

# DISTRICT PLAN FOR SERVICES

Prepared for

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

Proposed

**BRANCIFORTE FIRE PROTECTION DISTRICT  
REORGANIZATION  
(LAFCO PROJECT NO. RO 22-07)**

A proposed reorganization involving Branciforte and Scotts Valley Fire Protection Districts (FPDs) has been initiated by the Branciforte FPD Board of Directors. Following the conclusion of the LAFCO process, the Branciforte FPD will be dissolved and the dissolved area will be concurrently annexed into the Scotts Valley FPD.



June 14, 2023

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## PLAN FOR SERVICE

Government Code Section 56653 requires that a Plan for Service in narrative form must be submitted with the application for a reorganization. This plan must respond to each of the following questions and be signed and certified by an official of the affected agency(ies):

- 1) A description of the level and range of each service to be provided to the affected territory;
- 2) An indication of when the service can be feasibly extended to the affected territory;
- 3) An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory;
- 4) The estimated cost of extending the service and a description of how service or required improvements will be financed. A discussion of sufficiency of revenues for anticipated service extensions is also required; and
- 5) An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district or community facilities district.

## BACKGROUND

### **Countywide Fire Protection Service & Sphere Review**

LAFCO periodically performs municipal service reviews and sphere of influence updates for each agency subject to LAFCO's boundary regulations. In October, LAFCO completed a countywide service and sphere review for the 13 local agencies that provide fire protection services. During the October meeting, the Commission adopted the report, reaffirmed most spheres, and requested that each fire agency develop an annexation plan regarding their existing sphere boundaries by August 2022. Additionally, the Commission required that the Branciforte Fire Protection District (BFPD) develop a detailed plan outlining how internal operations and all administrative services will be completed without the assistance of Scotts Valley Fire Protection District (SVFPD) or any other governmental entity. The deadline to submit the plan was March 31, 2022.

### **LAFCO Findings & Recommendations**

LAFCO staff identified major concerns about the BFPD's ability to comply with the statutory requirements as an independent special district. Since 2015, BFPD had relied on SVFPD to fulfill the daily, weekly, monthly, quarterly, and annual duties on behalf of BFPD under the now expired contract (which ended in September 2021). Following the September sunset date, BFPD hired an interim, part-time fire chief that was a CalPERS retired annuitant. A "retired annuitant" is a CalPERS retiree who, without applying for *Reinstatement From Retirement*, returns to work with a CalPERS employer in a designated retired annuitant position. An annuitant has a number of restrictions, including

but not limited to, a maximum of 960 hours worked within a fiscal year. A search for a permanent fire chief was unsuccessful during the six months that the annuitant was present. The interim fire chief's last day was March 14, 2022. While a partial strategic plan was submitted to LAFCO before the March deadline (**Exhibit A**), it did not fulfill LAFCO's requirements.

Given that the recruitment process for a new fire chief was unsuccessful, coupled with the fact that BFPD was unable to produce a detailed plan, LAFCO worked diligently with BFPD and SVFPD to find a long-term solution. The two districts and LAFCO collaborated during the Spring of 2022 to develop a well-coordinated plan that would ensure Branciforte residents receive adequate level of services now and in the future. This cooperative plan was accomplished by hosting two joint meetings with representatives from both districts and LAFCO ("stakeholder group") to discuss the future governance of the Branciforte community. It was determined by the stakeholder group that a reorganization should be analyzed and considered.

As a result, the BFPD Board unanimously adopted a resolution to initiate the reorganization process on March 7, 2022 (**Exhibit B**). The next key step was to address the fire chief vacancy. It was determined by the stakeholder group that developing a "Pre-Reorganization Agreement" would help clearly outline how both districts and LAFCO can work together to ensure BFPD remains in operation and a temporary fire chief is in place as the reorganization process unfolds. **Exhibit C** provides a copy of the Pre-Reorganization Agreement. The BFPD and SVFPD Boards unanimously approved the agreement on March 14, 2022 and April 13, 2022, respectively.

### **Previous & Current Collaboration**

BFPD and SVFPD were in a six-year contract for operational services. Their collaborative effort reflected the combined sphere boundary between the two districts. This combined sphere boundary was originally adopted in 1994 and indicates that the Branciforte community would benefit if the two districts were reorganized as a single district (refer to **Exhibit D**). It is LAFCO's perspective that both districts were "unofficially merged" for the past six years – internally maximizing their staff and resources as one entity. An official merger between the two districts today can be accomplished as a reorganization, meaning that BFPD would be dissolved and the dissolved area would be concurrently annexed into SVFPD. The reorganization would also address LAFCO's concerns about BFPD's internal operations, compliance with state laws, inadequate governance structure, and the lack of firefighters and volunteers. The two districts have agreed to work with LAFCO to analyze the benefits of a reorganization. Now that a resolution of initiation has been adopted and an application has been submitted by BFPD, LAFCO has begun the reorganization process with the help of both districts and LAFCO's fire consultant. LAFCO also developed a detailed timeline illustrating the entire reorganization process as well as upcoming community workshops and other outreach efforts, as shown in **Exhibit E**.

### **Conclusion**

A reorganization is considered when there is a more efficient way to provide services to a specific area. In this case, BFPD, SVFPD, and LAFCO have determined that a reorganization would improve the level of service and overall governance within the

Branciforte community. A full analysis must be completed and presented to the residents to clearly indicate the benefits of a reorganization. In order to provide such transparency, the two districts and LAFCO will coordinate throughout the entire reorganization process. This collaborative effort will help produce cohesive findings about the reorganization involving BFPD and SVFPD.

## **CURRENT LEVEL AND RANGE OF SERVICE**

### **Branciforte Fire Protection District**

Branciforte Fire Protection District (BFPD) was formed on January 7, 1950 and operates under the Fire Protection District Law of 1987. BFPD encompasses nearly 9 square miles of territory located in the central portion of the county. At present, the lands within the District vary from agriculture to urban residential. The vast majority of the District is designated as Mountain Residential and Rural Residential.

#### Services & Operations

BFPD currently provides fire protection services to the unincorporated community of Branciforte. It currently operates with three full-time permanent employees, three full-time temporary employees, one part-time administrative assistant, and 9 volunteer firefighters. One of the permanent employees has been appointed Interim Fire Chief, while concurrently staffing one of the three shifts. The current staffing model provides for a minimum of two firefighters on duty in the Branciforte fire station 24 hours a day / 7 days a week. It is important to note that none of the volunteers live within BFPD's jurisdictional boundary, precluding the use of volunteers for initial operations.

#### Type of Services

At present, BFPD offers 9 different types of services: (1) Basic Life Support, (2) Basic Rescue, (3) Community Education, (4) Construction Plan Check, (5) Fire Code Enforcement, (6) Fire Investigation, (7) Fire Suppression, (8) Haz Mat Response, and (9) Public Awareness.

#### Apparatus & Inventory

At present, BFPD operates using seven (7) apparatuses, as listed below:

- Type 1 Fire Engine = 1 in total
- Type 3 Fire Engine = 2 in total
- Type 6 Fire Engine = 1 in total
- Utility Vehicle = 2 in total
- Water Tender = 1 in total

#### Existing Fire Stations

The District currently operates one fire station. Station 1 was built in 1950 and has undergone an expansion over the past 10 years or so. It is located at 2711 Branciforte Drive in Santa Cruz. Another "station" was built in 2010 and is located at 2300 Jarvis Road in Santa Cruz. However, this building is not staffed nor owned by BFPD, and there are no volunteers in the area to staff the engine. Therefore, this facility is not considered a functioning fire station and does not factor into the future deployment for SVFPD.

### Call Data

BFPD responded to approximately 1,200 calls over the last six years. The annual call average is estimated to be 202 calls per year. The District's average response time was approximately 8 minutes. In 2020, Branciforte FPD had 159 calls. Almost 40% of those calls were first responded by an outside agency. Specifically by Central FPD (1 time), the City of Santa Cruz (2 times), CSA 48/Cal Fire (9 times), and Scotts Valley FPD (28 times). The District currently has a Class 5 rating with the Insurance Service Office (ISO), which is the poorest in Santa Cruz County.

### Board of Directors

BFPD is an independent special district governed by a five-member Board of Directors elected at-large by the voters within the District. When candidates run unopposed, or when there is a vacancy, seats are appointed by the County Board of Supervisors in lieu of conducting the election. The following identifies the current board members:

- Pat O'Connell – First elected in 2016
- Tim Dodds – First elected in 2020
- Marilyn Kuksht – Originally appointed in 2023
- Larry Pageler – Originally appointed in 2023
- Fareed Rayyis – Originally appointed in 2022

### **Scotts Valley Fire Protection District**

Scotts Valley Fire Protection District (SVFPD) was formed on January 7, 1958 and operates under the Fire Protection District Law of 1987. SVFPD encompasses nearly 21 square miles of territory located in the center of Santa Cruz County and includes the City of Scotts Valley. At present, the lands within the District vary from agriculture to urban residential. The vast majority of the District, outside the City limits, is designated as Mountain Residential and Rural Residential.

### Type of Services

At present, SVFPD offers 14 different types of services: (1) Advance Life Support, (2) Basic Life Support, (3) Basic Rescue, (4) Community Education, (5) Construction Plan Check, (6) Fire Code Enforcement, (7) Fire Code Permitting, (8) Fire Investigation, (9) Fire Suppression, (10) Haz Mat Administration, (11) Haz Mat Response, (12) Public Awareness, (13) Technical Rescue, and (14) Vegetation Management.

### Apparatus & Inventory

At present, SVFPD operates using 14 apparatus, as listed below:

- Admin/Battalion SUV = 1 in total
- Chief Officer SUV = 1 in total
- Command Vehicle = 3 in total
- Type 1 Fire Engine = 3 in total
- Type 3 Fire Engine = 2 in total
- Haz Mat Vehicle = 1 in total
- Utility Vehicle = 2 in total
- Water Tender = 1 in total

### Existing Fire Stations

The District currently operates two fire stations. Station 1 was built in 1964, remodeled in 1985, and is located at 7 Erba Lane Scotts Valley, CA. Station 2 was built in 2001 and is located at 251 Glenwood Drive Scotts Valley, CA. The District has indicated that Station 1 needs extensive seismic upgrading and remodeling. Station 1 is staffed with 4.5 administrative personnel during regular business hours and 1 Battalion Chief and 4 firefighters 24 hours a day. Station 2 is staffed with 3 firefighters 24 hours a day. At present, SVFPD has 28 full-time employees, 1 part-time employee, and 15 volunteer firefighters. The District currently has a Class 2 rating with the Insurance Service Office (ISO), which is one of the best in Santa Cruz County.

### Call Data

SVFPD responded to approximately 13,000 calls over the last six years. The annual call average is estimated to be 2,122 calls per year. The District's average response time was approximately 5 minutes.

