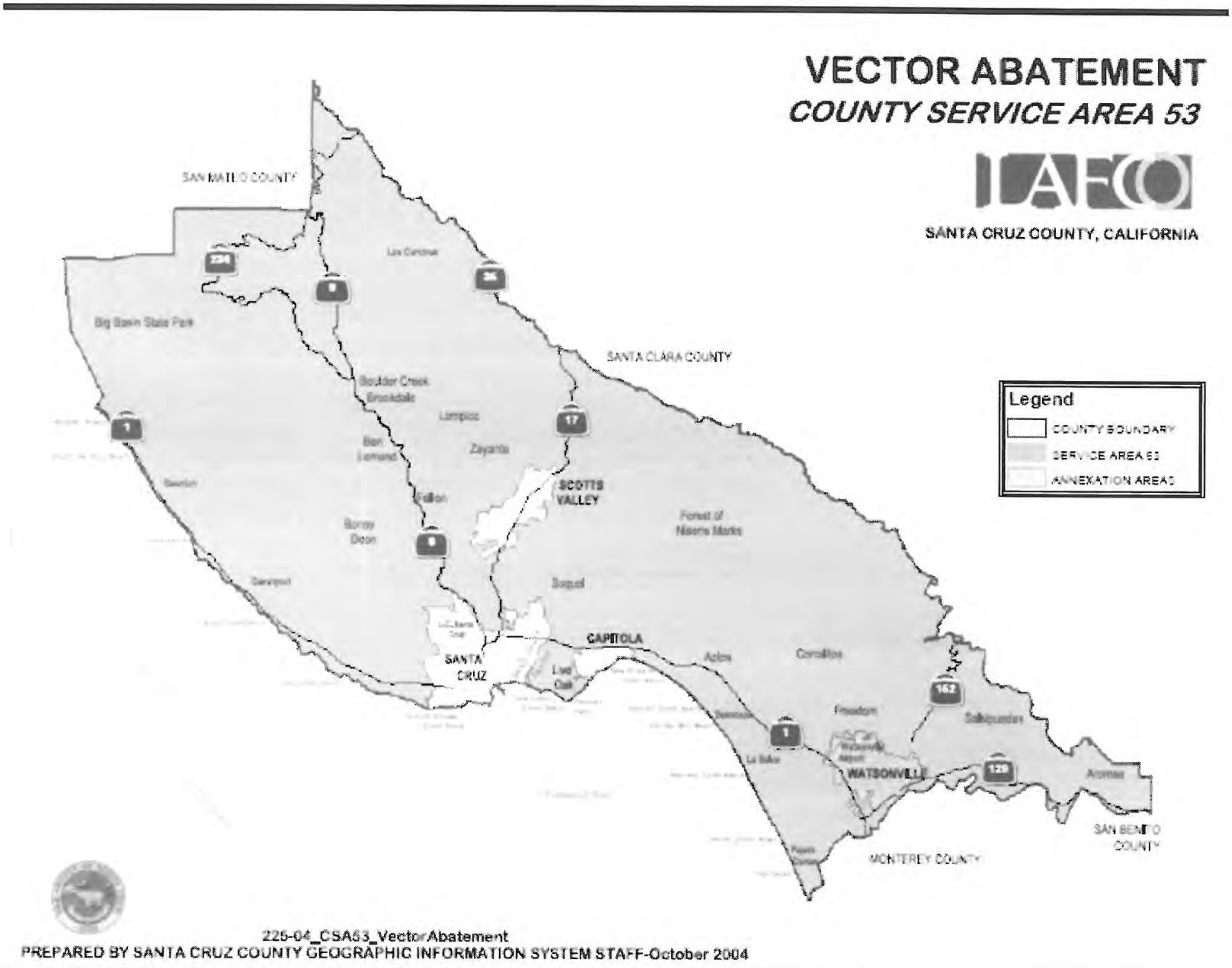
Attest:

Patrick M. McCormick, Executive Officer

Approved as to form:

Miriam L. Stombler, LAFCO Counsel

Exhibit A
Santa Cruz Local Agency Formation Commission Resolution No. 897-A
Cities Annexation to County Service Area 53-Mosquito and Vector Control



RESOLUTION NO. 897-EO
LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
EXECUTIVE OFFICER'S RESOLUTION
CITIES ANNEXATION TO COUNTY SERVICE AREA 53
LAFCO NO. 897-A

****

WHEREAS, pursuant to Government Code Section 57000 (et seq.), the Local Agency Formation Commission of Santa Cruz County adopted its Resolution No. 897-A on May 4, 2005 making determinations and ordering me, its Executive Officer, to conduct protest proceedings for the proposed Cities Annexation to County Service Area 53 (Mosquito and Vector Control); and

WHEREAS, the Cities Annexation consists of:

--Annexation to County Service Area 53

for all lands currently located within the city limits of the City of Capitola, the City of Santa Cruz, and the City of Scotts Valley also described in Exhibit A attached hereto and by reference incorporated herein; and

WHEREAS, I have conducted the protest proceedings in accordance with State law and Resolution No. 897-A;

NOW, THEREFORE, I FIND that the value of written protests filed and not withdrawn is less than 25 percent of the number of property owners of land owning less than 25 percent of the assessed value of land within the affected territory; and

I FIND that the value of written protests filed and not withdrawn is less than 25 percent of the number of registered voters residing within the affected territory; and

CONSEQUENTLY ORDER the Cities Annexation as described in Exhibit A; and

FURTHER DETERMINE as follows:

1) The approval of the reorganization is conditioned upon the terms and conditions stated in Section 7 of Santa Cruz LAFCO Resolution No. 897-A:

    A) The Executive Officer shall not record the certificate of completion, finalizing this annexation unless a special tax or benefit assessment is adopted to cover mosquito and vector control services in the annexation area.

    B) The proponent shall provide a legal map, description, and fees to meet State Board of Equalization requirements.

C) The proponent shall be responsible to pay any fees required to comply with Fish and Game Code Section 711.4 (Fish and Game Fees required when notices of environmental decisions are filed).

D) The proponent shall pay any remaining processing fees as set in this Commission's Schedule of Fees and Deposits.

2) The purpose of the annexation is to provide mosquito and vector control services to the affected territory.

3) The regular county assessment roll will be utilized.

4) County Service Area 53 shall levy and collect within the territory being annexed any previously established and collected tax, benefit assessment, or property-related fee or charge that is collected from similar properties within all or part of the district at the time of annexation.

The LAFCO staff shall file this resolution with the County Recorder and the State Board of Equalization when the terms and conditions are met, at which time the annexation shall be effective and final.

Signature Date: August 5, 2005

Patrick M. McCormick, Executive Officer
Local Agency Formation Commission of
Santa Cruz County

Attest:

Debra Means

Debra Means, LAFCO Secretary-Clerk

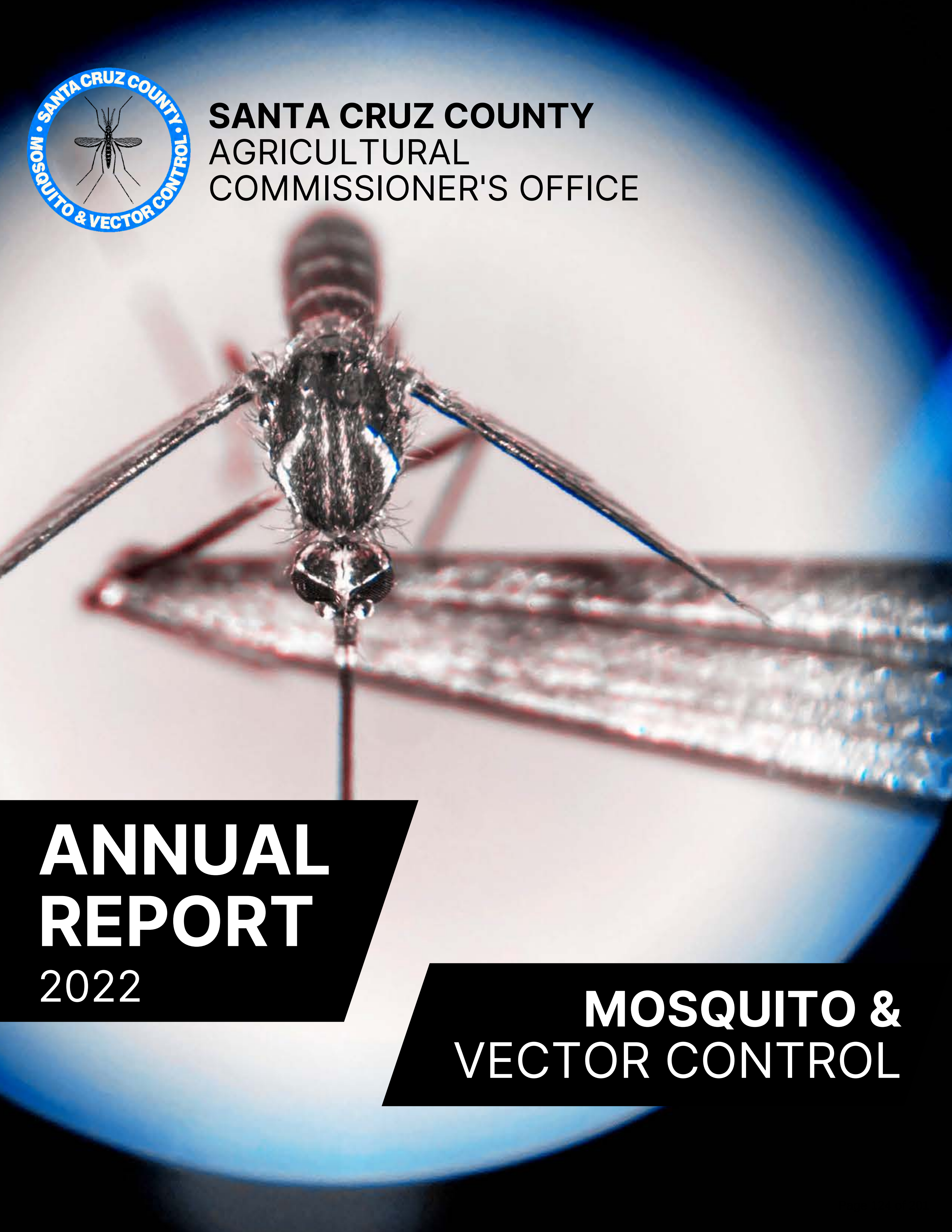
Approved as to form:

Christopher Cheleden for

Miriam L. Stombler, LAFCO Counsel

APPENDIX C:

2022 Annual Report



SANTA CRUZ COUNTY
AGRICULTURAL
COMMISSIONER'S OFFICE

ANNUAL REPORT
2022

MOSQUITO & VECTOR CONTROL

CONTENTS

- Preface
- Free Public Services
- Mosquito Control
- Disease Monitoring
- Invasive Species
- Ticks
- Rodents
- Mosquito fish
- Financial Position

MANAGER'S STATEMENT

Thanks to the hard-working team at Santa Cruz County Mosquito & Vector Control, I am pleased to present our 2022 Annual Report.

Our staff's dedication and ability to provide full services to the community remained steadfast. Staff completed over 500 service calls (Service Requests) from the public, while maintaining almost 3,500 identified locations that breed mosquitoes throughout the County. Additionally, the laboratory and surveillance team set over 800 mosquito traps in different neighborhoods in the community to monitor for local species that can carry West Nile virus and invasive species that are making their way through California.

One of such invasive species was detected in Watsonville early October 2022. The mosquito is commonly called the Yellow Fever Mosquito (*Aedes aegypti*) and has invaded the majority of Southern and Central California. The Yellow Fever Mosquito is unique compared to our local species of mosquitoes. It prefers breeding and living in our backyards and homes and is thus very difficult to trace and eliminate. Despite the challenges of navigating unknown territory in containment and control of this mosquito, our staff persevered. I commend our staff for their dedication and skill in the critical first weeks of detection, as they spent extra hours through door-to-door outreach to residents and combing through properties in search of mosquitoes.

Overall, I am thankful for our team and the work they do to keep our community safe. I look forward to the year ahead as we continue to adapt to new changes, protect public health, and serve the beautiful County we live in.

About Us

Santa Cruz County Mosquito & Vector Control (MVC) is committed to protecting the public from pests capable of transmitting disease or creating a nuisance. Our service, consultation, and education, enable residents to resolve problems and protect themselves with a better understanding of vector biology, behavior, and vector-borne diseases.

MVC was established in 1993 as a County Service Area program within the Agricultural Commissioner's Office in response to public interest in mosquito relief. In August 2005, residents voted to enhance our services to include other vectors, as well as expand our service area to the entire county (446 square miles, population 273,000).

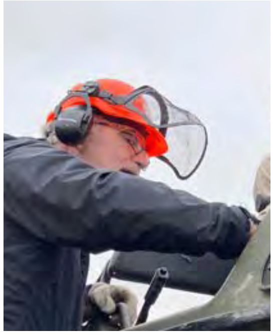
Our Team

The Santa Cruz County Mosquito and Vector Control team is dedicated to the protection of public health. Our team is comprised of five Vector Control Specialists, one Vector Ecologist, and our Assistant Vector Control Manager. We operate under our Director, the Santa Cruz County Agricultural Commissioner.

Each member of our staff brings a unique skillset that, together, form a highly efficient public service agency. It is our honor to serve the citizens of Santa Cruz County and educate them on vectors and vector borne disease. We work to empower our residents to take control of their health, homes, and families' safety.