### Board of Directors

SVFPD is an independent special district governed by a five-member Board of Directors elected at-large by the voters within the District. When candidates run unopposed, or when there is a vacancy, seats are appointed by the County Board of Supervisors in lieu of conducting the election. The following identifies the current board members:

- Russ Patterson – First elected in 2016
- Adam Cosner – Recently appointed in 2022
- Kris Hurst – Recently appointed in 2022
- Joseph Parker – Originally appointed in 2019
- Daron Pisciotta – First elected in 2016

## **PROPOSED LEVEL AND RANGE OF SERVICE**

### **Management & Governance**

The reorganized Scotts Valley Fire Protection District will include all the territory currently within the boundaries of the Scotts Valley Fire District and all the territory currently within the boundaries of the Branciforte Fire District. The District will be governed by a 5-member Board of Directors, elected at large from the entire district. The Board of Directors of the Scotts Valley Fire Protection District as composed at the time the reorganization is deemed complete will continue to serve until their individual terms expire, at which time the seats will stand for election. Any registered voter within the reorganized district boundaries may file and run for an open seat on the Board. To avoid conflict with the California Voting Rights Act, SVFPD may consider transitioning to a system of elections by district in the foreseeable future following additional analysis.

### Branciforte Oversight and Representation

The Scotts Valley FPD Board of Directors will establish a Service Zone encompassing the territory of the former Branciforte Fire Protection District, in accordance with Health and Safety Code Section 13950. The purpose of the Service Zone is to provide the

community with accountability for the use of taxes, assessments, or fees collected solely within the Service Zone (Health and Safety Code Section 13955). Further, the Scotts Valley FPD Board of Directors will adopt a policy forming the Branciforte Advisory Commission and will also appoint members of the Branciforte community to Commission in accordance with Health and Safety Code Section 13956. The purpose of the Advisory Commission will be to review the finances, operations, and projects that directly benefit and/or affect the Branciforte community. The formation of the Branciforte Advisory Commission will be as soon as practical after the recordation of the reorganization. **Exhibit F** provides the draft policy and bylaws for the proposed advisory commission.

Following reorganization, the SVFPD will continue to be managed by the incumbent SVFPD Fire Chief and their staff and officers. This includes, but is not limited to, Human Resources, Payroll, Finance, Information Technology, Fire Prevention, Plan Checking, Fleet Management, Facility Management, Public Education and Community Outreach, and any other service currently provided or authorized in the future.

### **Operations**

Following reorganization, the SVFPD will be responsible for providing service to the Branciforte community. SVFPD will deploy emergency response assets from the two existing Scotts Valley fire stations, located at 7 Erba Lane (Station 1), and 251 Glenwood Drive (Station 2). In addition, SVFPD will modify its current Automatic Aid agreements with the Santa Cruz Fire Department and with Central Fire District to ensure response of the closest appropriate resource to any emergency incident occurring in Branciforte.

In order to mitigate the impacts of serving 9 square miles of additional territory, SVFPD plans to add an additional firefighter to each of the three shifts by utilizing BFPD's three existing firefighters. The increased staffing will allow more flexibility for the rapid deployment of adequate resources to mitigate all incidents within the Fire District. The District will utilize its current Type 1 and Type 3 engines as well as the proposed addition of a Type 5/6 engine to provide service to the Branciforte Community. It is anticipated that this new Type 5/6 engine will be purchased, maintained, and eventually replaced using accumulated Measure T funds.

SVFPD provides Advanced Life Support (ALS) paramedic first responder service using on-duty crews staffing both stations. Regardless of which station is responding to an emergency call in the Branciforte community (and this includes Auto-Aid apparatus from Santa Cruz or Central), the crew will have at least one Paramedic Firefighter that is licensed and equipped to provide life-saving care.

Analysis shows that 88% of the parcels within the former BFPD boundaries are within 5 road miles of a fire station. Staff believes that the presence of fully staffed, ALS capable response assets within 5 road miles is an improved level of service as compared to the model operated by the BFPD. Many rural, mountainous areas of Santa Cruz County are further than 5 miles from the nearest fire station. For the remaining 12% of parcels that are beyond 5 miles, staff has determined the level of service to be adequate, given the ability of SVFPD to amass large numbers of resources and the provision of paramedic services. **Exhibits G and H** show the 5-mile driving distance with and without the Branciforte Fire Station in full operation.



### **Transfer of Assets / Liabilities**

All assets and liabilities of the Branciforte Fire Protection District shall become assets and liabilities of the Scotts Valley Fire Protection District at the time the reorganization is deemed complete.

### **Transfer of Personnel**

Scotts Valley FPD will offer full employment to the full-time permanent members of the BFPD. The current BFPD employees will be expected to meet all minimum requirements as outlined in the current SVFPD Policy. In addition, Scotts Valley FPD will accept BFPD Volunteer / Paid-Call personnel meeting Scotts Valley FPD standards into the Scotts Valley FPD Paid Call Program. The terms and conditions of employment including but not limited to rank, seniority, probationary periods etc., will be outlined in a separate employment agreement.

### **Cost of Services**

#### Current Revenue Stream

Recurring revenue for the Branciforte Fire District for FY 22/23 consists of an estimated \$908,458 in Property Tax receipts and \$167,000 in Measure T Special Tax receipts, for a total of approximately \$1,075,458. This amount is insufficient to fund an appropriate number of firefighters on duty in the fire station (minimum of 2), let alone the funds needed to provide for a permanent Fire Chief and Administrative Assistant.

General Fund revenue for the Scotts Valley Fire District is approximately \$8,111,350 for FY 22/23, and derived primarily from Property Tax receipts. This amount is sufficient to sustain the SVFPD operation into the foreseeable future.

The reorganized District will have recurring revenue (FY 22/23) as follows:

General Fund- \$9,019,800

Measure T (restricted) - \$167,000

Total- \$9,186,800

Staff has determined that the total recurring revenue is sufficient to fund the operational plan detailed above.

### **Additional Factors to Address**

#### Branciforte Fire Station

BFPD has one fire station located at 2711 Branciforte Drive, which was built in 1950. The station operates with one full-time firefighter on duty by rotating its three non-paramedic firefighters. At present, the Branciforte Fire Station is understaffed and underfunded, which results in the noncompliance of the Occupational Safety and Health Administration (OSHA) and the National Fire Protection Association (NFPA) standards.

### *State Standards (OSHA)*

The Occupational Safety and Health Administration (OSHA) was established in 1970 to ensure safe and healthful working conditions for workers by setting and enforcing standards and by providing training, outreach, education and assistance. OSHA is part of the United States Department of Labor. In the late-1990s, OSHA established the Respiratory Protection Standard. This provision requires that at least two employees enter the Immediately Dangerous to Life or Health (IDLH) atmosphere and remain in visual or voice contact with each other at all times. It also requires that at least two employees be located outside the IDLH atmosphere, thus the term, "two in/two out". This assures that the "two in" can monitor each other and assist with equipment failure or entrapment or other hazards, and the "two out" can monitor those in the building, initiate rescue, or call for back-up. One of the "two out" can be assigned another role such as incident commander.

### *National Standards (NFPA)*

One of the most well-known and respected standards organizations is the National Fire Protection Association (NFPA). Since 1896, NFPA has developed standards directly affecting the fire service at the department level. As an advocate of fire prevention and an authoritative source on public safety, NFPA develops, publishes, and disseminates more than 300 consensus codes and standards intended to minimize the possibility and effects of fire and other risks. Their vision is to advocate for the elimination of death, injury, property and economic loss due to fire, electrical and related hazards. Their mission is to help save lives and reduce loss with information, knowledge and passion.

The NFPA has developed standards specifically for volunteer departments known as the NFPA 1720 Standard for the Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations, and Special Operations to the Public by Volunteer Fire Departments. NFPA believes that volunteer departments must maximize resources and be able to evaluate and improve firefighter safety and service to meet the modern challenges of local firefighting operations. The 1720 Standards offer a framework for defining levels of service, deployment capabilities, and staffing requirements for volunteer and combination fire departments. At present, NFPA recommends a minimum of four firefighters.

### *Potential Benefit Assessment*

The BFPD Board of Directors hired a consulting firm to calculate and determine the amount needed to adequately operate the Branciforte Fire Station with at least two firefighters on duty. A benefit assessment for each parcel within the Branciforte community will be proposed to fund the station's operation. If the benefit assessment is approved by the Branciforte community, the benefit assessment will be managed by the SVFPD with input from the Branciforte Advisory Commission post-reorganization. It is important to note that SVFPD's two existing fire stations and surrounding fire stations can provide adequate services with or without the Branciforte Fire Station. **Exhibits G and H** show the 5-mile driving distance with and without the Branciforte Fire Station in full operation.

### CalPERS Actuarial Report

The California Public Employees' Retirement System ("CalPERS") developed a cost analysis in April 2023 for the proposed reorganization (refer to **Exhibit I**). Government Code sections 20463 (b) and (c) require the governing body of a public agency which requests a contract cost analysis to provide each affected employee organization with a copy within five days of receipt. Likewise, if a cost analysis is requested by an employee organization, the employee organization is required to provide a copy of the analysis to the public agency within five days of receipt.

A resolution of intention declaring the agency's intent to amend the contract must be approved by the agency's governing body. The approved resolution must be received by the CalPERS' office on or before July 1, 2023. If either of these two conditions is not met, an updated cost analysis will be required to merge the contracts. The current cost analysis will expire on July 1, 2023. An updated cost analysis may be available as early as September 2023.

Assuming the reorganization is approved by LAFCO in June 2023, the following steps will be completed by the affected fire districts:

1. Complete and return the Contract Request and Schedule of Agency Actions forms. Within 90 days, CalPERS staff will send the agency the Resolution of Intention form for adoption; and
2. Complete and return the adopted Resolution of Intention to CalPERS on or before July 1, 2023. Adoption of the Final Resolution/Ordinance by this date is not required.

### Branciforte Fire Station Alternative Use

With the annexation of the Branciforte Fire Protection District into the service area of the Scotts Valley Fire Protection District, there may not be sufficient funding to staff the BFPD station on a full-time basis, unless a new benefit assessment is passed by the Branciforte community. If that does not occur, SVFPD will maintain the fire station in a serviceable order, and be ready for emergency staffing at any time.

The potential exists for SVFPD to staff the BFPD station on an as needed basis, based on certain conditions such as red flags warnings, significant wind or weather related events, or other public safety situations that may require an additional staffed piece of equipment. The station may also be used to house mutual aid resources that may be staged in-county, such as a strike team or pre-position resources.

It is the intent of SVFPD to continue with the station remodel plans for the older portion of the station, as well as exterior upgrades that have been previously identified.

SVFPD also intends to make the station available for public meetings, once the meeting space can be remodeled to provide secure separation from the living quarters and access to a bathroom that is compliant with the Americans with Disabilities Act ("ADA").