Stephen Bowling
Vector Control Specialist

Michael Pini
Vector Control Specialist



Steven Driscoll
Vector Control Specialist

Emma McDonough
Vector Ecologist

Ray Travers
Vector Control Specialist

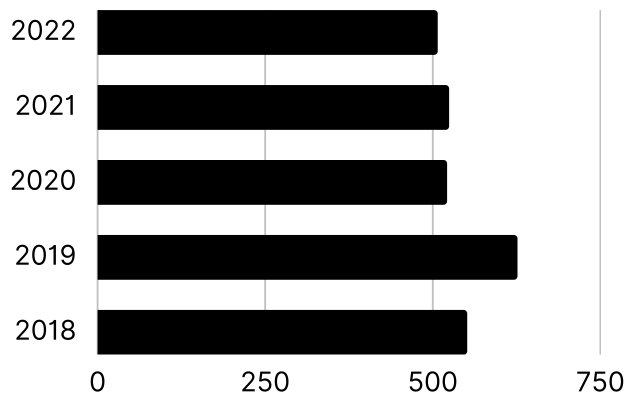
Nader Sidhom
Vector Control Specialist

Amanda Poulsen
Assistant Vector Control Manager

Jack Barco
Agricultural Bio. Seasonal Aide

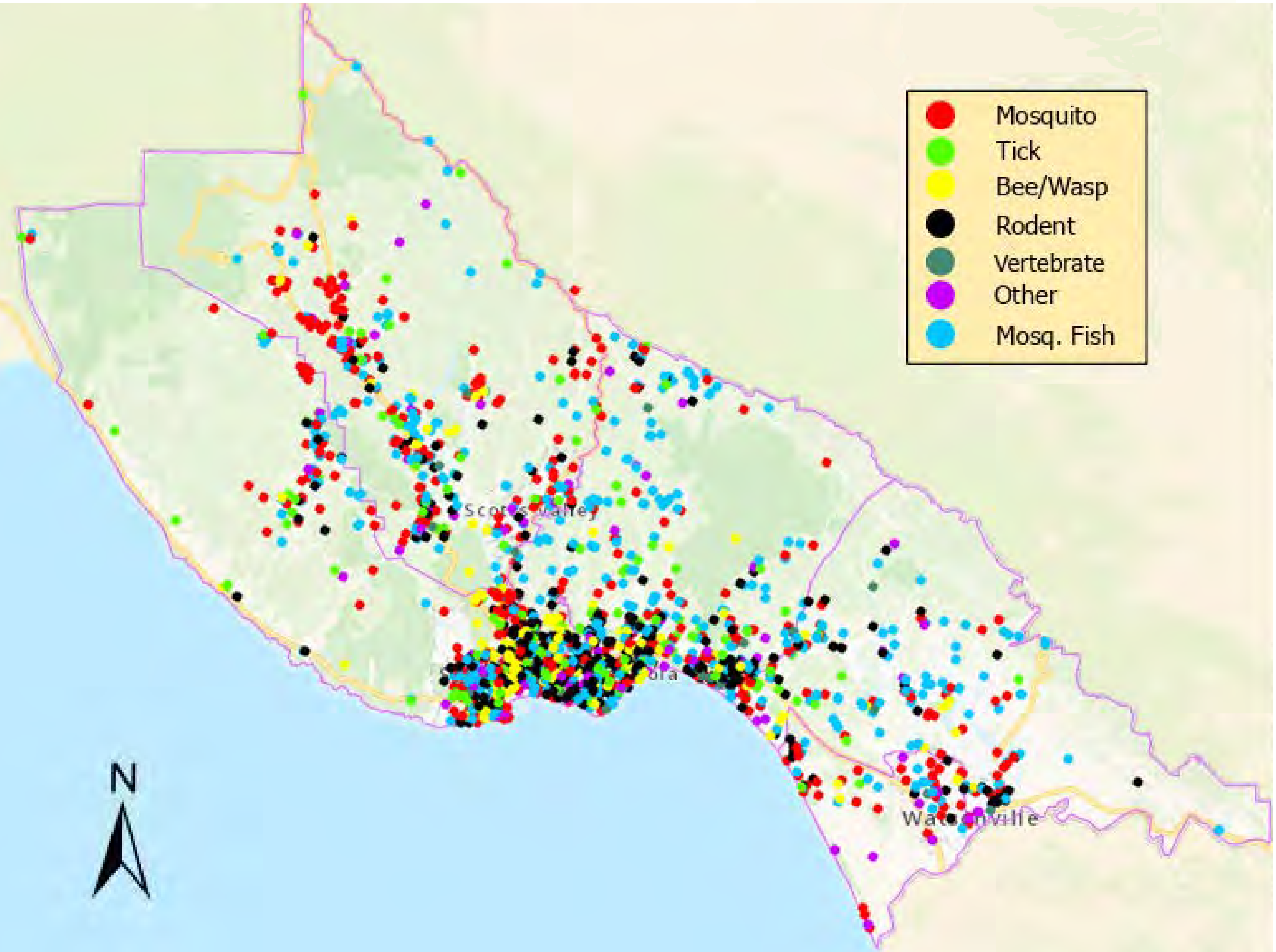
Requests for our services remained high in 2022.

Fig. 1: Service Requests in recent years.



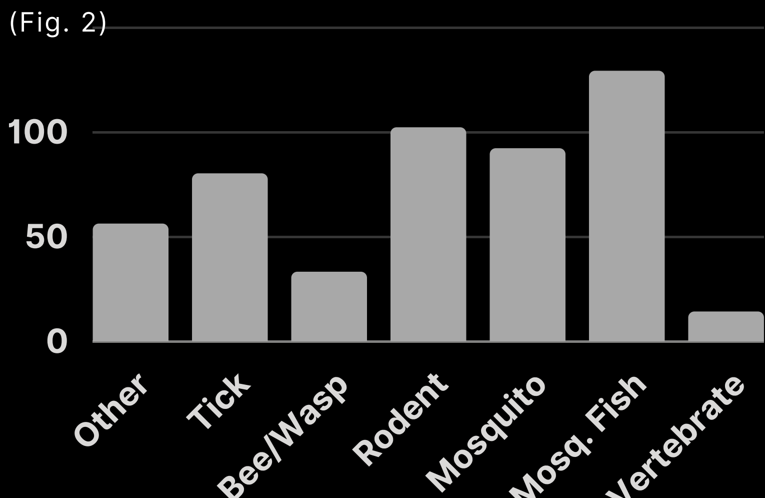
Our Free Services:

- MOSQUITO CONTROL AND DISEASE SURVEILLANCE.
- MOSQUITO FISH DELIVERY FOR PONDS, ANIMAL TROUGHS, FOUNTAINS, AND UNUSED SWIMMING POOLS.
- TICK IDENTIFICATION, SURVEILLANCE AND DISEASE MONITORING.
- CONTROL OF YELLOW JACKET WASPS IN PUBLIC AREAS.
- RODENT EXCLUSION INSPECTIONS FOR HOMES & BUSINESSES.
- ADVICE ON BEES, BATS, RACCOONS, FLIES, BED BUGS, MITES, HEAD LICE, FLEAS, AND ANY OTHER PESTS.
- PUBLIC EDUCATION ABOUT VECTOR BIOLOGY AND CONTROL.



Types of Service Requests

(Fig. 2)



SCCMVC responded to over **506** requests for service in 2022. Over 18% of requests involved mosquito issues, and 25% of requests were for mosquito eating fish. Rodent inspections comprised 20% of service requests, and tick identifications made up 16%. Calls about bees and yellowjacket wasps made up 6% of calls. The "Other" category made up 15% of all service request calls, which included: mysterious biting, mites, fleas, bedbugs, spiders, various vertebrates and invertebrates, and unknown parasites (Fig. 2)

Mosquito Control

Decisions to control mosquitoes are made based on their species, abundance, potential to vector diseases, proximity to humans, and the presence of natural predators or protected wildlife species.

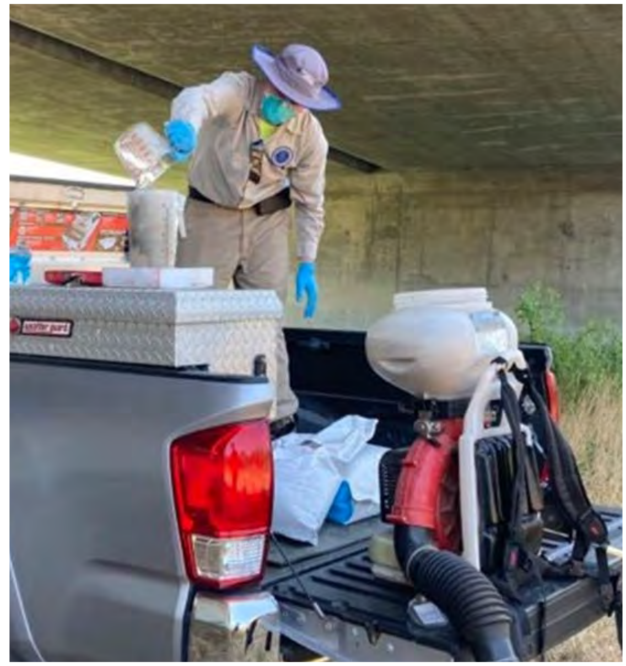
Minimizing mosquito breeding potential is paramount to mosquito control. We provide water management advice to residents, stock mosquito-eating fish for backyard ponds, and consult on new development projects in the County. If mosquito breeding in an area reaches intervention thresholds, we apply low-toxicity larvicides to the water so the mosquito larvae do not develop into adults. In 2022, we treated over 4,000 breeding sources. When controlling mosquitoes in the larval stage is not feasible, as with adult tree-hole breeding mosquitoes, we employ other methods like applying garlic oil-based sugar bait barrier treatments to shrubbery.

This year we endeavored to become FAA licensed drone pilots. Drones allow us to treat and monitor hard to reach locations with less impact on the environment.

Targeting adult mosquitoes is a last resort for our program, as control of larvae is more selective and efficient. Wide area spraying (the dispersal of products via micro-droplets into the air) is not part of our current program and would require approval by the County Board of Supervisors as part of the Emergency Disease Response Plan.

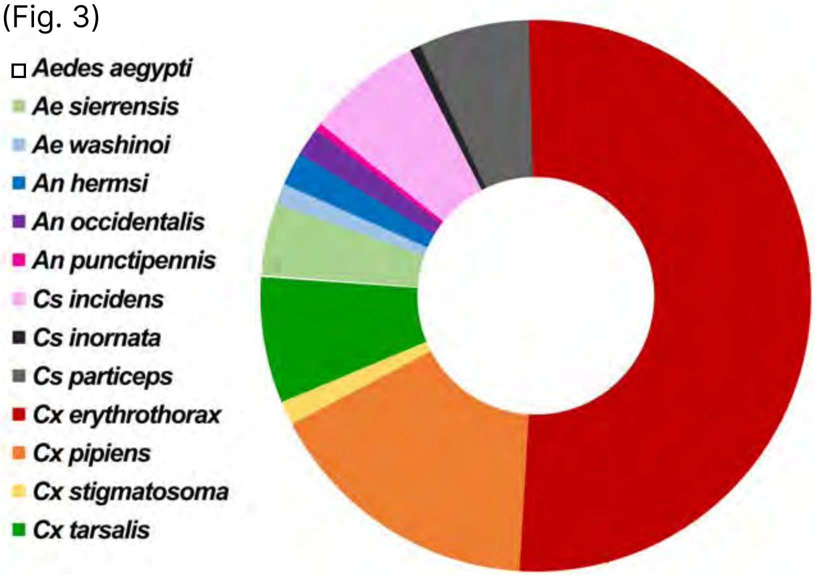
Mosquito Monitoring

Several types of traps were utilized to collect adult mosquitoes for population and disease monitoring. Over 800 CO2-baited and gravid traps were deployed from March to November 2022, in which over 17,000 adult mosquitoes were captured. Weekly trap data enables our staff to focus our control efforts on high-risk areas.



2022 Adult Mosquito Species Collected in Traps

(Fig. 3)

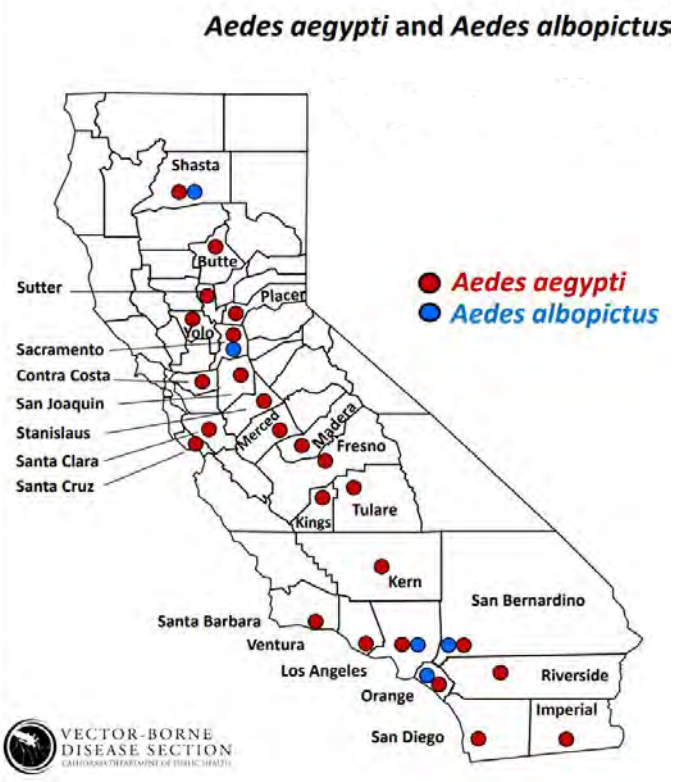


Of the species in our county capable of transmitting West Nile Virus (WNv) to humans, *Culex pipiens* made up 16% (n = 2,768) and *Culex tarsalis* made up 7% (n = 1,251) of all mosquitoes caught. Culex erythrothorax were the most numerous as they made up 51% (n=8,684) of total mosquitoes caught (Fig. 3).

Of the **125 pools** of mosquitoes that were submitted to CDPH for WNV, SLEV, and EEV testing, none were positive for any disease. Of the **57 dead birds** that were reported by the public for WNV testing, none were positive for WNV.

THE INVASIVE *AEDES AEGYPTI* MOSQUITO

On October 13, 2022, we detected Aedes aegypti (Yellow Fever Mosquito) mosquitoes in Watsonville. It was the first detection in Santa Cruz County. This is an aggressive mosquito which can transmit Zika Virus, Dengue, Chikungunya, and Yellow Fever, although these viruses are not currently present in our area. We immediately responded with two rounds of door to door yard inspections, mail-outs, and high density trap deployment. We set 125 in2care and 12 BG Sentinel traps within a 250m radius of the initial detection site. We used CO2-baited traps with human scent lures for intermediate monitoring, and conducted further inspections within the 500m radius.

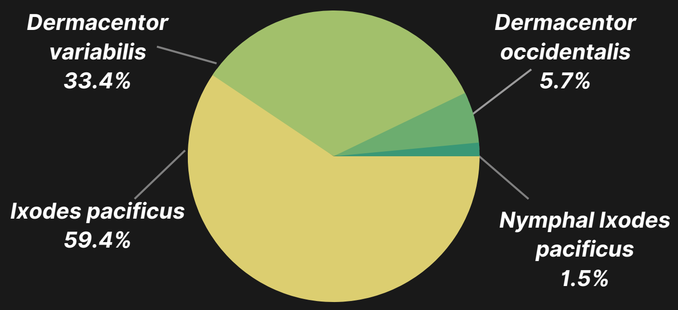


Data from our surveillance efforts so far indicate that the infestation is isolated, but still has the potential to spread. Our next steps include the Integrated Pest Management (IPM) strategies of monitoring their population, continuing yard inspections, and treating water-holding containers in backyards to prevent the immature stages of the mosquito from developing into adults.

Eradication efforts will need to be maintained for at least two years, as recommended by the California Department of Public Health. Residents must be vigilant in eliminating standing water from their property to prevent mosquito breeding as we fight the establishment of *Aedes aegypti* in Santa Cruz County.

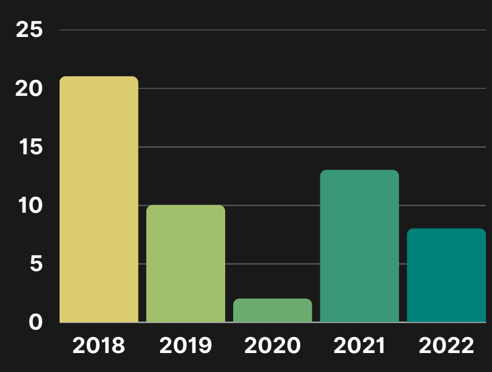
TICK SPECIES COLLECTED

For abundance, diversity, & pathogen testing in Santa Cruz County in 2022.



CASES OF LYME DISEASE

Reported to the Public Health Department in Santa Cruz County over the past 5 years.



TICKS

Lyme Disease is our most important vector borne disease. In 2022, there were 8 confirmed human cases of Lyme disease in Santa Cruz County; slightly less than the 5 year average of 12 cases per year. We responded to 80 tick service requests, 12 of which were doctor referrals. Lyme Disease is transmitted by the bite of an infected Western Black-Legged tick, *Ixodes pacificus*. We provide both in person and online tick species identification, Lyme disease testing resources, and disease risk consultation to the public. We post warning signs in recreational areas of high tick exposure, sample for species diversity and abundance, and test for pathogen prevalence. Our partners at the California Department of Public Health and UC Davis support us in testing ticks for various pathogens.

RODENTS

Call us for free inspection and advice.

We offer free exterior rodent inspections for homes, businesses, and new development projects. We also provide in depth consultations on rodent eradication and exclusion methods, empowering Santa Cruz residents with the knowlege needed to solve their rodent issues. When additional assistance with exclusion work is desired, we refer residents to local pest control operators. Rodents and their ectoparasites can spread many diseases to human beings including: Bubonic Plague, Salmonellosis, Tularemia, Rat-Bite Fever, Leptospirosis, Hantavirus Pulmonary Syndrome, and more. Rodent control should be taken seriously as they can also destroy personal property and cause electrical fires by chewing on wires. Exclusion and sanitation are the foremost means of preventing rodent activity in the home. Over 20% of our requests for service in 2022 regarded rodents, primarily rats. Our staff performed 102 rodent inspections this year, an increase of over 300% since 2015.

MOSQUITO FISH

Mosquito fish (Gambusia affinis) provide excellent control of mosquitoes in many situations. Their use in Santa Cruz County pre-dates our program, having been established statewide for several decades.