## FINANCIAL SYNOPSIS OF BRANCIFORTE FIRE PROTECTION DISTRICT

	Adopted Budget	Funds Spent (as of 12/31/22)	Remaining Balance	Unanticipated Rev / Exp (12/31/22 – 6/30/23)	Year-End Balance (projected)
<b>General Fund</b>					
Salaries / Benefits	\$1,173,420	\$688,711	\$484,708	<\$412,700>	\$72,000
Services / Supplies	\$242,852	\$99,740	\$143,111	<\$100,000 >	\$43,000
Undesignated / Contingencies	\$227,665	-0-	\$227,665	\$54,000	\$282,000
<b>Total General Fund</b>	<b>\$1,645,337</b>	<b>\$789,555</b>	<b>\$855,484</b>	<b>&lt;\$458,800&gt;</b>	<b>\$397,000</b>
<b>Capital Outlay</b>					
Services / Supplies	\$109,500	\$13,704	\$95,795	<\$25,000>	\$70,000
Fixed Assets	\$592,000	\$28,131	\$563,868	<\$100,000>	\$464,000
Undesignated / Contingencies	\$302,500	-0-	\$302,500	\$25,000	\$328,000
<b>Total Capital Outlay</b>	<b>\$1,004,000</b>	<b>\$37,916</b>	<b>\$966,083</b>	<b>&lt;\$100,000&gt;</b>	<b>\$862,000</b>
<b>Total BFPD Funds</b> (projected amount)					<b>\$1,259,000</b>

### General Fund

The General Fund anticipated revenue of \$1.645M, including \$876,000 in property tax and a carryover of \$725,000 from the prior year, along with some small incidental revenue sources. A sum of \$54,000 in unanticipated revenue (from a CalFire cover assignment) has been added to the fund. Given that all the large expenses (PERS and WC) have been paid, it is projected that the GF will end the FY with a balance of just under \$400,000. This means that BFPD will use about \$325,000 of reserve funds (nearly half the beginning reserves) to balance the budget this fiscal year.

### Capital Outlay

The Capital Outlay Fund (also known as the Measure T fund) began the year with a fund balance of \$815,000. Proceeds from Measure T added an additional \$166,000, for a total of just over \$1M. There have been minor expenses charged to this account so far, but we have projected up to \$100,000 will be encumbered for the station repairs before the FY ends. The “Measure T” fund actually contains funds derived both from Measure T and from a large donation (nearly \$600,000) the District received from a resident. The Measure T funds are restricted to “...fund a Contingency Fund for unfunded emergencies, the Building Fund and a Vehicle Replacement Fund as determined by the Board of Directors” while the donation has no such formal restrictions. It is unclear whether expenditures from this fund over the past several years have been from the restricted funds or from the donated funds, thus it’s not possible to determine conclusively how much of the \$860,000 projected year-end balance is restricted by the Measure T language. In the most liberal interpretation, all of the past capital expenses could be said to have been drawn on the restricted Measure T funds, which would leave the entire \$593,889.32 available for whatever purpose the Board determines is necessary for the functioning of the District. This is probably a moot point, because the language of Measure T allows for “unfunded emergencies... as determined by the Board of Directors”, of which the need for reorganizing the District should certainly qualify.

## **EXHIBITS**

**Exhibit A – BFPD Original Strategic Plan**

**Exhibit B – BFPD Resolution of Initiation**

**Exhibit C – Pre-Reorganization Agreement**

**Exhibit D – Current “Combined” Sphere Boundary**

**Exhibit E – Tentative Reorganization Timeline**

**Exhibit F – Branciforte Advisory Commission (Policy & Bylaws)**

**Exhibit G – 5 Driving Mile Distance (without Branciforte Fire Station)**

**Exhibit H – 5 Driving Mile Distance (with Branciforte Fire Station)**

**Exhibit I – CalPERS Cost Analysis (dated April 4, 2023)**

# **EXHIBIT A:**

## **BFPD's Original Strategic Plan (dated 3/31/22)**

# **Branciforte Fire Protection District Proposed Strategic Plan**

March 31, 2022

## **INTRODUCTION**

This plan provides information to the residents of the Branciforte Fire Protection District on the efforts and direction the District is proceeding with to provide the best method of emergency and fire prevention services to the community. This plan also gives direction to the staff and Board of Directors of the Fire District. This plan also supports the input from the community.

## **HISTORY**

The 8th Area Fire District was established in 1942. It included a large area of the county that is now covered by Felton, Scotts Valley, Zayante and Branciforte Fire Districts. Staffed by volunteers with limited equipment and volunteers, response times to any fire within the 8th area were lengthy. Structures often burned down completely before they arrived. At that time the next closest station had been an unstaffed volunteer station on Sims Road just outside the city limits of Scotts Valley.

Branciforte Fire Protection District was formed in 1950 to improve the response time to fires within the Happy Valley and surrounding areas. Gino Delucchi was the first Fire Chief of Branciforte Fire. The volunteers built a small 14' by 26' station across the street from the Chief's house on Branciforte Drive. It housed the District's first engine, a 1939 GMC truck equipped with 450 gallons of water, 200 ft of 1" hose, 750 ft of 1.5" hose, and a 500GPM pump. When calls came in they were answered by Jennie Delucchi and went through a phone call tree to all of the volunteers to respond. The engine would drive to the fire and pick up the volunteers on the way. Chief Delucchi and his wife Jennie donated land to the department next door to their home in 1965 to build the current existing station. A training room was added onto the station and was built by the volunteers and staff in 1997. A part time bookkeeper was hired to handle the bills and payroll.

The department grew from its beginning as an all volunteer department with a volunteer Fire Chief to having three paid career employees made up of two Captains and a Fire Chief who worked shifts. Staffing is supplemented by Volunteer Firefighters. A sleeper program was instituted to a career officer and a volunteer firefighter responding from the station to all calls during the night.

In year 2000 the staffing model changed to three full time Fire Captains and a part time Fire Chief with a part time administrative position and volunteer firefighters supplementing the staffing.

From 2016 to 2021 an Administrative Services Agreement was in place with the Scotts Valley Fire District.

In September 2021 an Interim Part Time Administrative Fire Chief was hired. The three Captains covered the shifts. Efforts to get more volunteers became the top priority.

On March 14, 2022 a Fire Chief was promoted from within the current ranks. The District has returned to operating on it's own with two Captains and a Fire Chief covering shifts. Administrative assistance is provided by part time help.

The number of volunteers has always varied. In the beginning of the District a volunteer was given some gear and some very basic training. The Volunteers all lived in the area. A volunteer now days has to go through a basic Firefighter Academy that takes three months to complete and continuing training and drills at the station. Most Volunteers live outside of the District. In 2016 Branciforte had 26 volunteers. Today we are down to a low of 9 volunteers. The highest priority is to add more volunteers. The District is looking at options to help increase our volunteer coverage. The goal of having the station staffed with a minimum of two career firefighters with additional volunteer firefighters in the station 24/7. There could then be a minimum of three responding on the first out engine.

The process of completing another apparatus bay and expanded living quarters for male and female firefighters at the Branciforte Station is almost complete. Additional beds were planned for the new sleeping areas. These will need to be added when the volunteer numbers are increased. The kitchen and day room area is to be renovated. These renovations have been budgeted and will be completed with Measure T funds.

There is a structural issue with the front corner of the main apparatus bay. It is under review by a Structural Engineer. It is still to be determined as to the extent of what will be need to be completed. The costs of the repair should be covered by the Measure T funds.

The Fire District has had a substation in the Ryder Ridge Area for many years. There had been times after heavy storms the residents were without access from outside the area. Jarvis Road had washed out in multiple spots. Upper Jarvis Road which is largely a dirt and rocks road also washed out. The only option for a fire emergency was to keep an apparatus available for emergencies in the area. A 1958 model GMC 4 wheel drive pickup was kept up on Rider Ridge with a 250 gallon tank and pumping capabilities and a hose line. It also carried a basic medical bag. One of the volunteers lived in the area kept it on his property. Eventually in a garage that was built by the residents to house it. Many brush fires were put out over the years with this available apparatus before any other engines had arrived.

Station 2 was eventually built on the Vine Hill Winery Property entirely with the contributions and donations from those who live in Rider Ridge area of the District. Those who lived there had begun losing their fire insurance. Once the Station was built



and the District could show that we could meet the water flow standards for what was needed to put out a structure fire there were fewer issues with insurance. The Station now houses one of the District's Type 3 Wildland Engines. There are minimal costs involved with keeping Station 2 open. The District should explore how to at better utilize Station 2.

The Fire District has a full complement of fire apparatus.

This includes:

- 1 - Type 1 Structural Fire Engine
- 2 - Type 3 Wildland Fire Engines
- 1 - Type 4 Engine equipped with medical plus pumping capabilities
- 1 - Water Tender with 2500 gallons capacity
- 2 - Pickups with 4 Wheel Drive
- 1 - Command Vehicle

The equipment is in good condition and a replacement program was set up with the funds coming from Measure T. There has been discussion over the addition of a Type 6 quick response vehicle and costs and information is being researched. But the higher priority is to increase staffing first.

## **LEVEL AND RANGE OF SERVICE**

The District provides services to a small community in the Happy Valley Area of Santa Cruz County. Branciforte Fire Station currently operates with three full-time employees and nine volunteer firefighters. The station is staffed with two Fire Captains and a Fire Chief that are covering shifts on the 2on/4off schedule. While there are occasions where the engine responds with just one on the engine, the goal is to have a two Firefighter minimum responding 24/7. Some progress has been made to add additional volunteers. We are now looking into options to add temporary additional volunteers. This would greatly help the district's ability to always have two and potentially three firefighters responding on the first-out engine. This could be accomplished with current reserves and contingency funds already within the budget. These funds could cover the costs of the additional staffing for up to two years before reserves could be depleted.

Administrative assistance is provided by part time resources, with bookkeeping and technical assistance with the website.

The District has a sphere expanding beyond its service area. Santa Cruz County Local Agency Formation Committee (LAFCO) adopted BFPD's combined sphere of influence on March 10, 1994, which included areas beyond the District's jurisdictional boundary. This sphere determination indicated that BFPD and Scotts Valley FPD should be merged or consolidated in the foreseeable future. LAFCO staff believes that the merger concept should be considered by BFPD and its residents to ensure the level of service remain would improve as a result of the proposed reorganization. Santa Cruz County LAFCO staff recommends reaffirming the existing sphere boundary.

On March 14, 2022 The Branciforte Fire Protection District signed a Pre-Reorganization Agreement through LAFCO to start the Merger Process with Scotts Valley.