FREE DELIVERY

SCCMVC cooperates with wildlife management agencies by not introducing mosquitofish into natural water bodies where they may compete with native fish and amphibians. They are stocked in yard containers such as fountains, animal water troughs, fishponds, and unmaintained pools.

(831) 454-2590

640 Capitola Rd. Santa Cruz, CA 95076

Monday - Friday
8:00AM-4:00PM

Serving our Community

For the MVC budget, see the County website: http://www.sccvision.us, under "Department Budgets" and "Agricultural Commissioner".

SCCMVC provides free services funded by a tax assessment that appears on your property bill. For rates, please visit our website: www.agdept.com/mvc.html MVC cooperates with the Santa Cruz County Integrated Pest Management Departmental Advisory Group and receives oversight from the CA Department of Public Health and the Agricultural Commissioner. MVC applies aquatic larvicides under a National Pollution Discharge Elimination System permit as required in waters of the United States, and reports use to the State Water Resources Control Board (WRCB) and County Agricultural Commissioner. MVC has a Mosquito Management Plan on file with WRCB, state and federal Fish and Wildlife agencies. We comply with Water Quality Control Board requirements, and are in a Cooperative Agreement with the CA Department of Public Health

Notice of Exemption

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

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

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

Project Title: Service and Sphere of Influence Review for County Service Area 53

Project Location: CSA 53 was formed in 1992 in response to public demand for relief from mosquito pestilence. Upon formation, service delivery was limited to a 70-square mile area in South County, specifically Aptos, La Selva Beach, the City of Watsonville, and the Pajaro Valley. In 2005, property owners approved the North County Mosquito and Disease Control Assessment that expanded the CSA's service area to the entire County, following city-supported annexations of Capitola, Santa Cruz, and Scotts Valley. The CSA now serves approximately 281,000 people within 445 square miles. A vicinity map depicting the CSA's jurisdictional and sphere boundaries is attached (refer to Attachment A).

Project Location City: Capitola; Santa Cruz; Scotts Valley; Watsonville
Project Location County: Santa Cruz County

Description of Nature, Purpose, and Beneficiaries of Project: The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of spheres of influence of all cities and districts in Santa Cruz County (Government Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting sphere updates (Government Code section 56430). Santa Cruz LAFCO has prepared a municipal service review, and sphere of influence update for the CSA. The purpose of the report is to ensure the effectiveness and efficiency in the delivery of public services by the CSA, in accordance with the statutory requirements outlined in the Cortese-Knox-Hertzberg Act.

Name of Public Agency Approving Project: Local Agency Formation Commission of Santa Cruz County. The LAFCO public hearing on this proposal is scheduled for 9:00 a.m. on June 14, 2023.

Name of Person or Agency Carrying Out Project: Santa Cruz Local Agency Formation Commission

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
- [x] Other: The activity is not a project subject to CEQA.

Reason Why Project is Exempt: The LAFCO action does not change the services or the planned service area of the City. There is no possibility that the activity may have a significant impact on the environment--State CEQA Guidelines Section 15061(b)(3).

Lead Agency Contact Person: Joe A. Serrano

Area Code/Phone Extension: 831-454-2055

Signature:________________________________ Date: June 15, 2023
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 14, 2023, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following items:

- **Final Budget for Fiscal Year 2023-24:** Adoption of the final budget for the upcoming fiscal year. The review, approval, and notice of this budget will be conducted in a manner consistent with Government Code Section 56381.

- **County Service Area 53 Service and Sphere of Influence Review:** Consideration of a service and sphere review for CSA 53 (Mosquito Abatement & Vector Control). CSA 53's service area encompasses the entire County of Santa Cruz, including the four cities. In compliance with the California Environmental Quality Act (CEQA), LAFCO staff has prepared a Categorical Exemption for this report.

Instructions for members of the public to participate in-person or remotely are available in the Agenda and Agenda Packet: https://santacruzlafco.org/meetings/. 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 require special assistance in order to participate, please contact the LAFCO office at least 24 hours in advance of the meeting to make arrangements.

Joe A. Serrano
Executive Officer
Date: May 23, 2023

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2023-14

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
APPROVING THE 2023 SERVICE AND SPHERE OF INFLUENCE REVIEW
FOR COUNTY SERVICE AREA 53

****

The Local Agency Formation Commission of Santa Cruz County (the "Commission") does hereby resolve, determine, and order as follows:

1. In accordance with Government Code Sections 56425, 56427, and 56430, the Commission has initiated and conducted the 2023 Service and Sphere of Influence Review for County Service Area 53 ("CSA 53").

2. The Commission's Executive Officer has given notice of a public hearing by this Commission of the service and sphere of influence review in the form and manner prescribed by law.

3. The Commission held a public hearing on June 14, 2023, and at the hearing, the Commission heard and received all oral and written protests, objections, and evidence that were presented.

4. This approval of the 2023 Service and Sphere of Influence Review for CSA 53 is exempt under the California Environmental Quality Act ("CEQA") pursuant to the CEQA Guidelines Section 15061(b)(3) because this Commission action does not change the services or the planned service area of the subject agency. There is no possibility that the activity may have a significant impact on the environment. This action qualifies for a Notice of Exemption under CEQA and staff is directed to file the same.

5. The Commission hereby approves the 2023 Service and Sphere of Influence Review for CSA 53.

6. The Commission hereby approves the Service Review Determinations, as shown on Exhibit A.

7. The Commission hereby approves the Sphere of Influence Determinations, as shown on Exhibit B.

8. The Commission hereby reaffirms the Sphere of Influence Map for CSA 53, as shown in Exhibit C.

DRAFT

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 14th day of June 2023.

AYES:

NOES:

ABSTAIN:

____
YVETTE BROOKS, CHAIRPERSON

Attest:

____
Joe A. Serrano
Executive Officer

Approved as to form:

____
Joshua Nelson
LAFCO Counsel

DRAFT

EXHIBIT A
COUNTY SERVICE AREA 53
2023 SERVICE REVIEW DETERMINATIONS

1. **Growth and population projections for the affected area.**
   CSA 53 encompasses the entire county (445 square miles). It is estimated that approximately 281,000 residents currently live within the CSA's jurisdiction. LAFCO staff projects that the CSA's population may reach 307,000 by 2040.

2. **The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**
   CSA 53 is not subject to SB 244 because it does not provide water, sewer, or fire service.

3. **Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.**
   CSA 53 provides an array of services tailored to protect the public from mosquito and vector-borne diseases. In 2022, the CSA responded to over 506 requests for service throughout Santa Cruz County. Over 18% of those requests involved mosquito issues.

4. **Financial ability of agencies to provide services.**
   CSA 53 has experienced two annual deficits over the past five years. Stagnant revenue is the primary reason why annual deficits affect CSA 53's financial performance as total expenses continue to rise. It is LAFCO's understanding that annual charges for services have remained virtually the same for the last six years. LAFCO staff projects that this negative trend may continue unless internal operations or budgetary practices improve.

5. **Status of, and opportunities for, shared facilities.**
   CSA 53 is a member of the Mosquito and Vector Control Association of California. This organization is comprised of 63 public agencies and provides its members with a number of valuable services, including cost avoidance opportunities relating to training services and publication materials.

6. **Accountability for community service needs, including governmental structure and operational efficiencies.**
   LAFCO encourages more transparency by CSA 53 by sharing information on how residents can participate in the CSA's decision-making process and future actions. Public awareness is key, especially for public health emergencies.

7. **Any other matter related to effective or efficient service delivery, as required by commission policy.**
   No additional local LAFCO policies are specifically relevant to this service review.

1. **The present and planned land uses in the area, including agricultural and open-space lands.**
   The present and planned land uses are based on the general plans from the County and the four cities, which range from urban to rural uses. General plans anticipate growth centered on existing urban areas and the maintenance of agricultural production, rural residential uses, and environmental protection in rural areas.

2. **The present and probable need for public facilities and services in the area.**
   CSA 53's administrative office is located at 640 Capitola Road in the City of Santa Cruz. CSA 53 falls under the Agricultural Commissioner's Office which is at 175 Westridge Drive, however, the district headquarters is at 640 Capitola Road.

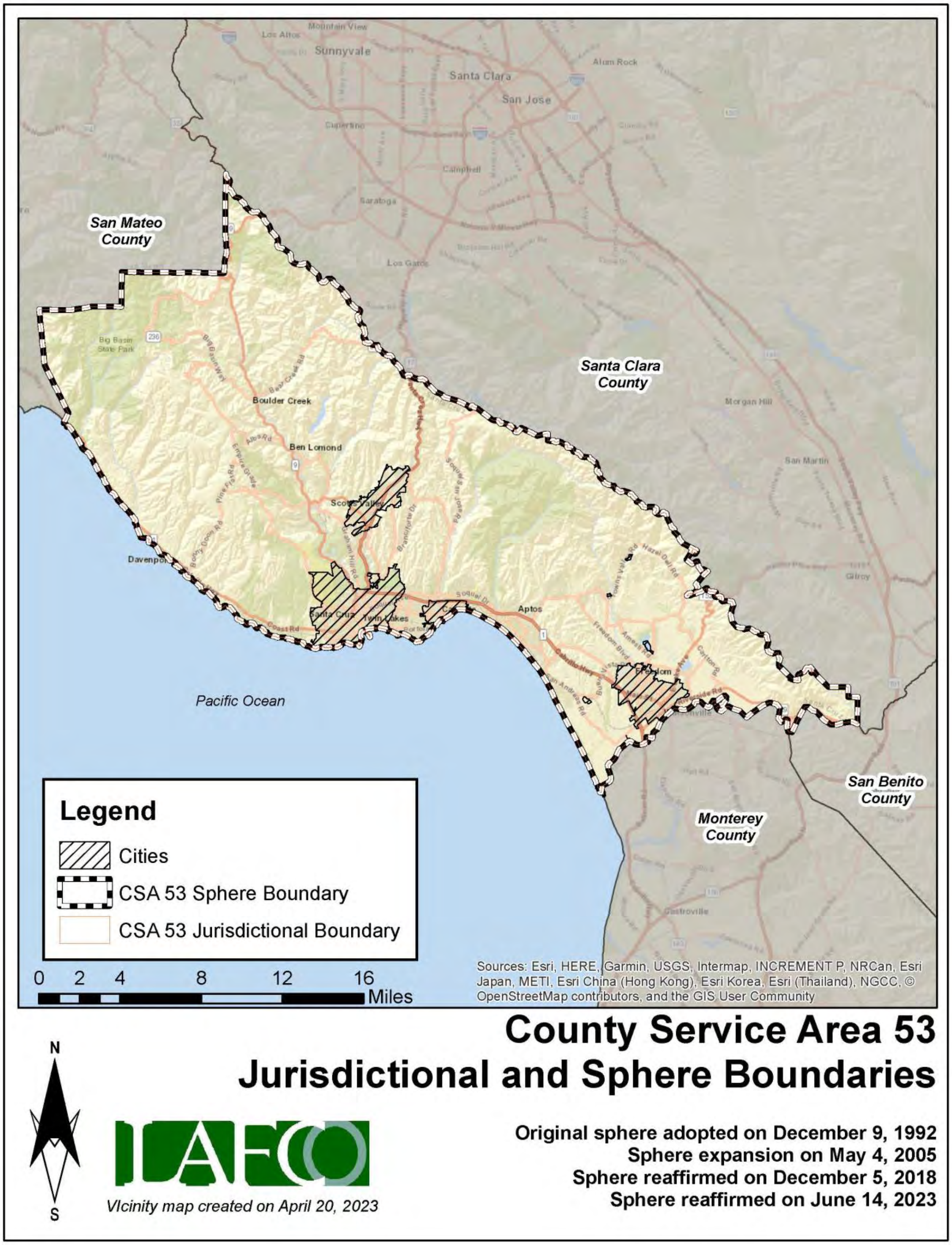
3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
   A major factor influencing service demand is the presence of vectors (in particular mosquitoes) and vector-borne disease agents within CSA 53. The CSA responds to service requests within its boundaries. Any property owner, business, or resident in CSA 53 may contact the CSA to request mosquito abatement service and staff will respond promptly to the particular property to evaluate the threat situation and to perform appropriate control services. The CSA indicates that it responds to all service requests in a timely manner, regardless of location, within its boundaries.

4. **The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.**
   CSA 53's jurisdictional boundary consists of the entirety of Santa Cruz County, which includes the four cities: Capitola, Santa Cruz, Scotts Valley, and Watsonville.

5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**
   The CSA does not provide services related to sewers, municipal and industrial water, or structural fire protection. Therefore, this determination is not applicable.

EXHIBIT C
COUNTY SERVICE AREA 53
SPHERE OF INFLUENCE MAP

LAFCO reaffirms the Sphere of Influence for CSA 53.



Agenda Item No. 6a

Santa Cruz Local Agency Formation Commission

Date: June 14, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: "Scotts Valley Water District Sphere Annexation" - Protest Results

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SUMMARY OF RECOMMENDATION

The Commission approved an annexation involving the Scotts Valley Water District on April 5, 2023. Upon approval, state law requires the commencement of two post-action proceedings: Request for Reconsideration Period and the Protest Period. The request for reconsideration period ended on May 5, 2023, without any submittals. A protest hearing was held on June 2, 2023, which officially ended the protest period, and two petitions of opposition were gathered. Today, the Commission will ratify the protest results.

It is recommended that the Commission adopt the protest hearing minutes and draft resolution (No. 2023-15) approving the protest results for the multi-parcel annexation.

EXECUTIVE OFFICER'S REPORT

Pursuant to Government Code Section 57000, when the Commission adopts a resolution making determinations regarding a change of organization, affected residents within the proposal area have an opportunity to voice their opposition during a protest period. The protest proceeding occurred from May 8 to June 2. A protest hearing was held on June 2, 2023 at 9:00 a.m. to receive any final petitions. **Attachment 1** provides a copy of the draft action minutes taken during the protest hearing.

LAFCO received two petitions during the 30-day protest period: one landowner petition and one registered voter petition. The landowner petition was determined to be valid, however, the registered voter petition was considered invalid because the individual was not identified in the County Election Department's registered voter list provided to LAFCO. The attached resolution certifies the results of this proceeding (refer to **Attachment 2**).

Based on the protest period results, the annexation will be recorded once LAFCO staff determines that all terms and conditions outlined in the April 5, 2023 LAFCO Resolution (No. 2023-08) are fulfilled.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. Draft Action Minutes (Protest Hearing)
2. Draft Resolution No. 2023-15

LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY

DRAFT ACTION MINUTES
PROTEST HEARING FOR THE PROPOSED
"SCOTTS VALLEY WATER DISTRICT SPHERE ANNEXATION"
(LAFCO PROJECT NO. DA 22-13)

Date: Wednesday, June 2, 2023
Time: 9:00 a.m.

Location: Virtual Setting (Zoom Webinar)
Teleconference: 669-900-6833

The June 2, 2023 Protest Hearing is called to order by declaration of Joe Serrano, LAFCO Executive Officer.

CALL THE MEETING TO ORDER

Joe Serrano welcomed and thanked everyone for attending the protest hearing. The hearing is being conducted by LAFCO staff in accordance with the Commission's Protest Hearing Policy.

PUBLIC COMMENT

Joe Serrano opened the floor for public comments. There were no requests to address LAFCO on this agenda item.

SUMMARIZATION OF LAFCO RESOLUTION NO. 2023-08

Joe Serrano reviewed the terms and conditions outlined in the resolution approving the annexation. This resolution was adopted by the Commission on April 5, 2023 and the proposed annexation will be recorded once all the terms and conditions are fulfilled.

Mr. Serrano opened the floor for public comments. He indicated that no requests were made to speak on this agenda item.

ORAL OR WRITTEN PROTESTS, OBJECTIONS, OR EVIDENCE

Joe Serrano indicated that one of the conditions in the adopted resolution was to conduct a protest proceeding which would allow affected registered voters and landowners to voice their opposition to the annexation. If LAFCO receives less than 25% in opposition during the proceeding, then the approval of the annexation moves forward. If LAFCO receives between 25% to 50% in opposition, then the annexation requires a special election. If LAFCO receives more than 50% in opposition, then the annexation is terminated. Protest petition thresholds are based on the number of registered voters and the total assessed land value within the annexation area.