## **FINANCIAL HEALTH**

The District is financially stable. Branciforte FPD has closed the past six years with an annual surplus. The 2021/2022 Final Budget shows the General Fund Budget is at \$1,606,318. The Measure T Fund is at \$984,358. The ending fund balance was \$697,860, which is up by approximately \$97,000 from what was estimated.

The yearly draft budget is adopted by March 31, of each year and the final budget is adopted by before June 30th of each year.

## **MANAGEMENT AND GOVERNANCE**

### **BOARD COMPOSITION**

BFPD is an independent special district governed by a five-member Board of Directors elected at-large by the voters within the District. When candidates run unopposed, or when there is a vacancy, seats are appointed by the County Board of Supervisors in lieu of conducting the election.

The Board Members are elected for 4-year terms.

The Board votes for a Board Chairman and Vice Chairman at the last meeting of the calendar year for a term of one year. A board Member may be voted to serve as Chair or Vice Chair for consecutive years.

The Board meetings are regularly scheduled for the third Thursday of each month at 6pm.

The Board Members roles are outlined in the Board of Directors Roles and Responsibilities Policy adopted in 2012. See Appendix B

### **STAFFING**

The District is currently staffed with a Fire Chief and two Fire Captains who all work on the 2on/4off schedule. They are full time career officers for the Branciforte Fire District. There are nine volunteers available to respond from home or the station. There is part time help available for administrative assistance.

The District has hired the Lozano Smith Law Firm as the Districts legal counsel.

### **ADMINISTRATIVE DUTIES**

### **COUNTY PARTNERSHIPS**

### **FIRE DISTRICT PARTNERSHIPS**

### **STRATEGIC MANDATES**

### **DISTINGUISH BOARD/STAFF ROLES**

# **EXHIBIT B:**

## **BFPD's Resolution of Initiation**

## **BRANCIFORTE FIRE PROTECTION DISTRICT**

### **RESOLUTION NO. 2022-02**

#### **A RESOLUTION TO INITIATE APPLICATION BY THE BRANCIFORTE FIRE PROTECTION DISTRICT REQUESTING THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY TO PURSUE PROCEEDINGS FOR THE REORGANIZATION OF BRANCIFORTE FIRE PROTECTION DISTRICT WITH THE SCOTTS VALLEY FIRE PROTECTION DISTRICT**

WHEREAS, the Board of Directors of the Branciforte Fire Protection District ("Branciforte FPD") desires to initiate proceedings pursuant to the Cortese-Knox-Herzberg Local Government Reorganization Act of 2000, California Government Code Section 56000 et. seq., ("Act") for the reorganization of Branciforte Fire Protection District with the Scotts Valley Fire Protection District ("Scotts Valley FPD"); and

WHEREAS, the reorganization consists of the dissolution of Branciforte FPD and the concurrent annexation of the dissolved area into Scotts Valley FPD; and

WHEREAS, notice of intent to adopt this Resolution of Application has been given to each interested and each affected local agency; and

WHEREAS, the affected territory is inhabited and is constituted by the respective boundaries of Branciforte FPD; and

WHEREAS, this reorganization is consistent with the Sphere of Influence of Branciforte FPD and Scotts Valley FPD; and

WHEREAS, the reasons for the proposed reorganization of Branciforte FPD and Scotts Valley FPD are as follows:

- 1) It will facilitate the efficient delivery of life and property saving services to individuals and property owners within the affected territory; and
- 2) It will facilitate the continued provision of the current levels of service provided by paid and paid-call firefighters and staff of the respective districts, consistent with local demand expectations and available financing.

WHEREAS, it is desired that the proposed reorganization of Branciforte FPD with Scotts Valley FPD be subject to the following terms and conditions, among others:

- 1) The specific provisions of the Pre-Reorganization Agreement jointly completed by Branciforte FPD, Scotts Valley FPD, and LAFCO, if enacted;
- 2) Branciforte FPD, Scotts Valley FPD, and LAFCO will host and/or participate in multiple community outreach efforts regarding the proposed reorganization and

available options, including but not limited to workshops and forums to be held jointly with representatives from each agency;

- 3) Coordination between Branciforte FPD, Scotts Valley FPD, and LAFCO to determine the best solution for the Branciforte Fire Station;
- 4) The paid employees and the active volunteer firefighters of Branciforte FPD will become a portion of Scotts Valley FPD;
- 5) All tax rate areas will be maintained and all revenue mechanisms currently existing in Branciforte FPD will be maintained post-reorganization; and
- 6) Such other provisions as required by applicable law or as may be agreed by the parties.

WHEREAS, Branciforte FPD reserves the right to withdraw its application to initiate the reorganization and request that LAFCO terminate any such proceedings pursuant to the Act or other applicable law;

WHEREAS, this Board anticipates that the reorganization proposal is categorically exempt from review under the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15320(b), which exempts special district reorganizations where changes in organization of local governmental agencies do not change the geographical area in which the previously existing powers are exercised, such as here; and

NOW, THEREFORE BE IT RESOLVED that this Resolution of Initiation of reorganization proceedings as described is adopted and approved by the Board of Directors of the Branciforte Fire Protection District.

PASSED AND ADOPTED by the Board of Directors of the Branciforte Fire Protection District at a regular meeting thereof held on the 24th of February, 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED AS TO CONTENT:

---

Pat O'Connell, Board President

---

Samantha Sweeden, Fire Chief

# **EXHIBIT C:**

## **Pre-Reorganization Agreement**



# **PRE-REORGANIZATION AGREEMENT**

By and Among

**BRANCIFORTE FIRE PROTECTION DISTRICT,**

And

**SCOTTS VALLEY FIRE PROTECTION DISTRICT,**

And

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

[Dated as of March 14, 2022]

## **ARTICLE 1. PARTIES AND EFFECTIVE DATE**

**1.1 Parties.** This Pre-Reorganization Agreement (“Agreement”) is entered into by and among (i) the Branciforte Fire Protection District (“BFPD”), (ii) the Scotts Valley Fire Protection District (“SVFPD”), and (iii) the Local Agency Formation Commission of Santa Cruz County (“LAFCO”). BFPD, SVFPD, and LAFCO are sometimes referred to herein as a “Party” and collectively as the “Parties.” This Agreement is dated as of March 7, 2022, for references purposes only and will not become effective until the “Effective Date” defined in Section 1.2 below.

**1.2 Effective Date.** This Agreement will not become effective until the date (“Effective Date”) on which all the following have occurred: (i) this Agreement has been approved by BFPD, executed by its legally authorized officers, (ii) this Agreement has been approved by SVFPD, executed by its legally authorized officers, and (iii) this Agreement, signed by BFPD and SVFPD, delivered to LAFCO for approval and signature by the Executive Officer.

## **ARTICLE 2. RECITALS**

**2.1 BFPD Background.** The Branciforte Fire Protection District was formed on January 7, 1950 and operates under the Fire Protection District Law of 1987 (“Principal Act”). BFPD encompasses nearly 9 square miles of territory and provides fire protection services to the unincorporated community known as Branciforte. It currently operates with a temporary part-time retired annuitant fire chief, three full-time firefighters and seven volunteer firefighters. BFPD operates through one fire station with a one-person crew on any given shift. The annuitant fire chief contract was approved on September 30, 2021 and is set to expire on March 14, 2022. In accordance state law, a fire district cannot operate without proper administrative oversight. Additionally, the Principal Act limits board members to act only by ordinance, resolution, or motion (Health & Safety Code Section 13856[b]).

**2.2 SVFPD Background.** The Scotts Valley Fire Protection District was formed on January 7, 1958 and operates under the Fire Protection District Law of 1987. SVFPD encompasses nearly 21 square miles of territory in the center of Santa Cruz County and includes the City of Scotts Valley. It currently operates with 22 full-time firefighters, 15 volunteer firefighters, three full-time Battalion Chiefs, 2 full-time and 1 part-time administrative personnel, and 1 full-time Fire Chief. SVFPD previously provided administrative and command services to BFPD under an existing contract since 2015. Under this agreement, SVFPD’s Fire Chief functioned as the Fire Chief for BFPD. The contract expired on September 30, 2021.

**2.3 LAFCO Background.** The Local Agency Formation Commission of Santa Cruz County is a State-mandated, independent agency with countywide jurisdiction over changes in organization and boundaries of cities and special districts including annexations, detachments, formations, consolidations, and reorganizations. LAFCOs were created by the State Legislature in 1963 in response to the rapid growth and sporadic formation of cities and special districts in California in the years following World War II.

In addition to boundary changes, LAFCOs are required by law to establish and periodically update spheres of influence for the county's cities and special districts and perform service reviews on the county's cities and special districts with the goal of increasing efficiency, maximizing existing resources, identifying cost-saving opportunities, and improving local representation. LAFCO completed a countywide fire report in October 2021 which analyzed the 13 local agencies that provide fire protection. LAFCO determined that BFPD had many infractions, inadequate staffing, internal efficiencies, and governance issues. It was recommended that BFPD develop a strategic plan to address LAFCO's findings and outline how it will be a sustainable agency or consider merging with SVFPD. Since 1995, through a combined sphere of influence, LAFCO has recommended a merger between BFPD and SVFPD to ensure that the Branciforte community receive adequate level of service and proper representation.

**2.4 Proposed Reorganization.** The Reorganization is contemplated by the Parties upon the terms and conditions set forth in this Agreement. The Parties anticipate proceedings will be commenced by LAFCO following the execution and adoption of a resolution by BFPD to initiate the Reorganization and the execution and adoption of this Agreement by the Parties as set forth above.

**2.5 Parties Consensus.** The Parties understand that the Reorganization as contemplated in this Agreement is essential to the plan for providing services required by LAFCO in its consideration of the Reorganization application.

**NOW, THEREFORE,** in consideration for the promises and mutual covenants set forth herein, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

### **ARTICLE 3. TERMS**

#### **3.1 BFPD Obligations.**

**3.1.1 Resolution of Initiation.** BFPD shall continue to diligently pursue the approval of the Reorganization Application following the adoption of a Resolution of Initiation on Monday, March 7, 2022.

**3.1.2 Application.** BFPD shall submit a signed application, with a copy of the adopted resolution, within 30 days of this enacted Agreement to begin the LAFCO process.

**3.1.3 Consent.** BFPD hereby irrevocably consents to the Reorganization pursuant to the terms of this Agreement and the Reorganization Application submitted pursuant to Section 3.1.2. BFPD shall cooperate in every reasonable way with the requests of LAFCO. Said cooperation shall include, but not be limited to, the filing of all necessary applications, plans, and any other documentation or information required by SVFPD, LAFCO or any public agency associated with the Reorganization process.

**3.1.4 Interim Fire Chief Expenses.** BFPD hereby agrees to fund the identified governmental entity, existing BFPD firefighter personnel, or consulting firm for services as the temporary, interim supervisory position, whether as a fire chief, executive director, general manager, or district administrator. Invoices from the identified governmental entity, existing BFPD firefighter personnel, or consulting firm will be submitted as specified in the agreement between the parties. If an existing BFPD firefighter is hired as an interim fire chief, policies and procedures clearly defining the role of the BFPD Board and the BFPD interim fire chief as part of this Reorganization must be adopted within 30 days of this enacted Agreement. Any rules and regulations, outlined in the policies and procedures as part of this Reorganization, that are not met or completed shall be a breach of this Agreement. Any termination or expiration of the services from the identified governmental entity, existing BFPD firefighter personnel, or consulting firm shall be a breach of this Agreement.

**3.1.5 Community Outreach.** BFPD hereby agrees to coordinate with the Parties to co-host community forums, whether in-person or virtual, to educate the Branciforte community about the Reorganization process. Such forums shall be hosted collaborative with the following representatives: (1) BFPD's interim fire chief, executive director, general manager, or district administrator and no more than two board members, (2) SVFPD's fire chief and no more than two board members, (3) LAFCO's Executive Officer and no more than two Commissioner.

**3.1.6 Agreement Not to Challenge or Support Challenge.** The Parties shall not file lawsuits or to directly or indirectly support litigation filed by others, either as a party, through financial contributions, providing staff support, or by failing to aggressively defend such litigation, that challenges the adequacy of the Reorganization.

## **3.2 SVFPD Obligations.**

**3.2.1 Support.** SVFPD may provide administrative and operational support throughout the Reorganization process, including but not limited to, payroll and billing services. Additionally, SVFPD may provide additional assistance if requested by BFPD. Such request must be mutually agreed upon by SVFPD's fire chief and BFPD's interim fire chief, executive director, general manager, or district administrator.

**3.2.2 Consent.** SVFPD hereby irrevocably consents to the Reorganization pursuant to the terms of this Agreement and the Reorganization Application submitted pursuant to Section 3.1.2. SVFPD shall cooperate in every reasonable way with the requests of LAFCO. Said cooperation shall include, but not be limited to, the filing of all necessary applications, plans, and any other documentation or information required by LAFCO or any public agency associated with the Reorganization process.

**3.2.3 Agreement Not to Challenge or Support Challenge.** The Parties shall not file lawsuits or to directly or indirectly support litigation filed by others, either as a party, through financial contributions, providing staff support, or by failing to aggressively defend such litigation, that challenges the adequacy of the Reorganization.

### **3.3 LAFCO Obligations.**

**3.3.1 Application.** LAFCO shall process the application submitted by BFPD in accordance with the CKH Act.

**3.3.2 Support.** LAFCO may provide guidance and assistance to the Parties regarding the LAFCO process, including but not limited to, fulfilling the statutory requirements under the CKH Act. Additionally, LAFCO may provide administrative assistance if requested by BFPD. Such services include but are not limited to assisting with board meetings, community forums, or other outreach efforts.

**3.3.3 Interim Fire Chief.** The Commission hired the Fire Reorganization Consulting, LLC ("Fire Consultant") on March 2, 2022 to help LAFCO staff with fire-related projects. Concurrently with approval of this Agreement, BFPD has or may contract with the Fire Consultant to provide interim administrative services at the hourly rate as specified in the agreement between the parties. LAFCO agrees that the Fire Consultant shall not provide services to LAFCO regarding the Reorganization if hired for the temporary, interim supervisory position, whether as a fire chief, executive director, general manager, or district administrator. If the Fire Consultant is not hired for the temporary, interim supervisory position, whether as a fire chief, executive director, general manager, or district administrator, then the Fire Consultant, with LAFCO's approval, may provide assistance to the identified interim fire chief throughout the Reorganization process.

## **ARTICLE 4. REORGANIZATION**

**4.1 Reorganization.** For purposes of this Agreement, a Reorganization is defined as the dissolution of Branciforte Fire Protection District and the concurrent annexation of the dissolved area into Scotts Valley Fire Protection District. In accordance with the CKH Act, all assets and liabilities, revenues and expenditures, facilities and apparatuses, district files and records, and other identified items will be transferred over to SVFPD following the Reorganization's date of recordation.

**4.2 New Benefit Assessment Consideration.** If determined by Branciforte Fire Protection District and/or Scotts Valley Fire Protection District, the residents of the Branciforte community will have an opportunity to vote on whether to support a new special tax to keep the Branciforte Fire Station open with a two-person crew minimum. This election will be conducted during the November 2022 General Election, unless the Parties agree on a different date. If the new special tax fails, the Reorganization will continue with an alternative designation for the Branciforte Fire Station.

**4.3 Timing.** The effective date of the Reorganization will be the Certificate of Completion's recordation date.

## **ARTICLE 5. DAMAGES**

**5.1 Remedies.** Subject to the limitations herein, in the event of a breach of this Agreement, the non-breaching party may at its option institute legal action to cure, correct, or remedy such breach, enjoin any threatened or attempted violation, or enforce the terms of this Agreement by specific performance. In the event of any breach of this Agreement, the non-breaching party shall have the right to pursue against the breaching party, any and all remedies that are available at law or at equity for breach of contractual obligation, provided however, that in no event shall BFPD have the right to sue SVFPD or LAFCO or any SVFPD or LAFCO officials, employees, contractors or agents for damages or monetary relief arising out of the SVFPD's or LAFCO's default of its obligations set forth in this Agreement, the Parties agreeing that declaratory and injunctive relief, mandate, and specific performance shall be BFPD's sole and exclusive judicial remedy. The prevailing party in any such litigation shall be entitled to its attorney's fees and costs.

## **ARTICLE 6. GENERAL PROVISIONS**

**6.1 Duration.** This Agreement will remain in place until the Reorganization is finalized. If BFPD, SVFPD, and/or LAFCO decide to oppose, deny, withdraw, or stop the Reorganization process, then the Agreement will be terminated. This LAFCO does not and cannot warrant LAFCO's approval of the Reorganization.

**6.2 Attorney's Fees.** In the event that any Party brings any legal action to interpret or enforce any provision of this Agreement, the prevailing Party in that action shall be entitled to receive, in addition to all other available relief, costs of litigation and reasonable attorneys' fees, including expert witness fees, costs and fees incurred on appeal and in enforcing any judgment which may be rendered on the underlying action.

**6.3 No Third Party Beneficiaries.** Except as provided in Section 6.10, the Parties expressly acknowledge that they do not intend, by their execution of this Agreement, to benefit any person or entities not signatory to this Agreement. Except as provided by Section 6.10, no person or entity not a signatory to this Agreement will have any rights or causes of action against the Parties, or any combination thereof, arising out of or due to the Parties' entry into this Agreement.

**6.4 Governing Law.** This Agreement shall be interpreted and enforced in accordance with the provisions of California law, without regard to conflicts of laws provisions. Any litigation shall be held in a court of competent jurisdiction located in Santa Cruz County, California.

**6.5 Notice.** Unless otherwise permitted by this Agreement, all notices to be given shall be in writing and may be made by personal delivery, certified mail, postage prepaid and return receipt requested. Mailed notices shall be addressed to the Parties at the addresses listed below, but each party may change the address by written notice in accordance with this paragraph. Receipt will be deemed made as follows: notices delivered personally will be deemed communicated as of actual receipt; mailed notices will be deemed communicated on receipt or return.

**If to BFPD:**

Branciforte Fire Protection District  
2711 Branciforte Drive  
Santa Cruz, CA 95065

**If to SVFPD:**

Scotts Valley Fire Protection District  
7 Erba Lane  
Scotts Valley, CA 95066

**If to LAFCO:**

Local Agency Formation Commission of Santa Cruz County  
701 Ocean Street, Room 318-D  
Santa Cruz, CA 95060

**6.6 Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall constitute an original.

**6.7 Entire Agreement.** This Agreement contains the entire Agreement of the Parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements, either written or oral, express or implied.

**6.8 Further Acts.** The Parties agree to execute such additional documents and to take such further actions as are reasonably necessary to accomplish the objectives and intent of this Agreement.

**6.9 Waiver.** The failure of any Party to insist upon strict compliance with any provision of this Agreement or to exercise any right or privilege provided herein, or any Party's waiver of any breach hereunder unless in writing, shall not relieve any other Party of any of obligations hereunder, whether of the same or similar type. The foregoing shall be true whether the waiving Party's actions are intentional or unintentional.

**6.10 Authorization to Execute.** The signatories to this Agreement warrant that they have been lawfully authorized by their respective Parties to execute this Agreement on their behalf. Upon request, the Parties shall deliver all applicable bylaws, resolutions, or other documents evidencing the signatories' legal authority to execute this Agreement on behalf of the respective Parties.

**6.11 Severability.** If any provision or clause of this Agreement or any application of it to any person, firm, organization, partnership or corporation is held invalid, such invalidity shall not affect other provisions of this Agreement which can be given effect without the invalid provision or application. To this end, the provisions of this Agreement are declared to be severable.

**6.12 Compliance with other Rules and Regulations.** BFPD and SVFPD shall comply with all other applicable rules and regulations of LAFCO and all other public agencies having jurisdiction over the Reorganization area. This Agreement does not abrogate, limit or modify any other of Parties' rights which are provided by common law, statute, ordinance or regulation.

**6.13 Lack of Reorganization.** In the event that BFPD does not dissolve and concurrently annex into SVFPD, the Parties are not bound by the obligations of this Agreement and the Parties retain any of their respective pre-Reorganization rights and duties as local governmental entities. Such inaction may result in BFPD from being able to operate as a special district due to the legal requirements under its Principal Act, the Brown Act, and other state mandates.

"LAFCO"

By:  \_\_\_\_\_

Joe Serrano, Executive Officer

Date: 3/14/22

"BFPD"

By:  \_\_\_\_\_

Pat O'Connell, Board President

Date: 3-14-22

Approved as to form:

By:  \_\_\_\_\_

Joshua Nelson, General Counsel

Date: 4/15/2022

Approved as to form:

By: \_\_\_\_\_

Travis Cochran, General Counsel

Date: \_\_\_\_\_

"SVFPD"

By: \_\_\_\_\_

Russ Patterson, Board President

Date: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_

Phillip A. Passafiume, General Counsel

Date: \_\_\_\_\_



**6.12 Compliance with other Rules and Regulations.** BFPD and SVFPD shall comply with all other applicable rules and regulations of LAFCO and all other public agencies having jurisdiction over the Reorganization area. This Agreement does not abrogate, limit or modify any other of Parties' rights which are provided by common law, statute, ordinance or regulation.

**6.13 Lack of Reorganization.** In the event that BFPD does not dissolve and concurrently annex into SVFPD, the Parties are not bound by the obligations of this Agreement and the Parties retain any of their respective pre-Reorganization rights and duties as local governmental entities. Such inaction may result in BFPD from being able to operate as a special district due to the legal requirements under its Principal Act, the Brown Act, and other state mandates.