Mr. Serrano opened the floor for any oral or written protests. He indicated that no opposition was raised.

DETERMINATION OF THE VALUE OF WRITTEN PROTESTS

Joe Serrano informed the attendees that two petitions were submitted: one landowner petition and one registered voter petition. The landowner petition was determined to be valid, however, the registered voter petition was considered invalid because the individual was not identified in the County Election Department's registered voter list provided to LAFCO. Based on this outcome, the annexation will move forward.

Mr. Serrano opened the floor for public comments. He indicated that no requests were made to speak on this agenda item.

ADJOURNMENT

Joe Serrano indicated that the Commission will consider certifying the protest results by adopting a resolution during the next LAFCO Meeting. The next LAFCO meeting is scheduled for 9:00 a.m. on Wednesday, June 14, 2023.

____

YVETTE BROOKS, CHAIRPERSON

Attest:

____

Joe A. Serrano, Executive Officer

DRAFT

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2023-15

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION, ACTING AS THE CONDUCTING AUTHORITY, MAKING DETERMINATIONS ON THE VALUE OF WRITTEN PROTEST FOR THE TERRITORY DESIGNATED AS THE "SCOTTS VALLEY WATER DISTRICT SPHERE ANNEXATION" (LAFCO PROJECT NO. DA 22-13)

****

WHEREAS, on April 5, 2023, the Local Agency Formation Commission of Santa Cruz County ("LAFCO" or "Commission") held a public hearing to consider an application submitted by the Scotts Valley Water District ("SVWD") to annex 184 parcels in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.); and

WHEREAS, after conducting a public hearing and considering all evidence, both written and oral, LAFCO adopted Resolution No. 2023-08, approving the annexation; and

WHEREAS, a 30-day request for reconsideration period was held during April 6 to May 5, 2023, in accordance with Government Code Section 56895. LAFCO did not receive any requests to reconsider the Commission's approval during this period; and

WHEREAS, on May 1, 2023, LAFCO provided notice of the protest proceeding in accordance with Government Code Section 57025 and held during May 8 to June 2, 2023; and

WHEREAS, on June 2, 2023, LAFCO acting as the conducting authority, held a protest hearing to receive and consider any written protests filed.

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

Section 1. Valid written protests to the annexation in accordance with Government Code Section 57075(a)(2)(A) and (B) were not filed. Therefore, an election is not required.

Section 2. A majority written protest to the annexation in accordance with Government Code Section 57078 was not filed. In total, LAFCO received one valid petition from a landowner and one invalid petition from a registered voter during the protest period.

Section 3. The annexation, covering approximately 1,500 acres, is approved.

Section 4. The boundaries of the annexation are shown on Exhibits A and B.

Section 5. This action is taken pursuant to division 3, title 5 (commencing with Government Code Section 56000), known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Section 6. The terms and conditions of the annexation are set forth in LAFCO Resolution 2023-08, and incorporated by reference.

Section 7. The reasons for the annexation are those set forth in the analysis included in LAFCO's staff report which was presented during the April 5, 2023 Commission Meeting, hereby incorporated by reference.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 14th day of June 2023.

AYES:

NOES:

ABSTAIN:

____

YVETTE BROOKS, CHAIRPERSON

Attest:

____

Joe A. Serrano
Executive Officer

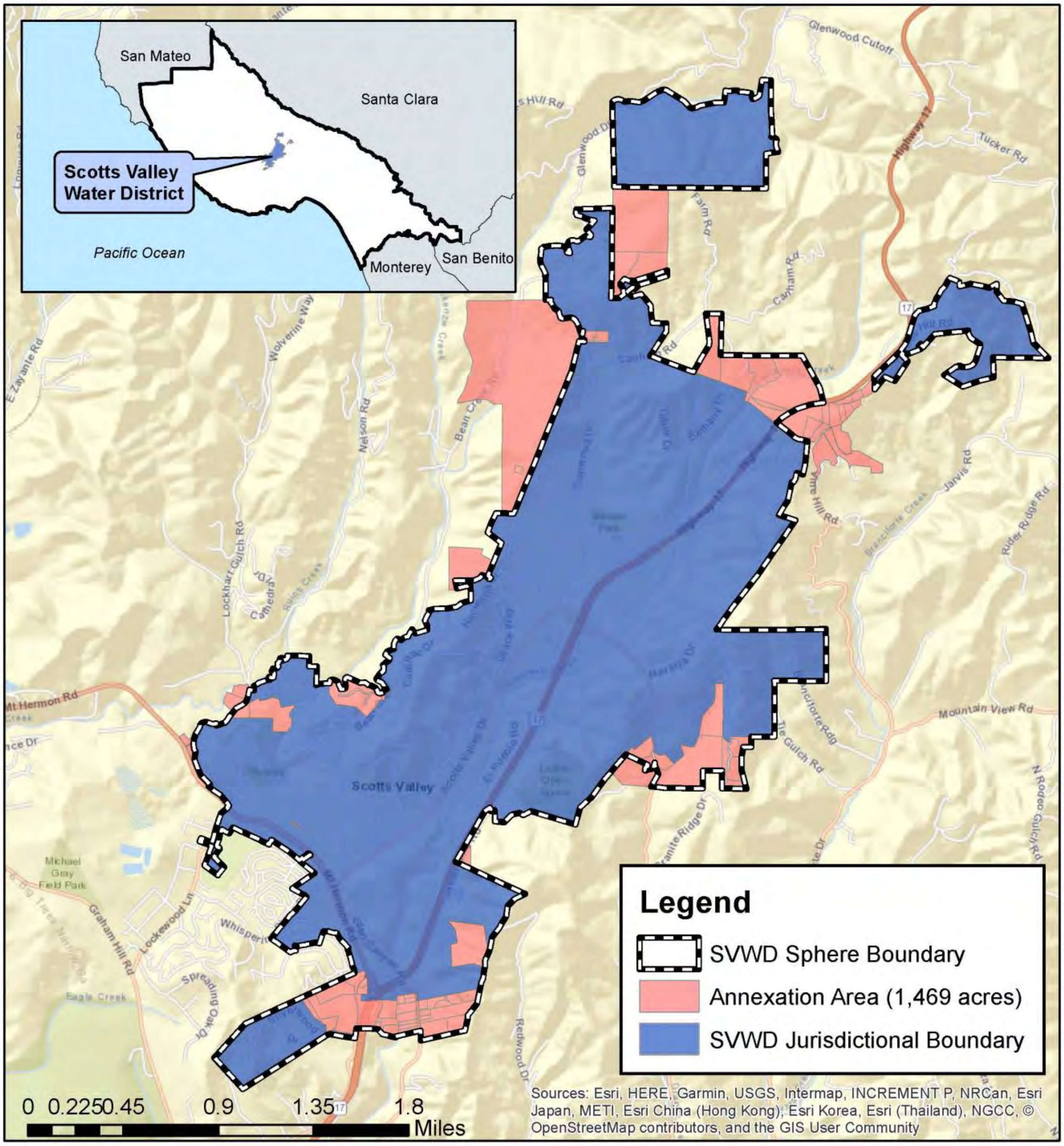
Approved as to form:

____

Joshua Nelson
LAFCO Counsel

DRAFT

EXHIBIT A: VICINITY MAP (PROPOSAL AREA)



N

S

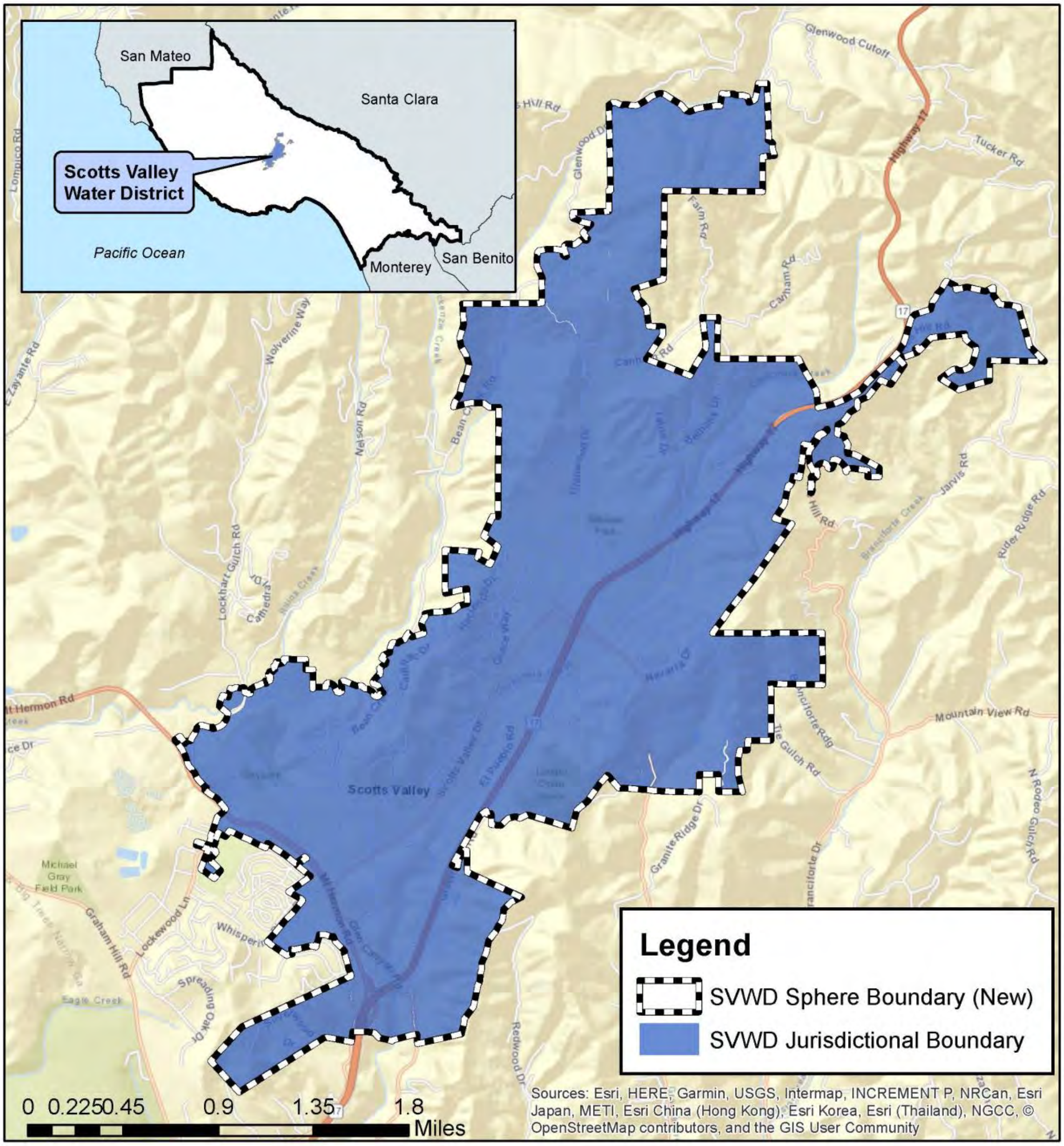
"Scotts Valley Water District Sphere Annexation" (LAFCO Project No. DA 22-13)

LAFCO

Map created on February 9, 2023

There are 184 parcels within the proposed annexation area. 81% of these parcels (149 out of 184) are within the District's sphere boundary. The remaining 35 parcels (19%) are outside the District's sphere but most of them are already being served by SVWD.

EXHIBIT B: VICINITY MAP (POST-ANNEXATION)



N
S

Scotts Valley Water District
Jurisdictional and Sphere Boundaries

LAFCO

Map created on March 9, 2023

Original sphere adopted on October 16, 1985
Sphere update on November 2, 2016
Sphere amendment on March 3, 2021
Sphere reaffirmed on August 3, 2022
Sphere amendment on April 5, 2023

Agenda Item No. 6b

LAFCO

Santa Cruz Local Agency Formation Commission

Date: June 14, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Special District Risk Management Authority Election Process

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SUMMARY OF RECOMMENDATION

The Special District Risk Management Authority ("SDRMA") provides workers compensation and other insurance coverage to public agencies in California, including LAFCO. SDRMA is governed by a seven-member board. Every two years, SDRMA conducts elections for its board of directors. Since LAFCO is a member agency, LAFCO is eligible to vote in this election.

It is recommended that the Commission adopt the draft resolution (No. 2023-16) electing up to three candidates for the SDRMA election.

EXECUTIVE OFFICER'S REPORT

SDRMA is a public agency formed under Government Code Section 6500 et seq. and provides a full-service risk management program for California's local governments. For over three decades, SDRMA has offered comprehensive coverage to over 600 public agencies, including LAFCO.

2023 Board of Directors Election

A total of four candidates are running for the three available seats on the SDRMA board:

- Jesse Claypool (Incumbent) – Honey Lake Valley Resource Conservation District;
- Sandy Seifert-Raffelson (Incumbent) – Herlong Public Utility District;
- Robert Swan (Incumbent) – Groveland Community Services District; and
- Acquanetta Warren – San Bernardino LAFCO

SDRMA's Election Committee provided LAFCO with election materials in May, including Candidate Statements (refer to **Attachment 1**). Based on the information provided, staff is recommending that the Commission elect Acquanetta Warren for one of the three available seats. The Commission may consider electing additional candidates or modify staff's recommendations.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. Election Material Packet
2. Draft Resolution No. 2023-16

SDRMA
Special District Risk Management Authority

1112 I Street, Suite 300
Sacramento, California 95814-2865
T 916.231.4141 or 800.537.7790 • F 916.231.4111

Maximizing Protection. Minimizing Risk. • www.sdrma.org

May 15, 2023

Mr. Joe Serrano
Executive Officer
Santa Cruz Local Agency Formation Commission
701 Ocean Street, Room 318-D
Santa Cruz, California 95060-4027

RE: Notification of Election Ballot – 2023 SDRMA Board of Directors Election

Dear Mr. Serrano,

The Special District Risk Management Authority (SDRMA) Board of Directors 2023 Election began in January, with the opening of nominations. On May 11, 2023, SDRMA's Election Committee reviewed the nomination documents submitted by the candidates in accordance with SDRMA's Policy No. 2022-06 Establishing Guidelines for Director Elections. The Election Committee confirmed that (4) candidates met the qualification requirements, and those names are included on the Official Election Ballot.

The Official Election Ballot Document Packet posted below this letter as an attachment in Memberplus includes:

- *Election Ballot Instructions*
- *Official Election Ballot (Action Required)*
- *Candidate's Statements of Qualifications (4)*

The signed Official (wet signature) Election Ballot **MUST** be sealed and received <u>by mail or hand delivery at SDRMA's office on or before 4:30 p.m. on Tuesday, August 8, 2023, to the address below.</u> Faxes or electronic transmissions are NOT acceptable.

Special District Risk Management Authority
Election Committee
1112 "I" Street, Suite 300
Sacramento, California 95814

<u>**Important Balloting and Election Dates**</u> – The balloting and election dates are as follows:

- **August 8, 2023**: Deadline for members to return the signed Official Election Ballot.
- **August 9-11, 2023**: Ballots are opened and counted.
- **August 10-11, 2023**: Election results are announced, and candidates notified.

- **November 1-2, 2023**: Newly elected Directors are invited to attend SDRMA board meeting (Sacramento).
- **January 2024:** Newly elected Directors are seated, and Board officer elections are held.

Please do not hesitate to contact SDRMA's Management Analyst Candice Richardson at crichardson@sdrma.org or 800-537-7790 if you have any questions regarding the election and balloting process.

Sincerely,
Special District Risk Management Authority

Candice Richardson
Management Analyst

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

2023 BOARD OF DIRECTORS ELECTION

OFFICIAL ELECTION BALLOT ATTACHED

This is an official election packet that contains items that require ACTION by your Agency's governing body for the selection of up to three (3) candidates to the SDRMA Board of Directors.