"LAFCO"

By: \_\_\_\_\_

Joe Serrano, Executive Officer

Date: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_

Joshua Nelson, General Counsel

Date: \_\_\_\_\_

"BFPD"

By: \_\_\_\_\_

Pat O'Connell, Board President

Date: \_\_\_\_\_


Approved as to form:

By: \_\_\_\_\_

Travis Cochran, General Counsel

Date: \_\_\_\_\_

"SVFPD"

By:  \_\_\_\_\_

Russ Patterson, Board President

Date: 4/13/2022

Approved as to form:

By:  \_\_\_\_\_

Phillip A. Passafiume, General Counsel

Date: 4-13-22

**6.12 Compliance with other Rules and Regulations.** BFPD and SVFPD shall comply with all other applicable rules and regulations of LAFCO and all other public agencies having jurisdiction over the Reorganization area. This Agreement does not abrogate, limit or modify any other of Parties' rights which are provided by common law, statute, ordinance or regulation.

**6.13 Lack of Reorganization.** In the event that BFPD does not dissolve and concurrently annex into SVFPD, the Parties are not bound by the obligations of this Agreement and the Parties retain any of their respective pre-Reorganization rights and duties as local governmental entities. Such inaction may result in BFPD from being able to operate as a special district due to the legal requirements under its Principal Act, the Brown Act, and other state mandates.

"LAFCO"

By: 

Joe Serrano, Executive Officer

Date: 3/14/22

"BFPD"

By:  11

Pat O'Connell, Board President

Date: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_

Joshua Nelson, General Counsel

Date: \_\_\_\_\_

Approved as to form:

By: 

Travis Cochran, General Counsel

Date: 3/24/22

"SVFPD"

By: \_\_\_\_\_

Russ Patterson, Board President

Date: \_\_\_\_\_

Approved as to form:

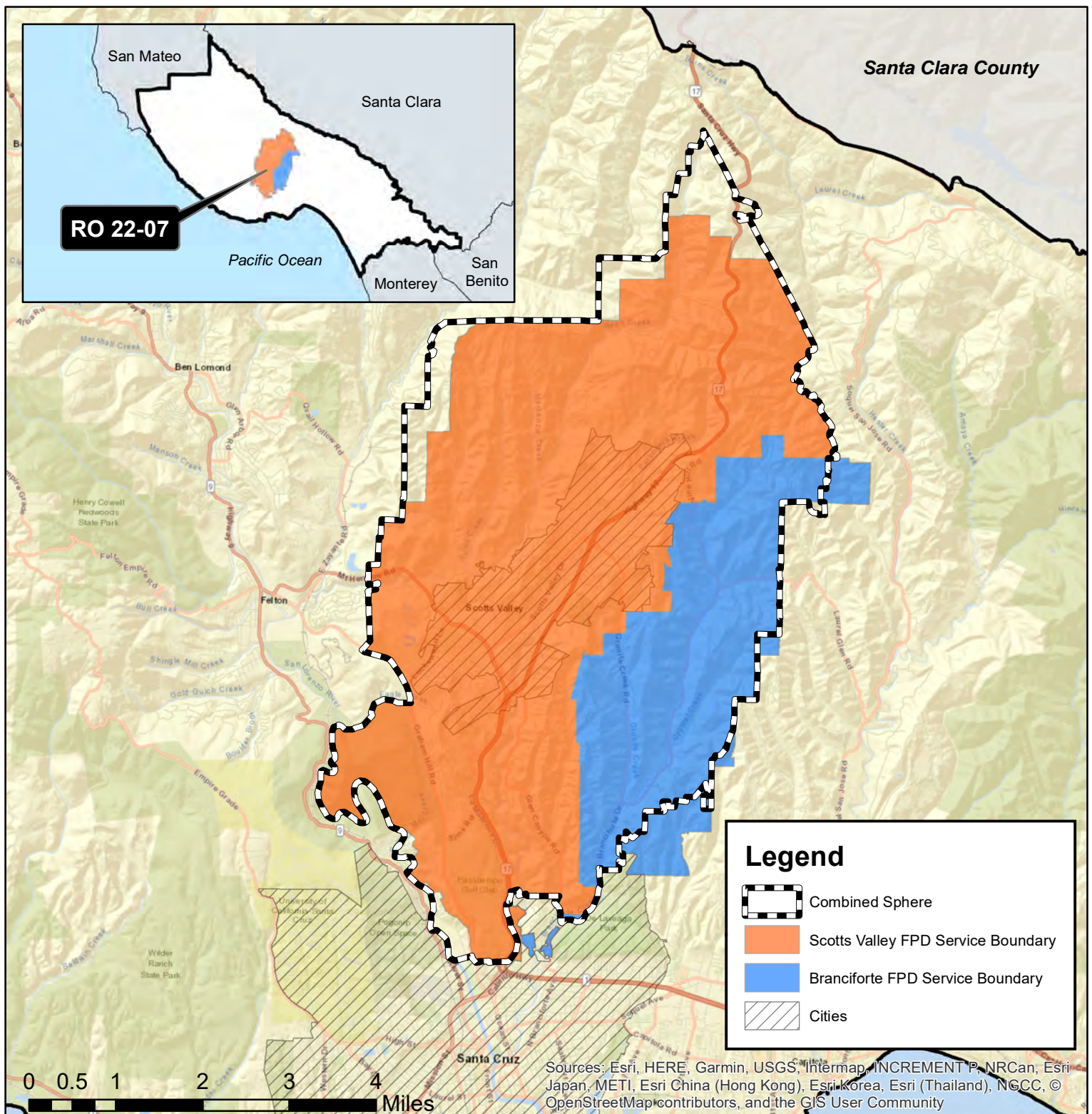
By: \_\_\_\_\_

Phillip A. Passafiume, General Counsel

Date: \_\_\_\_\_

# **EXHIBIT D:**

## **Current “Combined” Sphere Boundary**



# "Branciforte Fire Protection District Reorganization" (LAFCO Project No. RO 22-07)



- The proposed reorganization includes three actions:
- 1) dissolution of the Branciforte FPD
  - 2) concurrent annexation of the dissolved area into SVFPD
  - 3) sphere amendment to include the annexation area

*In 1994, Branciforte FPD was added to Scotts Valley FPD's sphere boundary as a precursor to consolidation.*

# **EXHIBIT E:**

## **Tentative Reorganization Timeline (as of 5/3/23)**



## "Branciforte Fire Protection District Reorganization" (Tenative Timeline - Completed and Scheduled Milestones)

Milestones Completed	Responsible Agency	Target Date	Description
1) Discussion Application Requirements	BFPD, SVFPD, and LAFCO	September 2021 to March 2022	Discuss the LAFCO process, proposal area, and application requirements to transfer service responsibilities from BFPD to SVFPD.
2) Submit Application to LAFCO	BFPD	April 1, 2022	Any change of organization (i.e. reorganization of two fire districts) requires initiation by the affected agency(ies), affected landowners/registered voters, or by LAFCO. BFPD adopted a resolution of initaiton on February 24, 2022. An application must fulfill the statutory requirements under LAFCO law.
3) Review Application (Status/Referral Letters)	LAFCO	April 27, 2022	Pursuant to state law, LAFCO will identify any missing items to the applicant within 30 days. Concurrently, LAFCO will solicit comments from affected and interested agencies/parties.
4) Host Study Session (Virtual Event)	BFPD & LAFCO	September 14, 2022	BFPD and LAFCO will host a virtual educational study session to inform the community about the reorganization effort, discuss the future of the Branciforte Fire Station, and answer any questions by the residents.
5) Host Study Session (In-Person Event)	BFPD & LAFCO	September 14, 2022	BFPD and LAFCO will host an in-person educational study session to inform the community about the reorganization effort, discuss the future of the Branciforte Fire Station, and answer any questions by the residents.
6) Hire Consulting Firm to Produce Benefit Assessment Study	BFPD	October 20, 2022	Based on the input from the community, the Board will consider hiring SCI Consulting to produce a benefit assessment study to determine the cost to keep the Branciforte Fire Station open post-reorganization.
7) Post Notice of Vacancy	BFPD	December 1, 2022	One board member resigned from BFPD on November 7, 2022. In accordance with state law, BFPD will post a Notice of Vacancy to solicit applications from eligible candidates who live within BFPD and are registered voters. Deadline to submit applications will be December 16, 2022.
8) Post Updated Notice of Vacancy	BFPD	December 16, 2022	A second board member residedented from BFPD on December 7, 2022. A new Notice of Vacancy will be posted with a new deadline to submit applications (December 30). Eligible candidates may apply for either seat or both. A special meeting will be conducted to appoint the two new members.
9) Conduct Board Meeting (Appoint New Board Members)	BFPD	January 19, 2023	Appoint two new board members to address the current vacancies on the BFPD Board.
10) Review Draft Report (BFPD Study Session)	BFPD & LAFCO	February 10, 2023	BFPD will review the draft study and determine whether a mailed-in election process will be conducted. Registered Voters within BFPD will vote to approve the proposed benefit assessment measure to fund the BFPD Fire Station with two full-time paramedic firefighters.
11) Discuss Application Status (Pending Items)	BFPD, SVFPD, and LAFCO	February 15, 2023	Address any pending items (ex. Plan for Service). These items must be resolved before LAFCO staff can deem this project complete and ready for Commission consideration.
12) Conduct Board Meeting (Schedule Election Process)	BFPD & LAFCO	March 16, 2023	The BFPD will decide if they will coordinate with the County Election's Department to determine how to properly organize and schedule the vote-by-mail process for the proposed benefit assessment.
13) Adopt Property Tax Agreement	County	March 28, 2023	The County will need to determine the transfer of ad valorem property tax revenues to fulfill the requirements of Section 99 of the Revenue and Taxation Code. Unanimously approved by BOS.
14) CALPERS Actuarial Report	CALPERS	April 10, 2023	CalPERS will provide an actuarial report showing SVFPD as the successor agency of BFPD's existing pension obligations.
15) Host Educational Workshop (In-Person Setting)	BFPD	April 22, 2023	BFPD will host an in-person educational study session to inform the community about the reorganization effort, discuss the proposed benefit assessment process, and answer any questions by the residents. 1 of 4 workshops (2 in-person; 2 virtual)
Milestones To Be Completed	Responsible Agency	Target Date	Description
16) Host Educational Workshop (Virtual Setting)	BFPD	May 11, 2023	BFPD will host an in-person educational study session to inform the community about the reorganization effort, discuss the proposed benefit assessment process, and answer any questions by the residents. 2 of 4 workshops (2 in-person; 2 virtual)
17) Complete Certificate of Filing	LAFCO	May 18, 2023	Pursuant to State law, LAFCO's Executive Officer will deem the project complete when a Certificate of Filing is signed. All required documents and actions need to be accomplished before this step is taken.
18) Host Educational Workshop (In-Person Setting)	BFPD	May 21, 2023	BFPD will host an in-person educational study session to inform the community about the reorganization effort, discuss the proposed benefit assessment process, and answer any questions by the residents. 3 of 4 workshops (2 in-person; 2 virtual)
19) Advertise LAFCO Hearing in Newspaper(s)	LAFCO	May 22, 2023	Pursuant to State law, LAFCO will advertise the consideration of the proposed reorganization in a newspaper(s) at least 21-days prior to the hearing date (GCS 56157[h] - 1/8 page in newspaper).
20) Host Educational Workshop (Virtual Setting)	BFPD	June 7, 2023	BFPD will host an in-person educational study session to inform the community about the reorganization effort, discuss the proposed benefit assessment process, and answer any questions by the residents. 4 of 4 workshops (2 in-person; 2 virtual)
21) Conduct LAFCO Hearing (Consider Proposal)	LAFCO	June 14, 2023	<b>The Commission will consider the proposed change of organization in a public forum. Affected/interested agencies and members of the public will have an opportunity to address the Commission on this matter.</b>
22) Record CEQA Document	LAFCO	June 15, 2023	The affected parties and LAFCO must determine which environmental document will be needed to fulfill the requirements of the California Environmental Quality Act. LAFCO may act as the Lead Agency.
23) Conduct 30-day Request for Reconsideration Period	LAFCO	June 15, 2023 to July 14, 2023	Pursuant to state law, the request for reconsideration period is 30 days.  <u>Reconsideration:</u> If the reorganization is approved, any person or affected agency may file a written request with the executive officer requesting amendments to or reconsideration of the adopted resolution. The request shall state the specific modification to the resolution being requested and shall state what new or different facts that could not have been presented previously are claimed to warrant the reconsideration.
24) Mailed-In Election Results (If Conducted)	BFPD	July 20, 2023	BFPD will certify the results of the mailed-in election. A public hearing will also occur on this date.
25) Mail-Out Protest Notice	LAFCO	July 21, 2023	<b>State law requires LAFCO to conduct a protest proceeding and notify the affected residents. A protest notice will be mailed to the landowners/registered voters.</b>
26) Advertise LAFCO Protest Hearing in Newspaper(s)	LAFCO	July 27, 2023	Pursuant to State law, LAFCO will advertise the protest proceedings for the reorganization in a newspaper(s) at least 21-days prior to the hearing date (GCS 56157[h] - 1/8 page in newspaper).
27) Conduct Protest Proceedings	LAFCO	July 27, 2023 to August 25, 2023  (30 days)	Pursuant to state law, the date of the protest hearing shall not be less than 21 days or more than 60 days after the date the notice is given. This is an opportunity for affected residents/landowners to submit protest petitions against the Commission's action (i.e. approval of the reorganization).  If less than 25% oppose, then Commission action holds If 25%-50% oppose, then election is required If more than 50% oppose, then Commission action is terminated
28) Conduct Protest Hearing (Collect Final Petitions)	LAFCO	August 25, 2023	A protest hearing will be held to receive any final protest petitions from affected residents/landowners.
29) Conduct LAFCO Hearing (Adopt Protest Results)	LAFCO	September 6, 2023	<b>Pursuant to state law, LAFCO will adopt a resolution acknowledging the results of the protest proceedings.</b>
30) Complete Terms & Conditions	BFPD, SVFPD, and LAFCO	September 2023	The adopted resolution from the June 2023 LAFCO Meeting will list a number of terms and conditions. The affected parties will be responsible to fulfill such conditions prior to recordation, including but not limited to legislative assistance, bond measures, etc.
31) Record Proposal (Officially Dissolve BFPD and Concurrently Annex Dissolved Area to SVFPD)	LAFCO	September - October 2023	<u>LAFCO:</u> Recordation of the approved proposal with the County and the State Board of Equalization.  <u>BFPD-SVFPD:</u> The effective date of the reorganization may be the day of recordation or a specified date. The affected parties may specify the effective date as a potential condition in the LAFCO resolution.
32) Distribute Certificate of Completion	LAFCO	September - October 2023	LAFCO will send a copy of the Certificate of Completion, which includes the adopted resolution, to all affected/interested parties.
33) State Board of Equalization (Update Tax Roll)	SBE	October 2023	Reorganization will be reflected in new tax roll.

Footnote: For Discussion Purposes Only; Dates Subject to Change

# **EXHIBIT F:**

## **Branciforte Advisory Commission (Draft Policy & Bylaws)**

## **BRANCIFORTE FIRE ADVISORY COMMISSION (POLICY)**

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### **Establishment – Statutory authority.**

The Scotts Valley Fire Protection District establishes the Branciforte Fire Advisory Commission under the authority of Government Code Section 13596.

### **Membership.**

- (A) The Commission shall consist of five members, residents of the Branciforte Service Zone (former territory of the Branciforte Fire Protection District), appointed by the Board of Directors.
- (B) Prospective members shall submit a letter of interest to the Fire Chief. The Fire Chief shall recommend members for appointment by the Board of Directors.

### **Term of office.**

Each member shall serve a term of four years, with terms beginning January 1 of odd years. Terms shall be staggered i.e. two seats in the first cycle and three seat in the second cycle. The initial members shall draw lots to determine which serve two year terms and which serve four year terms.

### **Organization and procedures**

- (A) General Organization. The Commission shall comply with all Scotts Valley Fire Protection District policies, particularly those governing conduct of Board meeting and Committees of the Board of Directors.
- (B) Staff Support. The Fire Chief shall provide staff support for the Commission as appropriate.
- (C) Meetings. The Commission shall meet twice yearly; during budget preparation and again at the time of mid-year budget review. With approval of the Fire Chief, the Commission may convene additional meetings for specific purposes, but in no case will more than four meetings be held in a calendar year.
- (D) Quorum. A quorum must be present in order for any matters requiring a vote to be acted on. A quorum shall be one person more than one-half the appointed members.

### **Powers and duties.**

The Commission shall make efforts to ensure the interests of the Branciforte community are protected and promoted by monitoring, studying, and advising the Fire Chief and the Board of Directors on:

- (A) The preparation and implementation of Scotts Valley Fire Protection District plans and processes, including the development of Master Plans, Strategic Plans, Standards of Cover, Capital Plans, Community Wildfire Protection Plans, and Annual Budgets.
- (B) The continued use and maintenance of the Branciforte Fire Station.
- (C) The continued collection and allocation of Measure T funds.
- (D) The Commission shall also serve as a liaison to community-based groups such as Firewise Communities, Community Emergency Response Teams, and others as may be organized.
- (E) Such other matters relating to the Fire District's services and programs as the Commission desires to bring to the attention of the Fire Chief and the Board of Directors.



## **BRANCIFORTE FIRE ADVISORY COMMISSION (BYLAWS)**

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### **I. DUTIES AND RESPONSIBILITIES**

The Commission shall exercise those duties and responsibilities set forth for the Commission in Scotts Valley Fire Protection District Policy (Enter Policy No.)

### **II. MEETINGS**

1. The regular meeting of the Commission shall be held twice each calendar year, by schedule, as determined by a majority of Commission members each January.

Special meetings may be called by the Chair, or by a majority vote of the Commission, during any regular or special meeting and must be approved by the Fire Chief. A quorum is represented by a simple majority of those Commissioners currently appointed.

Meetings will typically be held at the Branciforte Fire Station.

2. At least seventy-two (72) hours prior to each regular meeting, an agenda shall be mailed to each Commission member and to any person or organization which has submitted a written request to the Commission for notification of meetings and shall be posted at a location that is freely accessible to the public. The agenda shall contain a brief general description of each item of business to be transacted or discussed at the meeting.
3. Notice for a special meeting must be received at least twenty-four (24) hours prior to the time of the meeting. An agenda for the special meeting shall be mailed to each Commission member and to each person or organization which has submitted a written request to the Commission for notification of meetings and shall be posted at least twenty-four (24) hours prior to the special meeting at a location that is freely accessible to members of the public. No business other than that listed on the agenda shall be considered at a special meeting.
4. A person shall not be required to register his or her name or fulfill any other obligation as a condition to attendance at any meeting of this Commission but may volunteer such information for inclusion in the Commission minutes.
5. The meetings will be conducted in accordance with Roberts Rules of Order Revised unless otherwise specified by the authorizing legislation or these bylaws.

### **III. OFFICERS**

1. The officers of the Commission are the Chair, Vice-Chair, and Secretary.
2. The duties of the Chair are to preside over the meetings, prepare agendas, and execute all documents on behalf of the Commission. The Vice-Chair shall assume these same duties in the absence of the Chair. The Secretary shall keep minutes of each meeting.
3. Election of officers shall take place at the annual organizational meeting held in January of each year at a day, time and place to be announced in its meeting notice. Term of office is limited to one year.

#### **IV. AGENDAS**

1. No action or discussion shall be undertaken on any item not appearing on the posted agenda except that members of the Commission may briefly respond to statements made or questions posed by persons exercising their public testimony rights or ask a question for clarification, refer the matter to staff or to other resources for factual information, or request staff to report back at a subsequent meeting concerning any matter.
2. Notwithstanding, the foregoing action may be taken on a item of business not appearing on the posted agenda upon a determination by two-thirds vote of the membership of the Commission, or if less than two-thirds of the members are present, by unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the Commission subsequent to the agenda being posted.
3. Community oral communication will be heard as the first item of business on each agenda. Oral communication shall be limited to non-agenda items which are within the subject matter jurisdiction of the Commission.
4. Public comments presented during oral communication will be limited to three minutes.
5. The Chair of the Commission may establish reasonable limits on the amount of time allotted to each speaker on a particular item.
6. The Chair may establish a reasonable limit on the total amount of time allotted for public testimony of a particular item or the total amount of time allotted for community oral communications.
7. When further discussion is required, the Commission may vote to allot time in the agenda of the following meetings.

#### **V. COMMITTEES**

1. Committees or task forces may be appointed as needed by the Chair with the majority approval of the Commission. The Chair, with the majority approval of the Commission, shall terminate the committee when its function is no longer necessary.
2. All committees shall comply with the notice and agenda requirements otherwise applicable to the Commission in these Bylaws, except for committees composed solely of less than a quorum of the members of the Commission which are not standing subcommittees of the Commission with either a continuing subject matter jurisdiction or a meeting schedule fixed by resolution or other formal action of the Commission.

#### **VI. PUBLIC INPUT**

Beside public input on non-agenda items as described in Item 4 (c), the public may comment on agenda items before or during the Commission consideration of the item. Comments should be directly related to the agenda item and be concise. The Chair shall regulate such comments to insure they come at an appropriate time to be considered in Commission deliberations and are not too long or duplicative. Written materials may also be submitted related to agenda items. These shall be considered as part of the Commission deliberations.