ELECTION PACKET ENCLOSURES

- ❒ Election Ballot Instructions
- ❒ Official Election Ballot (Action Required)
- ❒ Candidate's Statements of Qualifications (4)

SDRMA

SDRMA'S BOARD OF DIRECTORS
ELECTION BALLOT INSTRUCTIONS

Notification of nominations for three (3) seats on the Special District Risk Management Authority's (SDRMA's) Board of Directors was mailed to the membership in January 2023.

On May 11, 2023, SDRMA's Election Committee reviewed the nomination documents submitted by the candidates in accordance with SDRMA's Policy No. 2022-06 Establishing Guidelines for Director Elections. The Election Committee confirmed that (4) candidates met the qualification requirements, and those names are included on the Official Election Ballot.

The Official Election Ballot along with a Statement of Qualifications as submitted by each candidate is posted to the SDRMA MemberPlus portal along with these instructions. Election instructions are as follows:

1. The Official Election Ballot must be used to ensure the integrity of the balloting process.

2. Print a copy of this ballot, then select up to three (3) candidates. Your agency's governing body must approve the Official Election Ballot at a public meeting. **Ballots containing more than four (4) candidate selections will be considered invalid and not counted.**

3. The signed Official Election Ballot MUST be sealed and received by mail or hand delivery at SDRMA's office on or before 4:30 p.m. on Tuesday, August 8, 2023 to the address below. Faxes or electronic transmissions are NOT acceptable.

   Special District Risk Management Authority
   Election Committee
   1112 "I" Street, Suite 300
   Sacramento, California 95814

4. The four-year terms for newly elected Directors will begin on January 1, 2024, and terminate on December 31, 2027.

5. Important balloting and election dates are:
   - **August 8, 2023**: **Deadline for members to return the signed Official Election Ballot.**
   - **August 9-11, 2023**: Ballots are opened and counted.
   - **August 10-11, 2023**: Election results are announced, and candidates notified.
   - **November 1-2, 2023**: Newly elected Directors are invited to attend SDRMA board meeting (Sacramento).
   - **January 2024:** Newly elected Directors are seated, and Board officer elections are held.

Please do not hesitate to contact SDRMA's Management Analyst Candice Richardson at crichardson@sdrma.org or 800-537-7790 if you have any questions regarding the election and balloting process.

OFFICIAL 2023 ELECTION BALLOT
SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS

VOTE FOR ONLY THREE (3) CANDIDATES

Mark each selection directly onto the ballot, voting for no more than three (3) candidates. Each candidate may receive only one (1) vote per ballot. A ballot received with more than three (3) candidates selected will be considered invalid and not counted. All ballots must be sealed and received by mail or hand delivery at SDRMA on or before 4:30 p.m., Tuesday August 8, 2023. Faxes or electronic transmissions are NOT acceptable.

☐ **ROBERT SWAN** (INCUMBENT)
Director, Groveland Community Services District

☐ **ACQUANETTA WARREN**
Vice Chair, Local Agency Formation Commission for San Bernardino County

☐ **JESSE CLAYPOOL** (INCUMBENT)
Board Chair, Honey Lake Valley Resource Conservation District

☐ **SANDY SEIFERT-RAFFELSON** (INCUMBENT)
General Manager, Herlong Public Utility District

ADOPTED this ____ day of _____________, 2023 by the:

____

at a public meeting by the following votes:

AYES: _________

NOES: __________________

ABSTAIN: __________________

ABSENT: __________________

ATTEST: APPROVED:

_________________________ ____________________________

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Candidate* Bob Swan

District/Agency Groveland Community Services District (GCSD)

Work Address P.O. Box 350, Groveland CA 95321

Work Phone (209) 962-7131 Cell Phone (408) 398-4731

*The name or nickname and any designations (i.e. CPA, SDA, etc.) you enter here will be printed on the official ballot, exactly as submitted.

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

I have been a member of the SDRMA Board for two terms. I would like to be elected to a third term because:

1. As a board member of Groveland CSD, I am very aware of the great value that smaller districts get from their membership in SDRMA, and I'd like to continue to support the Authority's great member services.
2. While the organization continues to operate well, thanks to its experienced and motivated staff, we are once again going through a period of management change. I believe that Board continuity is particularly important at such a time.
3. The California re-insurance market continues to be challenging. I believe that my eight years of board experience will be helpful as we negotiate the potentially tricky economic future.
4. Personally, I feel that we have a very well-functioning and collegial Board, and I find it both challenging and enjoyable to be part of it.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

1. SDRMA Board: Member since 2016, presently Vice President. I am our representative on the CSDA Legislative Committee (and a member in my own right), and on the Alliance Executive Council.
2. Groveland CSD Board: Member since appointment in June 2013. I was Board President 2014-2018.
3. Member of Board of Southside Community Connections, which is a 501(c)(3) nonprofit in Groveland that provides transportation, educational, social and recreational services to seniors and differently-abled folks in the Groveland area. I was on this Board from 2018 through 2022, mostly as Treasurer.
4. Board Member (Treasurer) of Pine Cone Performers, a local community choral and acting group, since 2010.

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

What special skills, talents, or experience (including volunteer experience) do you have? (Response Required)

Background: BS Physics, MS Computer Science. 3 years in USAF. 30 years in the semiconductor industry as engineer, engineering manager, business unit director.

Skills, etc.: Very familiar with financial reports and cost accounting. Working knowledge of computer and communications technology. In my work life, I managed geographically distributed organizations with up to 150 technical personnel and up to $120 million in annual sales. I'm pretty good at helping groups work together to achieve consensus (or, failing that, acceptable compromise).

In recent years, most of my volunteer work has been in driving folks (who can't drive themselves) to medical appointments, shopping, and the like. This is one of the services of Southside Community Connections.

I'm also a pretty decent choral singer, but that's not relevant to this application.

What is your overall vision for SDRMA? (Response Required)

Our vision statement is "To be the exemplary public agency risk pool of choice for California special districts and other public agencies". To achieve this vision, I believe we must focus on:

(1) maintaining long-term financial stability, by ensuring that there is a fair allocation of cost versus risk across the membership, continuously evaluating the appropriate level of risk retention, and using creative ideas like our "captive" reinsurance agency to enhance our cash position.

(2) continue to expand our risk management training and assistance services. We have made significant improvements in this area by bring it internal to the Authority.

(3) continue to emphasize services to our core membership: small to mid-sized districts with limited options for insurance.

(4) ensure that SDRMA remains a desirable workplace, and maintain our highly-qualified and responsive staff.

Above all, remember that this is an insurance pool, owned by its member agencies, and maintain an overarching focus on member service and support. Make certain that we will be here for our members.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature Robert J Swan Date 4/11/2023

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Candidate* ACQUANETTA WARREN
District/Agency Local Agency Formation Commission (LAFCO) for San Bernardino County
Work Address 1170 W. Third Street, Unit 150, San Bernardino, CA 92415-0490
Work Phone (909)388-0480 Home Phone
*The name or nickname and any designations (i.e. CPA, SDA, etc.) you enter here will be printed on the official ballot, exactly as submitted.

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

As a City Mayor I have been fortunate to serve on regional boards that include special district representation: San Bernardino Countywide Oversight Board and Southern California Water Coalition's Board of Trustees. I realize that special districts, especially the smaller districts, are not included in the conversation for a variety of matters. Currently, I serve on San Bernardino LAFCO and the California Association of LAFCOs, which do have robust special district representation. I believe that my skills, experience, and understanding can contribute to SDRMA. Specifically, I want to contribute by developing programs that would help member agencies maximize their protection and minimize their risks.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

I currently serve as mayor for the City of Fontana. This is my fourth term, and my focus has been bolstering economic development, creating educational opportunities, improving public safety, and advocating for a healthier community. As mayor, I have been fortunate to serve on:

- San Bernardino LAFCO since 2014, serving currently as Vice Chair of the Commission. I am also a Board Member of the statewide organization of LAFCOs, CALAFCO, serving as Treasurer

- San Bernardino County Transportation Authority: Board of Directors, General Policy Committee, and Transit Committee

- San Bernardino County Racial Equity Committee for the San Bernardino Council of Governments

- San Bernardino Countywide Oversight Board

In addition, I am the current Chair for the Southern California Water Coalition's Board of Trustees as well as Co-Chair of its Task Force for Water Equity, Access, and Affordability.

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

What special skills, talents, or experience (including volunteer experience) do you have? (Response Required)

Aside from being Mayor for the City of Fontana, I am currently the District Director for the Second Supervisorial District for San Bernardino County and I coordinate district services and communications with constituents, I oversee community outreach efforts, as well as supervise district staff.

In addition to local-level involvement, I have served on the State Park Commission and as a trustee of the United States Conference of Mayors, an official non-partisan organization of cities in the United States with populations of 30,000 or more. I have also served in community organizations such as Water/Recycled Water Projects and Development Processing for New Communities, Casa Colina Rehabilitation Hospital Board of Directors, and the Upland YMCA Board of Directors.

What is your overall vision for SDRMA? (Response Required)

My vision for SDRMA is to ensure that it continues to be the best risk management agency, who will continue to listen and communicate with its member agencies. I would strive to make sure SDRMA continues to provide excellent service, provide educational and training programs that are beneficial to its member agencies, and offer more resources that add value to its members. Lastly, I want to make sure SDRMA operates in the highest ethical manner with complete transparency.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature ______________________ Date 4/25/2023

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Candidate* Jesse D. Claypool

District/Agency Honey Lake Valley Resource Conservation District

Work Address USDA Service Center 170 Russell Avenue, Suite C, Susanville, CA 96130

Work Phone 530-257-7271 Cell Phone 530-310-0232

*The name or nickname and any designations (i.e. CPA, SDA, etc.) you enter here will be printed on the official ballot, exactly as submitted.

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

My interest for being on the SDRMA Board of Directors is because I believe it is imperative for there to be a knowledgeable and experienced voice on the Board with the perspective of the small to mid-size special district. In addition, I am eager to continue working with SDRMA staff and fellow Board members, providing relevant and affordable solutions, available to all special districts.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

The vast amount of understanding and experience that I've gained as a current member of the SDRMA Board of Directors will undoubtedly aide as I continually strive to be an increasingly effective member of the SDRMA Board of Directors going forward.

In addition to being a current SDRMA Board member, I am currently Chairman of the Board for the Honey Lake Valley Resource Conversation District and a board member of a Regional Water Managment Group. Previously I have served on the following, Lassen County's Civil Grand Jury, two terms, CSDA Professional Development committee, two terms, Janesville Union School District trustee, Technical Advisory Committee for the prevention of violence against schools K-12, two terms, and CSDA Member Services committee, two terms.

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

What special skills, talents, or experience (including volunteer experience) do you have? (Response Required)

I have attended various board member trainings and completed leadership and governance classes, including the following; CSDA's Extraordinary Leadership Training and CSDA's Special District Leadership Academy. I have received CSDA's Recognition in Special District Governance certificate and successfully completed Executive Education in Public Policy at University of Southern California, Sol Price School of Public Policy.

What is your overall vision for SDRMA? (Response Required)

My continued vision for SDRMA is to be effective within the communities they serve. With focused attention to affordable solutions, administered by a team of highly dedicated professional staff, SDRMA will continue to be an industry leader providing affordable solutions to its members.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature ____________ Date 4/20/2023

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Candidate* Sandy Seifert-Raffelson

District/Agency Herlong Public Utility District

Work Address P O Box 115, Herlong CA 96113

Work Phone (530)827-3150 Cell Phone (530)310-4320

*The name or nickname and any designations (i.e. CPA, SDA, etc.) you enter here will be printed on the official ballot, exactly as submitted.

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

I am a current Board member of SDRMA and feel that I have added my financial and general manager background to make a better-informed decision for SDRMA members. As a Board member, I continue to Improve my education of insurance issues and look forward to representing small District's and Northen California as a voice on the SDRMA Board. I feel I am an asset to the Board with my degree in Business and my 35 plus years' experience in accounting and special districts.

I understand the challenges that small District face every day when it comes to managing liability insurance, worker's compensation and health insurance for a few employees with limited revenue and staff. My experience in small districts give me an appreciation of the importance of risk management services and programs, especially for smaller District that lack expertise within.

I feel I am an asset to this Board, and would love a chance to stay on 4 more years!

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

While serving on the SDRMA Board, I have been privilege to be Secretary of the Board, Vice-President and currently President. I have served on CSDA's Audit and Financial committee's for several year; I have served on the SDLF Board and current President; Northeastern Rual Health Clinic Board; Fair Board; School and Church boards; 4-H Council and leader for 18 years; and UC Davis Equine Board. In the past 30 years, I have learn that there is no "I" in Board and it can be very rewarding to part of a team that makes a difference for others.

As part of my many duties working for Herlong PUD, I worked to form the District and was directly involved with LAFCo, Lassen County Board of Supervisors and County Clerk to establish the initial Board of Directors and first policies for HPUD. I have administered the financial portion of 2 large capital improvement projects with USDA as well as worked on the first ever successful water utility privatization project with the US Army and department of Defense. I am currently in the middle of a 14 million infrastructure project with SRF monies. I am also the primary administrator of two federal contract for utility services.

Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications

What special skills, talents, or experience (including volunteer experience) do you have? (Response Required)

I have my Bachelor's Degree in Business with a minor in Sociology. I have audit small districts and worked for a small district for almost 18 years. I am a good communicator and organizer. I have served on several Boards and feel I work well within groups or special committee. I am willing to go that extra mile to see things get completed.

I believe in recognition for jobs well done. I encourage incentive programs that get members motivated to participate and strive to do their very best to keep all losses at a minimum and reward those with no losses.

With HPUD and with SDRMA both boards and employees have worked hard to receive their District of Distinction and their District of Transparency.

I feel I am a good leader with people skills that can accomplish what is necessary to keep a District or JPA moving forward.

What is your overall vision for SDRMA? (Response Required)

SDRMA Staff and Board work together to bring Special Districts affordable insurance for the pool they serve. By listenting to the needs of all California Special Districts and meeting those needs at a reasonable price that Special Districts can afford. I would continue advocating for these continued efforts and rewarding continue education for all Districts and employees.

I see SDRMA pool continuing for centuries and serving those needs.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature Sandy Seifert-Raffelson Date 4/17/2023

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2023-16

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

RESOLUTION OF THE GOVERNING BODY OF THE
LOCAL AGENCY FORMATION COMMISSION FOR THE ELECTION OF DIRECTORS
TO THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY BOARD OF
DIRECTORS

****

WHEREAS, the Special District Risk Management Authority (SDRMA) is a Joint Powers Authority formed under California Government Code Section 6500 et seq., for the purpose of providing risk management and risk financing to California special districts and other local government agencies, and

WHEREAS, SDRMA's Sixth Amended and Restated Joint Powers Agreement specifies SDRMA shall be governed by a seven member Board of Directors nominated and elected from the members who have executed the current operative agreement and are participating in a joint protection program; and

WHEREAS, SDRMA's Sixth Amended and Restated Joint Powers Agreement Article 7 – Board of Directors specifies that the procedures for director elections shall be established by SDRMA's Board of Directors; and

WHEREAS, SDRMA's Board of Directors approved Policy No. 2017-10 Establishing Guidelines for Director Elections specifies director qualifications, terms of office and election requirements, and

WHEREAS, Policy No. 2017-10 specifies that member agencies desiring to participate in the balloting and election of candidates to serve on SDRMA's Board of Directors must be made by resolution adopted by the member agency's governing body.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the Local Agency Formation Commission of Santa Cruz County selects Acquanetta Warren to serve as Directors on the SDRMA Board of Directors.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 14th day of June 2023.

AYES:

NOES:

ABSTAIN:

YVETTE BROOKS, CHAIRPERSON

Attest:

Joe A. Serrano
Executive Officer

Approved as to form:

Joshua Nelson
LAFCO Counsel

DRAFT

Agenda Item No. 6c

Santa Cruz Local Agency Formation Commission

Date: June 14, 2023
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Professional Services Agreements – Payroll Services

SUMMARY OF RECOMMENDATION

Since July 1, 2001, Santa Cruz LAFCO has operated as an independent agency pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.). LAFCO is responsible for its own operations, adoption of its own budget, and arranging for its own staffing and support services. For over two decades, LAFCO has relied on the County to provide payroll and accounts payable services. This report will summarize the proposed agreement with the County to continue receiving such accounting services.

It is recommended that the Commission adopt the draft contractual agreement between LAFCO and the County of Santa Cruz for payroll and accounts payable services.

EXECUTIVE OFFICER'S REPORT:

LAFCO is jointly funded by the County, the cities, and the independent special districts of Santa Cruz County. Prior to the statutory change in 2001, the County provided various administrative and operational services to LAFCO. It was mutually agreed that both LAFCO and the County continue the working relationship post-independence to ensure operational services, such as payroll and accounts payable services, remained uninterrupted. However, this agreement was never formally placed in writing. In May, LAFCO received a draft contractual agreement that formally recognizes the accounting services already being provided by the County's Auditor-Controller's Office. LAFCO staff is recommending that the Commission adopt the contractual agreement with the County to continue receiving payroll and accounts payable services.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachment:
1. Contractual Agreement for Payroll and Accounts Payable Services

INDEPENDENT CONTRACTOR AGREEMENT

This Contract, which is effective on the date it is fully executed, is between LAFCO, hereinafter called DISTRICT, and the COUNTY OF SANTA, hereinafter called COUNTY.

WITNESSETH

WHEREAS, the COUNTY is able to furnish, and the DISTRICT wishes to receive and purchase, accounts payable and payroll services as set forth below;

NOW, THEREFORE, in consideration of the policies, covenants and obligations of the parties as set forth herein, the parties agree as follows:

1. PAYROLL-RELATED DUTIES OF COUNTY. COUNTY shall maintain the level of payroll-related service provided to DISTRICT as of the date of execution of this Contract, which shall include the following:

COUNTY will maintain a payroll system in conformance with State and federal laws and regulations and CalPERS requirements and exercise special skill to accomplish the following results for DISTRICT during the term of this Contract with regard to DISTRICT'S payroll:

A. Process DISTRICT'S bi-weekly payroll for approximately **two (2)** employees, all of whom have wages computed hourly and must be reported by DISTRICT in accordance with COUNTY published payroll processing calendar.

B. Deduct amounts from employee payroll and submit those payments as appropriate on behalf of DISTRICT or the employee, including but not limited to the following: various insurance deductions, garnishments, retirement, direct deposit to banks, deferred compensation, Medicare, and credit unions.

C. Provide for timekeeper data entry and retrieval of attendance information, which shall include corrections and balancing by either:

i. hard copy via mail or courier; or

ii. electronically via computer connected to COUNTY'S database.

D. Provide each payee with an Earnings, Deductions & Leave statement which shows, at a minimum, the following:

i. current earnings by hours and amount, current taxes and other deductions by amount;

ii. year-to-date earnings, taxes and other deductions;

iii. current balances for sick, annual, personal, administrative leave and floating holidays.

E. Provide for direct deposit to financial institutions both for saving and/or checking accounts. (DISTRICT employees must agree to be paid via direct deposit.) The official pay day is the Friday after the end of the two-week pay period as posted by COUNTY. COUNTY will strive to provide funds early to financial institutions that choose to post and make available to employees their payroll funds on Thursday (Wednesday if Thursday is a holiday).

F. File all federal and State payroll taxes within prescribed time limits.

G. Deduct for Medicare from employees hired after April 1, 1985, and for FICA as necessary.

H. DISTRICT employees covered by the Public Employees' Retirement System (PERS), COUNTY will process all retirement deductions in accordance with DISTRICT's contract with PERS including:

   i. Deductions on first 80 hours only (not to include overtime). The DISTRICT shall provide COUNTY a copy of its contract with PERS;

   ii. Payment for the monthly CalPERS Unfunded Accrued Liability; and

   iii. Payment for the monthly CalPERS medical benefits invoice.

I. Interface with COUNTY financial system and provide journal entries for posting to general ledger within five (5) workdays of payday.

J. Provide reports with the following information and frequency shown in parentheses:

   i. By employee, usage and balance-available reports on compensatory time, sick leave, annual leave, administrative leave, personal leave, floating holidays, overtime reports, leave usage, hours and liability for leave reports (payday).

   ii. Payroll history by employee made available by payday.

   a. Master File

   b. Earnings History

   iii. Hours and earnings (payday).

   iv. Deductions (payday).

   v. Audit report (payday).

   vi. Last rate of pay increase, by employee amount and date (monthly).

   vii. Payroll register (payday).

K. Generate new reports as required and provide direct access to the database for retrieval of information as required. (If an additional charge for a report is required by DISTRICT, COUNTY will notify DISTRICT in advance so that DISTRICT may approve charges.)

L. Account for taxable, non-cash fringe benefits as reported to COUNTY by DISTRICT.

M. Issue W-2s and quarterly reports; provide, upon request, duplicate W-2s.

N. Provide information needed for special project reports subject to an hourly billing charge if COUNTY deems applicable.

O. Provide services to DISTRICT as a payroll processing vendor, in no way taking responsibility for the correctness, accuracy, or status of taxability of the data provided by DISTRICT. In the event data is determined to be incorrect by an outside agency such as IRS, CALPERS or others, DISTRICT takes full responsibility for penalties, interest or additional charges incurred to correct errors including those for reissuance of employee or the DISTRICT IRS tax forms.

2. **PAYROLL-RELATED DUTIES OF DISTRICT.** DISTRICT agrees to conform its payroll schedule to that of COUNTY and to not arrange for any additional types of pay or employee compensation without consulting and receiving agreement from COUNTY to determine the feasibility of COUNTY to make those payments timely. DISTRICT also agrees during the term of this Contract to perform the following functions and duties with regard to DISTRICT'S payroll:

A. The DISTRICT shall deposit in advance with COUNTY such funds as are necessary to process and make payment of required payroll.

B. The DISTRICT shall provide COUNTY accurate documentation of hours worked by each employee in advance of payday in accordance with COUNTY payroll processing schedule and in a format as required by COUNTY.

3. **ACCOUNTS PAYABLE-RELATED DUTIES OF COUNTY.** COUNTY shall maintain the level of accounts payable-related service provided to the DISTRICT as of the date of execution of this Contract, which shall include the following:

COUNTY will maintain a financial accounting system and exercise special skill to accomplish the following results for the DISTRICT during the term of this Contract with regard to DISTRICT'S accounts payable:

A. Grant DISTRICT access to COUNTY'S financial accounting system, where DISTRICT staff will enter accounts payable transactions on behalf of the DISTRICT.

OR

Enter accounts payable transactions into COUNTY'S financial accounting system on behalf of DISTRICT, with proper supporting documentation provided by DISTRICT.

B. Set up vendors for payment in COUNTY'S financial accounting system as needed, with proper supporting documentation such as W-9 forms provided by DISTRICT.

C. Issue warrant or EFT payments to vendors on behalf of DISTRICT;

D. Issue 1099s to vendors on behalf of DISTRICT, in accordance with IRS guidelines;

E. Provide services to DISTRICT as an accounts payable processing vendor, in no way taking responsibility for the correctness, accuracy, or status of taxability of the data provided by DISTRICT. In the event data is determined to be incorrect by an outside agency such as IRS or others, DISTRICT takes full responsibility for penalties, interest or additional charges incurred to correct errors including those for reissuance of 1099s.

4. **ACCOUNTS PAYABLE-RELATED DUTIES OF THE DISTRICT.** The DISTRICT agrees during the term of this Contract to perform the following functions and duties with regard to DISTRICT'S accounts payable:

A. DISTRICT shall deposit in advance with COUNTY such funds as are necessary to process and make payment of required accounts payable.

B. DISTRICT shall attach accurate documentation to support vendor payments in COUNTY'S financial accounting system

OR

DISTRICT shall provide requests for payments to vendors to COUNTY in the format as required by COUNTY.

5. **COMPENSATION.** In consideration for COUNTY accomplishing said results with regards to DISTRICT'S payroll and accounts payable:

A. DISTRICT agrees to pay COUNTY for payroll services rendered as follows:

i. $7.36 per pay period per employee for direct deposit of bi-weekly wages for fiscal year 2023-2024 services and an adjustment for each subsequent year based upon Payroll Division costs including overhead and employment demographics of DISTRICT, and;

ii. Up to $10,000 for initial set up services or system modification requested by DISTRICT including Information Services Department (ISD) programming of the County Payroll system and Auditor-Controller payroll division staff time. Charges will be calculated based upon COUNTY employee documented hours and direct ISD billings. COUNTY will charge the DISTRICT for these services at a current rate of $100 per hour. COUNTY will notify DISTRICT in advance so that DISTRICT may approve charges.

B. DISTRICT agrees to pay COUNTY for accounts-payable services rendered as follows:

   i. $6.60 per check/EFT issued on behalf of DISTRICT for fiscal year 2023-2024, with an adjustment for each subsequent year to be calculated based upon Claims (Accounts Payable) division costs, including overhead.

C. COUNTY agrees to submit an annual invoice for total payroll and accounts payable services provided.

6. **TERM.** The term of this Contract shall be: the date of execution through June 30, 2024. If this Contract is placed on the County's Continuing Agreement List before the Contract term expires, the parties agree to extend the terms and conditions of the Contract as set forth herein, and as reflected in any executed amendment hereto, until the Contract is thereafter terminated.

7. **EARLY TERMINATION.** Either party hereto may terminate this Contract as of June 30 of any year by giving one hundred twenty (120) days' written notice to the other party.

8. **MODIFICATION OF CONTRACT.** The fees, terms or conditions of this Contract may be modified in writing with the consent of the parties. No amendment to this Contract shall be effective unless it is in writing and signed by duly authorized representative of both parties.

9. **OBLIGATIONS UPON TERMINATION.** Upon termination of this Contract, a final accounting shall be made of the fees payable to the COUNTY and any funds belonging to the DISTRICT in the possession of COUNTY and any balance due either party shall be promptly paid by the debtor party.

10. **RECORDS.** All records, reports and material pertaining to DISTRICT payroll subject to this Contract shall be the property of DISTRICT and shall be available to DISTRICT.

11. **INDEMNIFICATION FOR DAMAGES, TAXES AND CONTRIBUTIONS.** To the fullest extent allowed by law, each of the Parties will indemnify, hold harmless and defend the other party and its directors, officers, employees and agents (collectively, "Indemnitees") against all liability, claims, suits, actions, costs or expenses under or in connection with any work or authority delegated to such party under this Contract. Neither party, nor any director, officer, employee, or agent thereof, shall be responsible for any damage or liability occurring by reason of the negligent acts or omissions or willful misconduct of the other party hereto, under or in connection with any work or authority delegated to such other party under this Contract. This indemnification will survive termination or expiration of this Contract.

12. **NONASSIGNMENT.** Neither party shall assign this Contract or any part hereof without the written consent of the other party. This provision is not intended to restrict

the COUNTY from engaging personnel, as COUNTY deems reasonably advisable.

13. **INDEPENDENT CONTRACTOR.** While performing service hereunder, the COUNTY shall be an independent contractor and not an agent, officer, or employee of the DISTRICT.

12. **PRESENTATION OF CLAIMS.** Presentation and processing of any or all claims arising out of or related to this Contract shall be made in accordance with the provisions contained in Chapter 1.05 of the Santa Cruz County Code, which by this reference is incorporated herein.

13. **ATTACHMENTS.** Should a conflict arise between the language in the body of this Contract and any attachment to this Contract, the language in the body of this Contract controls. This Contract includes the following attachments:

    Attachments included: None.

14. **AUTHORITY.** Each party has full power and authority to enter into and perform this Contract, and the person signing this Contract on behalf of each has been properly authorized and empowered to enter into this Contract. Each party further acknowledges that it has read this Contract, understands it, and agrees to be bound by it.

15. **MISCELLANEOUS.** This written Contract, along with any attachments, is the full and complete integration of the parties' agreement forming the basis for this Contract. The parties agree that this written Contract supersedes any previous written or oral Contracts between the parties, and any modifications to this Contract must be made in a written document signed by all parties. The unenforceability, invalidity or illegality of any provision(s) of this Contract shall not render the other provisions unenforceable, invalid or illegal. Waiver by any party of any portion of this Contract shall not constitute a waiver of any other portion thereof. Any arbitration, mediation, or litigation arising out of this Contract shall occur only in the County of Santa Cruz, notwithstanding the fact that one of the contracting parties may reside outside of the County of Santa Cruz. This Contract shall be governed by, and interpreted in accordance with, California law.

END OF PAGE
SEE SIGNATURE PAGE BELOW

SIGNATURE PAGE

INDEPENDENT CONTRACTOR AGREEMENT

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first above written.

2. SANTA CRUZ LAFCO

By: ________________________________
SIGNED

____
PRINTED

Company Name:

Address: __________________

_ _____________

Telephone: ____________________________

Fax: ____________________________

Email: ____________________________

4. COUNTY OF SANTA CRUZ

By: ____________________________
SIGNED

PRINTED____________________________

3. APPROVED AS TO INSURANCE:

____
Risk Management

1. APPROVED AS TO FORM:

____
Office of the County Counsel

Agenda Item No. 8a

Santa Cruz Local Agency Formation Commission

Date: June 14, 2023
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: "La Jolla Wants to Become Its Own City": The article, dated April 27, explains the reasons why a community in San Diego County wants to become its own city. The community of La Jolla is currently located within the City of San Diego and would require detachment from the city as part of the incorporation effort. The last city incorporation was the City of Jurupa Valley (Riverside County) in 2011.

Article #2: "Scotts Valley Water District to replace failing well": The article, dated April 28, indicates that the Scotts Valley Water District will replace an old and failing well. All new wells are constructed with stainless steel, and the raw water drawn from underground is run through a treatment plant that removes particles, ensuring that there are no health risks to the end users. At present, the District has five active wells with one in reserve.

Article #3: "Watsonville residents' input wanted on housing plans": The article, dated April 28, states that the City of Watsonville is soliciting input from residents regarding their future housing plans. This outreach effort will assist the City as they identify and outline areas for potential new housing and land use designations within their latest general plan update.

Article #4: "San Lorenzo Valley Water District kicks off pipeline replacement effort": The article, dated May 1, notes that the San Lorenzo Valley Water District has begun restoring infrastructure that was destroyed during the 2020 CZU Lightning Complex fires. The effort is expected to restore 5-miles of pipeline. The District is also scheduled to remove hazardous trees to reconstruct the damaged pipeline.

Article #5: “Township of Tuolumne debates proposed merger of special districts”: The article, dated May 2, highlights the ongoing effort to explore governance options between two districts in Tuolumne County. The Tuolumne Park and Recreation District and the Tuolumne City Sanitary District have discussed the concept of merging to form a new single entity. An application for this type of reorganization would require LAFCO approval.

Article #6: “College Lake work kicks off”: The article, dated May 4, indicates that the Pajaro Valley Water Management Agency has begun the College Lake Integrated Resources Management Project, which includes a six-mile pipeline project that will transport treated water from the College Lake facility to more than 5,000 acres of farmland. The project will also improve fish passage and bypass flows for endangered species. The Reclamation District No. 2049, which is currently responsible for annual drainage of College Lake, is scheduled to be dissolved in late-2023/early-2024.

Article #7: “Santa Cruz receives $128 million EPA loan for water infrastructure”: The article, dated May 17, indicates that the City of Santa Cruz was officially approved for a $127.7 million loan from the U.S. Environmental Protection Agency that will be used to upgrade the City’s water infrastructure. The City plans to complete various improvements projects, including upgrades to the Graham Hill Water Treatment Plant facilities and the Newell Creek Pipeline.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. “La Jolla Wants to Become Its Own City”
2. “Scotts Valley Water District to replace failing well”
3. “Watsonville residents’ input wanted on housing plans”
4. “San Lorenzo Valley Water District kicks off pipeline replacement effort”
5. “Township of Tuolumne debates proposed merger of special districts”
6. “College Lake work kicks off”
7. “Santa Cruz receives $128 million EPA loan for water infrastructure”

californiacitynews.org

La Jolla Wants to Become Its Own City

3–4 minutes

Main menu

Thu, 04/27/2023

The community of La Jolla could become San Diego County's newest incorporated city.

The Association for the City of La Jolla is in the process of conducting a fiscal analysis and gathering data from the City of San Diego – the first step. The association would need support from 25% of La Jolla residents to sustain the effort. Residents in San Diego would then have to vote.

The application process would be handled by San Diego's Local Agency Formation Commission (LAFCO), which would conduct a financial assessment of its own. The entire process could take a few years.

The cities of Del Mar (San Diego) and Malibu (Los Angeles) have been helping the association navigate the process. Del Mar incorporated in 1959 and Malibu became its own city in 1991.

"The mission is to detach from the City of San Diego and provide a self-governance here in La Jolla that ultimately will uplift the entire region," President of the Association for the City of La Jolla Trace Wilson told Fox 5. "I think the city of San Diego is stretched thin and we are just one of the communities that actually can afford ourselves and help."

A proposed map for the City of La Jolla includes areas west of Interstate 5, from Torrey Pines State Park to Tourmaline Beach. The map does not include the University of California San Diego.

La Jolla is an affluent, seaside community just north of downtown San Diego. The current population is around 40,000.

pressbanner.com

Scotts Valley Water District to replace failing well - Press Banner | Scotts Valley, CA

By: Christina Wise

5–6 minutes

Scotts Valley residents will be sippin' on some fresh new water by the beginning of 2024 thanks to a plan to replace an existing well in May.

The old 3B Well is on the decline operationally, and the Scotts Valley Water District (SVWD) is preparing to dig out the failing well and install a new one to better serve their ratepayers. SVWD General Manager David McNair says he's ready to bring some clarity to the process.

While the existing well did its job when it was first installed, the well is in decline due to the way it was constructed. Corrosion issues have drastically decreased the amount of water drawn from it, and McNair says they have had similar issues with other wells that have been replaced.

"Old wells were constructed of mild steel with stainless steel screens which created an electrolysis reaction that accelerated corrosion," McNair said.

All new wells are constructed with stainless steel, and the raw water drawn from underground is run through a treatment plant that removes particles, ensuring that there are no health risks to the end users.

The Scotts Valley Water District has a series of five active wells with one in reserve, and three of them draw from the higher aquifer within the district's borders.

The new well, along with the existing Orchard Run Well, draws from Lompico and the deeper aquifer called the Butano, which is part of the Santa Margarita Groundwater Agency (SMGWA). (While the current 3B Well reaches a depth of 1,700 feet, the new Sucinto Well will venture 1,500 feet underground.)

That deeper aquifer holds a lot of water, so McNair's team is trying to balance where the water is drawn from.

"This well is shallower than the one that's being replaced, which is still very deep. Water from the Butano Well is challenging water to treat and requires filtration through a carbon filter system. With the gas being stripped by the carbon filter, it makes using that water more challenging, although it is a very reliable and abundant source," McNair said.

While the SMGWA is a shared water source for multiple agencies, no one else from the region pumps from that aquifer.

McNair said the depth of local aquifers determines when and where wells are placed. With existing well depths ranging from 460 feet to 1,700 feet, the Butano Well will draw from a different layer of the aquifer.

In terms of impact to residents, McNair said a mailer went out to a few hundred customers within the project site, warning them to prepare for periods of 24-hour noise.

"When you're drilling, there is always a period where you have to keep drilling until you're done," explained McNair. "Wells can collapse around drilling equipment, so we need to get to the bottom and get the casing in, and do it in one fell swoop."

McNair said there will be a period of three to four weeks where 24-hour drilling will be the norm, but the district is undertaking precautions to mitigate the impact on local residents. "We will have a sizeable sound wall installed before the work starts. Our staff are asking anyone impacted by the work to contact us if the noise is unbearable."

McNair said most of the affected houses are fairly spread out with only a few that are close to the drilling site.

“We’ve learned that most people prefer not to leave their homes, but we will look at all potential options to reduce the negative impact of the work on our ratepayers,” he said.

In terms of the duration of work, drilling is just one part of it, and that will encompass the 24-hour cycle.

“Actual construction of the well and the pump testing will be done during daylight hours and will hopefully have a marginal impact on residents. The entire process is set to take eight to 10 months,” McNair said.

SVWD customers won’t need to worry about a loss of water during the well installation, as the district uses its established intertie system with San Lorenzo Valley Water District to supplement water needs in emergency situations. Those same customers also won’t see a rise in their monthly bill since the project was identified during the last rate hearing.

With a price tag of nearly $1.7 million, it’s all for the betterment of the district.

McNair said he’s excited to finally get this project done. “It will result in a great benefit for our customers and the district, and it should last for a long time.”

Christina Wise

Christina Wise covers politics, education, art & culture, and housing issues. She has a degree in Communication from San Diego State University, and has lived in the San Lorenzo Valley since 1996. She's a community advocate and a mother of two.

santacruzlocal.org

Watsonville residents’ input wanted on housing plans

Tyler Maldonado

7–8 minutes

Watsonville city leaders are seeking residents’ input on how the city should change over the next few decades, including where to build more than 2,000 homes in the city in the next nine years. (Stephen Baxter — Santa Cruz Local file)

WATSONVILLE >> Watsonville city leaders are seeking residents’ input on how the city should change over the next few decades, including where to build more than 2,000 homes in the city in the next nine years.

As part of Watsonville’s General Plan update, a May 3 online meeting is expected to outline areas for potential new housing and changes in land use, transportation, infrastructure and city services such as parks, fire and police.

“The General Plan establishes the community’s vision of what it wants to become and how it will be achieved through policy goals and objectives," said Justin Meeks, the city's principal planner for the update.

The update, called Watsonville General Plan 2050, is expected to be formed in the next three years. One of the main tasks of the update this spring will be to identify sites for possible housing development. The update will be written as the city also completes its 6th Housing Element cycle — another part of the General Plan in which it must plan for 2,053 new homes by 2032, including 469 affordable units.

The city's engagement efforts include public workshops, stakeholder interviews, pop-up events in areas such as Ramsay Park and the Watsonville farmers market and online surveys in Spanish and English. An online workshop will take place on Zoom 5:30-7:30 p.m. May 3.

General Plan background

State law for decades has required cities to update their General Plan to guide growth and development. There are several "elements" of the plan, according to city documents:

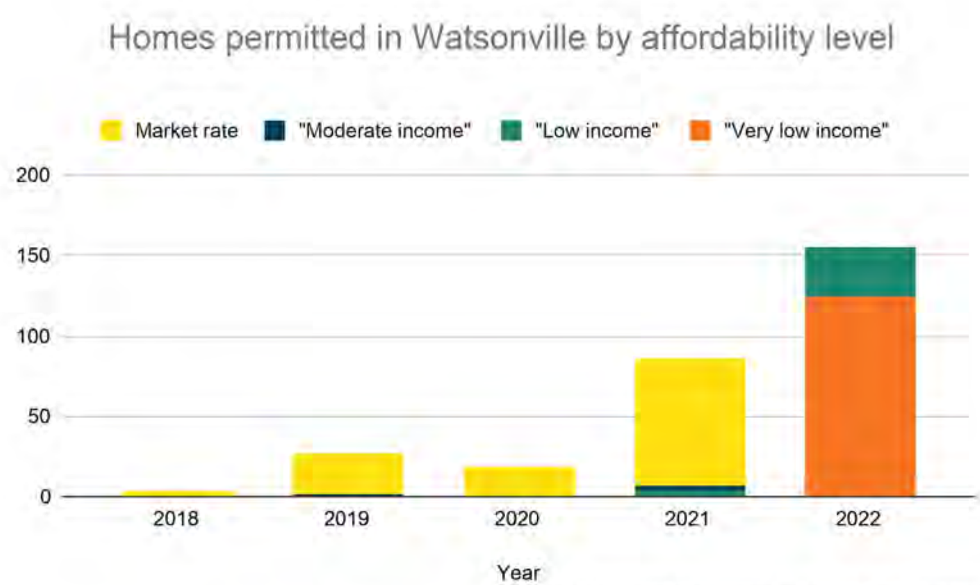
- Housing.
- Climate action and adaptation.
- Land use and community design.
- Economic development.
- Transportation, connectivity and access.
- Public services and infrastructure.
- Airport land use.
- Public safety.
- Environmental resource management.
- Environmental justice.
- Recreation, parks and open space.
- Historic resources.

The 2050 plan is expected to be built from the skeleton of the

Watsonville Vista 2030 plan that was adopted in 2006. The 2030 plan was rescinded in 2014 after lawsuits led by the Watsonville Pilots Association and Friends of Buena Vista challenged potential building heights near the Watsonville Municipal Airport and other development-related concerns.

The Watsonville General Plan 2050 is expected to exclude consideration of housing in the Buena Vista area near the Watsonville airport, according to the city webpage.

Watsonville in recent years has built many homes but like many cities has not met state targets outlined by the Regional Housing Needs Allocation. In 2022, Watsonville issued permits for 155 affordable housing units including 125 deed-restricted "very-low income" affordable units, according to the city's Housing Element annual progress report. The total includes 30 permits for in-law units.



(Kara Meyberg Guzman — Santa Cruz Local)

Watsonville needs to issue 243 more housing permits by the end of this year to meet state targets for housing production.

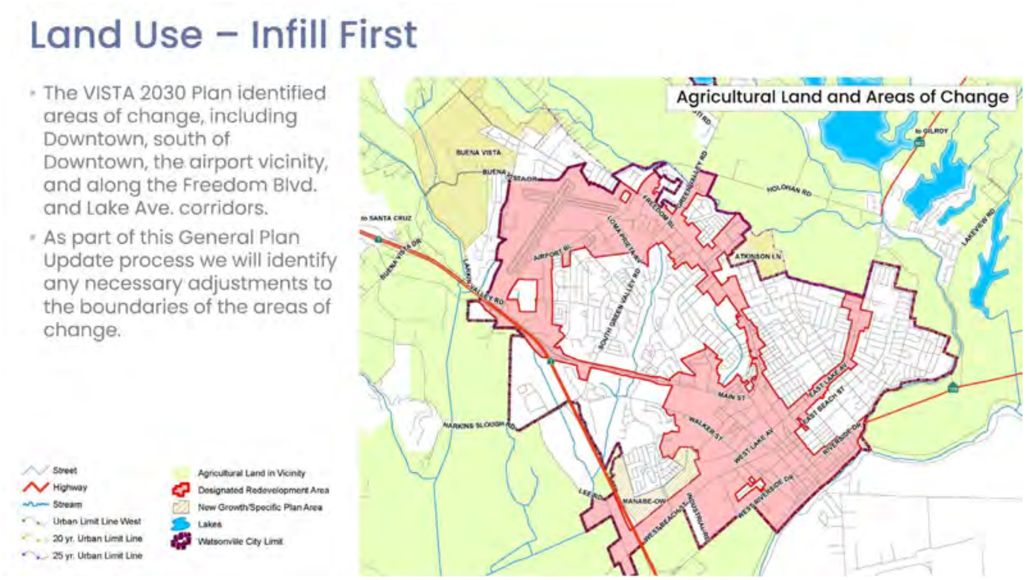
New housing potential

On March 29, a community advisory committee on the General Plan met to develop strategies to get residents' input on future development in Watsonville. The committee included residents and leaders from the city, nonprofit groups and businesses. Committee meetings are open to the public.

City staff said they wanted to prioritize “infill first” within the city limits for the next housing cycle. Infill development essentially means redevelopment of existing properties, rather than building on raw land.

City staff highlighted some potential areas for infill development in Downtown, south of Downtown, around the airport and along Freedom Boulevard and East and West Lake avenues.

“What you look at housing sites, the low-hanging fruit is existing lots zoned for residential,” Meeks said in an interview.

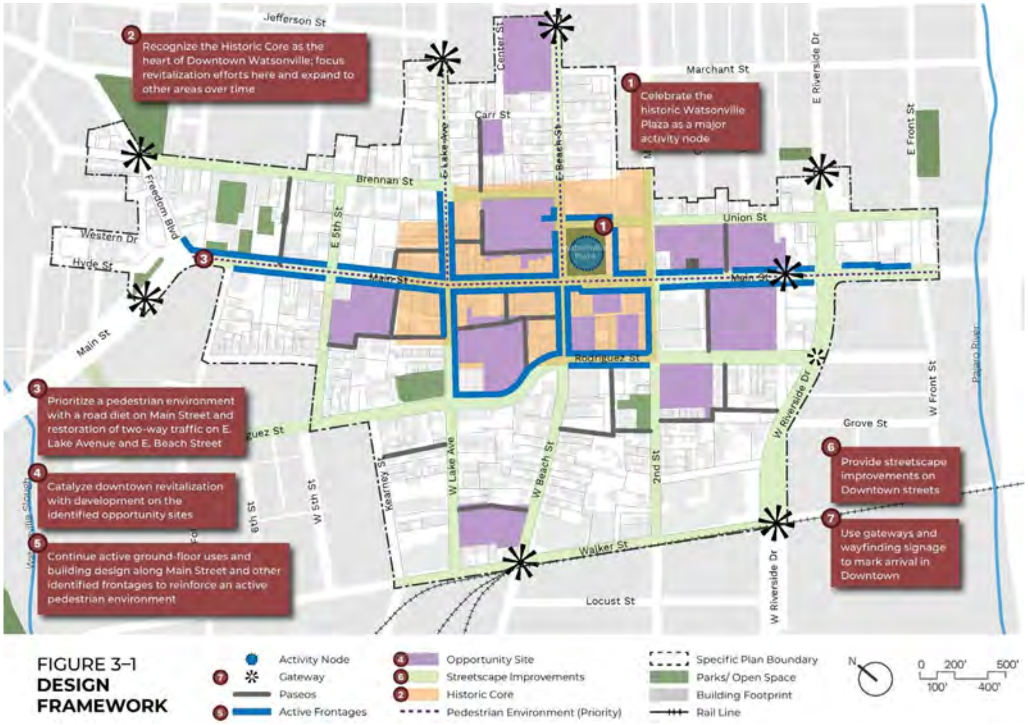


A slide from a March 29 city meeting shows areas of potential “infill” development of built areas in Watsonville. (City of Watsonville)

Downtown redevelopment

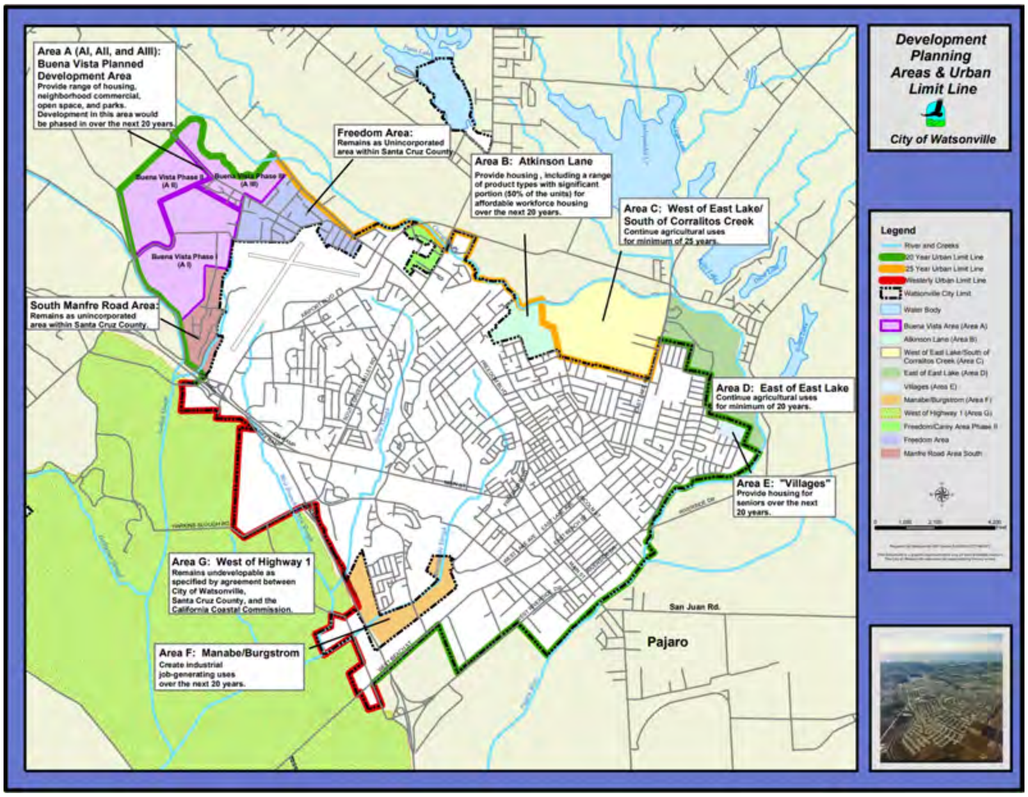
Areas identified as “opportunity sites” in Watsonville’s draft Downtown Specific Plan from June 2022 could accommodate nearly 4,000 new housing units. If adopted, the Downtown Specific Plan would guide future development Downtown in line with broad vision and goals in the General Plan.

These include many sites Downtown, two of which are city controlled including “Mansion House Block” at East Lake Avenue and Main Street and “Gottschalks Block” at East Lake Avenue and Rodriguez Street, according to the draft Downtown Specific Plan. An environmental impact report is being drafted for the the Downtown Specific Plan, and the plan has not yet been approved, city staff said.



In Watsonville's draft Downtown Specific Plan from June 2022, Opportunity Zones in purple represent "vacant and underutilized sites" where public and private owners have expressed interest in redevelopment. (City of Watsonville)

Watsonville Parking Lot 14 near Second and Rodriguez streets in Downtown Watsonville has been identified as an "opportunity zone" for potential development, according to a draft Downtown Specific Plan. (Tyler Maldonado — Santa Cruz Local)



A map shows areas of potential development in Watsonville. (City of Watsonville)

Measure Q's adoption in 2022 also opened growth areas for housing inside or near Watsonville, including Buena Vista, southeast of Atkinson Lane and "Villages", an area set aside for senior housing. Of these, only Atkinson Lane will be considered in this Housing Element.

The area primarily identified and zoned for new housing development near the city limits in the upcoming housing cycle is southeast of Atkinson Lane.

If the city can't meet its current housing goals within the city limits, the community could decide in a referendum to expand into the area west of the East Lake area south of Corralitos Creek.

How to get involved

A May 3 workshop will take place on Zoom from 5:30 to 7:30 p.m. It is expected to be led by Meeks with consultants Sargent Town Planning and Circlepoint.

"Feedback provided during this process will help shape what Watsonville becomes in the future," Meeks said.

Public workshops in summer and fall are expected to lead to a Housing Element plan in 2024 with potential adoption in spring 2025. (City of Watsonville)

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Tyler Maldonado

Tyler Maldonado holds a degree in English from the University of California, Berkeley. He writes about housing, homelessness and the environment. He lives in Santa Cruz County.

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San Lorenzo Valley Water District kicks off pipeline replacement effort

PK Hattis

4–5 minutes

BOULDER CREEK — The San Lorenzo Valley Water District has begun efforts to restore critical surface water infrastructure destroyed during the 2020 CZU Lightning Complex fires.

The district has hired a contractor to begin assessing, inventorying and eventually removing hazardous trees as an early step in rebuilding its Peavine Raw Water Pipeline left in ruin by the blaze almost three years ago, according to a district release. The work is expected to benefit efforts to restore the district's 5-Mile pipeline as well, which is also a key surface water facility destroyed by the fires.

A Powers Forestry worker marks a burned tree near the Peavine Raw Water Pipeline. The early-phase effort aims to remove hazardous trees so San Lorenzo Valley Water District staff can begin planning to reconstruct the damaged pipeline. (Contributed – San Lorenzo Valley Water)

Damage to the landscape around the pipeline has made it all but impossible for crews to safely access the region for necessary replacement and repair work. Removal of fallen, damaged or leaning trees is key to unlocking the access needed for eventually establishing a permanent solution.

"The district has been focused on recovering not only from recent storm damage but also from damage sustained in the CZU Fire," said District Manager Rick Rogers in the release. "It has been a difficult road to bring all of the (San Lorenzo Valley Water District) infrastructure back online. This contract is the first step in moving ahead rehabilitation of the raw water line, once the assessment is complete discussions on how the pipelines will be reconstructed will begin."

The contract was awarded in March to Powers Forestry LLC, which will focus its efforts on a 1.3-mile stretch of land along Foreman and Peavine Creeks. The project launched in late April and will take four weeks to finish with an estimated cost of $31,970.

The first phase of the project includes tree surveying and inventory tracking that identifies trees that will subsequently be removed to accommodate the pipeline. The next phase will tap a six-person crew to begin the work of actually removing the problematic trees that have fallen or are severely damaged and/or leaning over. Small branches and logs will be scattered across the landscape to protect against erosion.

According to the release, the majority of the work will be paid for through a reimbursement grant from the Federal Emergency Management Agency.

Work crews are engulfed by thick vegetation on a hillside in Boulder Creek where they are inspecting damaged trees. (Contributed – San Lorenzo Valley Water District)

Once these two phases are complete, the district's staff will have a better understanding of the terrain and can move forward with evaluating a construction alternative to replace the pipeline.

While this recent winter storm season was damaging to the district in many ways, it proved to be a boon as well. Despite ongoing hindrances created by the loss of these two pipelines, the heavy rainfall allowed the district to operate at 100% surface water capacity as it served its 7,500 metered connections to customers in areas that include Boulder Creek, Felton and Scotts Valley, according to the release.

Still, officials say repairing the damaged infrastructure remains key to ensuring long-term access to clean, reliable water.

"We're happy to finally move forward and begin assessing the trees along the Peavine pipeline," said Rogers.

PK reports on health, transportation and the Santa Cruz County Board of Supervisors for the Sentinel. He was born and raised in Santa Cruz and considers it a great privilege to cover the town in which he grew up. When he's away from his desk, he enjoys playing beach volleyball and watching his beloved Golden State Warriors.

uniondemocrat.com

Township of Tuolumne debates proposed merger of special districts

Alex MacLean

6–8 minutes

Competing visions for how the future of community services should be structured in the township of Tuolumne were laid out Wednesday night during a public debate staged inside the Tuolumne Veterans Memorial Hall.

A few dozen people were in attendance to hear the arguments for and against a long-proposed consolidation of at least two of the town’s five independent special districts that provide sewer, park and recreation, fire, cemetery and street lighting services.

For several years now, the Tuolumne Park and Recreation District and Tuolumne City Sanitary District have been working on a proposal to join forces and form a new single entity that would be called the Tuolumne Community Services District.

The districts are also seeking to bring in the Tuolumne Lighting District, which is currently overseen by the county Board of Supervisors, as part of the new proposed organization.

Neither of the town’s other two independent special districts — the Tuolumne Fire and Carter’s Cemetery districts — are included in the current proposal to form a CSD and will remain separate entities, unless their boards vote to join the effort at any point in the future.

An application for the proposed merger is currently under review by the county Local Agency Formation Commission, or LAFCO, which would have to approve the merger before it could move forward.

Nearly all of the board members for both the Tuolumne Park and Recreation District and Tuolumne City Sanitary District supported a joint resolution in August 2020 to begin the LAFCO process.

Arguing in favor of the proposed CSD at Wednesday night’s debate were John Feriani, a longtime Tuolumne City Sanitary District board member and proponent of consolidating the districts; his son, Jake Feriani, a Tuolumne Park and Recreation District board member; and Dave Andres, general manager of Tuolumne City Sanitary District.

Those arguing against the proposed merger were Aaron Rasmussen, a Tuolumne Park and Recreation District board member who was the lone dissenting vote opposed to the proposed merger; Laurie Sylwester, a Tuolumne resident and former county supervisor for the area; and James Wood, general manager of the Tuolumne Park and Recreation District.

The debate was held as a special meeting of the Tuolumne Park and Recreation District, with students on the Summerville High School debate team serving as moderators. Each side was given a set amount of time to respond to questions and give rebuttals.

Arguments made in favor of the merger included better upward mobility for employees, more community involvement due to people only having to attend one board meeting as opposed to several, and additional resources for park and facility improvements.

John Feriani spoke about how he is often the only one in attendance at the various districts’ board meetings, where he’s witnessed a number of questionable decisions over the years due to a lack of accountability.

“There is so many things that have gone wrong in this community because of decisions done behind closed doors with no public participation," he said. "We need to get together and not have these individual boards with their individual agendas"

The Ferianis and Andres also refuted claims made by opponents of the merger about the sanitary district's financial position.

Opponents of the merger noted that the sanitary district still owes $4.6 million on a low-interest, 40-year loan from the U.S. Department of Food and Agriculture that paid for a new wastewater treatment plant over a decade ago, but Andres said that's a typical way for public agencies to finance such assets.

John Feriani said the district currently has more than $3.7 million in reserves, is undertaking more than $5 million in system improvements funded entirely by state grants, and has $830,000 in property tax revenues that it could spend on park and recreation priorities if the merger goes through.

Jake Feriani said the Tuolumne Park and Recreation District doesn't have enough funding to do capital projects on its own.

"What we hope would happen to these funds is that the community would get together … and we would all have a voice, or help, in the development of a master plan for the community before we spend it," John Feriani said.

Arguments made by the side opposed to the proposed merger included how the current structure of independent districts seems to be working well, having more boards provides more opportunities for people to get involved, and that a larger, consolidated entity could mean higher administrative and overhead costs.

Sylwester said she would be supportive of the concept if it had been approved by a majority of voters, and she was critical of how the boards for the respective districts approved the joint resolution in 2020 while many people were staying at home due to the COVID-19 pandemic.

Many of the points that merger supporters made about the benefits of combining resources were moot, Rasmussen said, because the board of the proposed CSD would ultimately make the decision on how the money is spent.

Rasmussen also said a single board overseeing the park, recreation and sewer services means that a majority of members could be elected from outside of the sanitary district's service area, such as Ponderosa Hills, and may not have the best interests of sewer customers in mind.

"Spread out power is better," he said. "Consolidated power leads to corruption."

After the main part of the debate was over, several people in attendance were also given a chance to provide their comments about the proposed merger.

County Supervisor Anaiah Kirk also shared some of his thoughts while trying to remain neutral, likening the issue to a "battle of kingdoms" that he encounters even at higher levels of government.

If the merger goes through, Kirk said it will be important that the board find a good general manager to oversee the new district. He also noted how there are no examples of communities reversing course after deciding to consolidate.

pajaronian.com

College Lake work kicks off - The Pajaronian | Watsonville, CA

By: Tarmo Hannula

3–4 minutes

Work has begun on the College Lake Integrated Resources Management Project on Holohan Road in Watsonville.

The Pajaro Valley Water Management Agency (PV Water) Board of Directors approved contracts to construct the project on Feb. 1.

Heavy equipment has been on the scene clearing away a large apple orchard and grinding up the aged trees into huge heaps of wood chips and sawdust.

A big portion of the job is the College Lake Pipeline Project, a six-mile, 30-inch water main that will transport treated water from the College Lake facility to more than 5,000 acres of farmland via the Coastal Distribution System. That system of 22 miles of pipelines currently delivers supplemental water (including recycled water) to farms along the coast to preserve the groundwater resources of the Pajaro Valley.

According to PV Water, the project will also improve fish passage and bypass flows for the endangered south-central California coast steelhead. Once completed, the project will provide the largest new source of water in the Pajaro Valley since the completion of PV Water's Watsonville Area Water Recycling Facility in 2009, operated in conjunction with the City of Watsonville, according to the water agency.

PV Water will use water from College Lake to leverage existing water infrastructure, which will help reduce the annual groundwater deficit of approximately 12,000 acre-feet per year, the agency stated. An acre-foot is equal to 325,851 gallons, or one foot of water covering an acre of land.

“I am very excited,” PV Water Board Chair Amy Newell said Thursday. “The beginning of this project really goes back at least 12 years. It involved so many steps, agencies and meetings, and getting through the environmental impact reports. While it does take up some agricultural land, the overriding issue is that it will add tremendously to the survival of all agriculture in the Pajaro Valley.”

Newell gave credit to General Manager Brian Lockwood and Mary Bannister, whose time as general manager helped to lay the groundwork for the project.

The board awarded two contracts to Mountain Cascade, Inc., which submitted the lowest bid for each project component: the College Lake Water Treatment Plant and Intake Facilities Project in an amount of $44,989,854, and for the construction of the College Lake Pipeline Project in an amount of $23,707,310.

Construction is anticipated to take 22 months.

Tarmo Hannula

Tarmo Hannula has been the lead photographer with The Pajaronian newspaper in Watsonville since 1997. He also reports on a wide range of topics, including police, fire, environment, schools, the arts and events. A fifth generation Californian, Tarmo was born in the Mother Lode of the Sierra (Columbia) and has lived in Santa Cruz County since the late 1970s. He earned a BA from UC Santa Cruz and has traveled to 33 countries.

santacruzsentinel.com

Santa Cruz receives $128 million EPA loan for water infrastructure

Aric Sleeper

4–5 minutes

SANTA CRUZ — The city of Santa Cruz was officially approved for a $127.7 million loan Tuesday from the U.S. Environmental Protection Agency that will be used to upgrade the city's water infrastructure.

In a statement issued by U.S. Rep. Jimmy Panetta, he applauded the Environmental Protection Agency's announcement of the loan, which will be used to make the city's water system more resilient to drought, flood and other extreme weather events.

"Due to our intense droughts and severe weather, there is a lot of unpredictability with our water resources in California's 19th Congressional District," said Panetta in a release. "Everyone deserves access to safe, reliable drinking water and I'll continue working to ensure the federal government does its part to safeguard that promise for our community in Santa Cruz."

The loan comes through the U.S. Environmental Protection Agency's Water WIFIA program, which was established by the 2014 Water Infrastructure Finance and Innovation Act. The intent of the program is to invest in water infrastructure projects by providing long-term, low-cost supplemental loans with favorable interest rates, flexible repayment terms, and limited financial covenants and security pledges.

“The WIFIA loan from the EPA allows Santa Cruz to make critical investments in securing our community’s water future, while saving our ratepayers substantial costs,” said Santa Cruz Water Department Director Rosemary Menard in a statement. “We’re grateful for the opportunity the WIFIA loan provides to respond to the increasing challenges to water supply reliability posed by climate change.”

Santa Cruz Water Department staff applied for the federal loan in July 2022, which included a required $100,000 application fee. The recent announcement of its approval comes not long after the Santa Cruz City Council voted to authorize the loan at a council meeting in late March.

At the meeting, Menard and staff outlined the scope and nature of the improvement projects that will be partially funded by the loan such as upgrades to the Graham Hill Water Treatment Plant facilities, Newell Creek Pipeline, university tank No. 4 and aquifer and storage recovery projects.

“Western cities like Santa Cruz know how finite a resource water can be,” said Radhika Fox, assistant administrator for water at the Environmental Protection Agency in a statement. “With this WIFIA funding, the City of Santa Cruz is modernizing their drinking water treatment facility to be resilient to both drought and extreme rain impacts that the city has faced over the last few years.”

The approximately $128 million loan will incur interest only in the first five years and is set to be paid back in the following 35-year period. The loan, with an interest rate of 3.9%, will provide less than half of the total funding needed for all the improvement projects in the Water Department’s pipeline. Additional funding will have to be acquired from conventional market rate debt, grants and through the Drinking Water State Revolving Loan Fund, also facilitated through the Environmental Protection Agency.

The federal loan will help to replace and move about 4.4 miles of the Newell Creek Pipeline, built in the 1960s, from inside Henry Cowell State Park, and realign it with Graham Hill Road. During the onslaught of winter storms, the pipeline, which supplies water from Loch Lomond Reservoir to the Graham Hill Water Treatment Plant, was shut down temporarily due to storm damage and required emergency repairs. Similar fixes were required in 2017, 2019 and 2020.

The Graham Hill Water Treatment plant facility improvement project has an estimated cost of $158 million, and combined with the $41 million needed for the Newell Creek Pipeline replacement and realignment, $6 million for the replacement of 400,000 gallon university tank No. 4 and about $95 million needed to expand aquifer storage and recovery, the estimated price tag for all the projects would be around $300 million.