## VII. AMENDMENTS TO BYLAWS

1. Amendments to these Bylaws may be recommended to the Board of Directors by a majority vote of the Commission.
2. These Bylaws, and any subsequent amendments thereto, shall be approved by the Board of Directors pursuant to Scotts Valley Fire District Policy (Enter Policy No.).
3. Proposed amendments shall be sent out with the agendas.

\_\_\_\_\_  
Chair, Branciforte Fire Advisory Commission

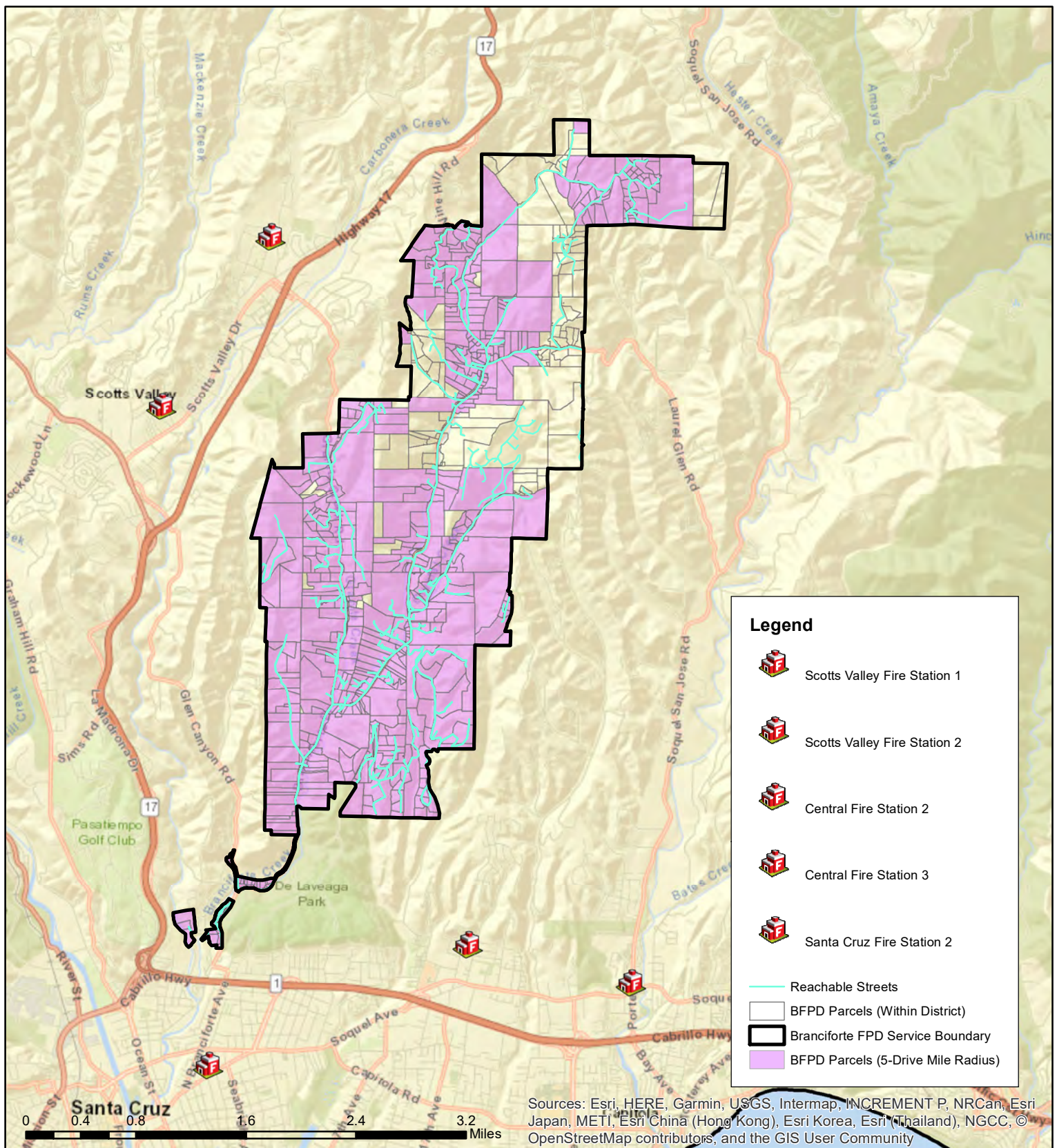
Date Adopted by Commission: \_\_\_\_\_

\_\_\_\_\_  
Chair, Scotts Valley Fire District Board of Directors

Date Adopted by Board of Directors: \_\_\_\_\_

# **EXHIBIT G:**

## **5-Driving Mile Distance (without Branciforte Fire Station)**



# Branciforte Fire Protection District (Surrounding Fire Stations)

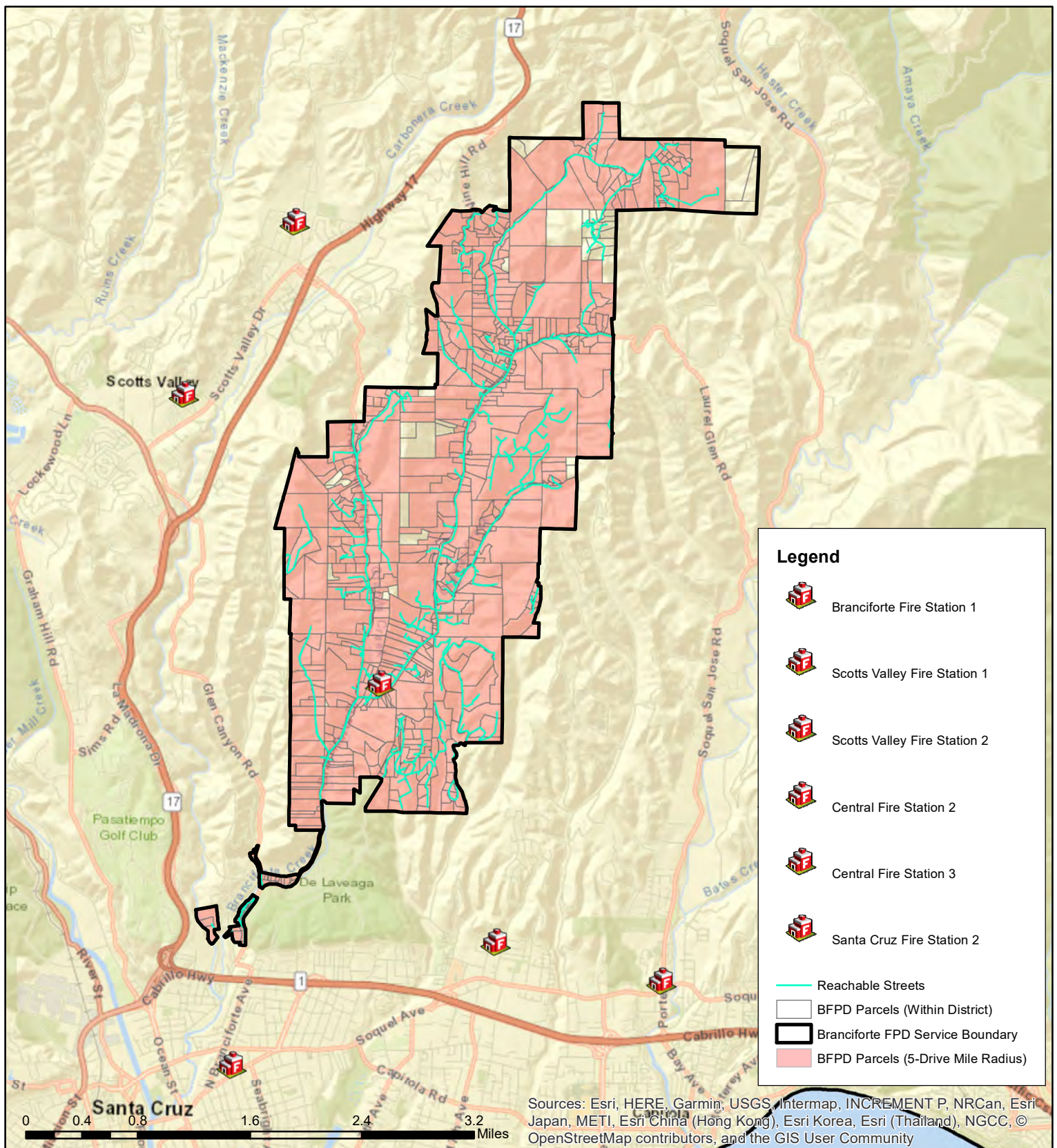
Based on LAFCO's analysis, 655 out of 745 parcels (88%) can be reached by surrounding fire stations (with at least 3 firefighters) within a 5-mile driving distance excluding the B40 Fire Station in operation. This means that 90 parcels (12%) will be beyond a 5-mile driving distance from a fire station if the B40 station does not obtain proper funding or staffing.



# **EXHIBIT H:**

## **5-Driving Mile Distance (with Branciforte Fire Station)**





# Branciforte Fire Protection District (Surrounding Fire Stations)

Based on LAFCO's analysis, 737 out of 745 parcels (99%) can be reached by surrounding fire stations within a 5-mile driving distance including the B40 Fire Station in full operation (at least 2 firefighters on duty). This means that 8 parcels (1%) are currently beyond a 5-mile driving distance from a nearby fire station.

Under this scenario, the B40 Fire Station requires a new benefit assessment to be in full operation.



# **EXHIBIT I:**

## **CalPERS Cost Analysis (dated 4/4/23)**





**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](http://www.calpers.ca.gov)

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April 4, 2023

Safety Plan of the Scotts Valley Fire Protection District  
(CalPERS ID: 4027652040)  
Amendment Actuarial Valuation Report as of June 30, 2021

Section 20508 Cost Analysis for Merger with Branciforte Fire Protection District

Dear Requestor:

A cost analysis for the valuation(s) requested above and related information is enclosed.

The change in the employer contribution rate, as of the effective date of the proposed merger, is displayed on page 3.

Government Code sections 20463 (b) and (c) require the governing body of a public agency which requests a contract cost analysis to provide each affected employee organization with a copy within five days of receipt. Likewise, if a cost analysis is requested by an employee organization, the employee organization is required to provide a copy of the analysis to the public agency within five days of receipt.

This cost analysis expires July 1, 2023. A Resolution of Intention **declaring the agency's intent** to amend the contract must be approved by the agency's governing body. The approved resolution must be received by this office on or before July 1, 2023. If either of these two conditions is not met, an updated cost analysis is required to merge the contracts. An updated cost analysis may be available as early as September 2023.

To complete the contract merger process based on the enclosed analysis, do the following:

- Complete and return the enclosed Contract Request and Schedule of Agency Actions forms. Within 90 days, CalPERS staff will send your agency the Resolution of Intention form for adoption.
- Complete and return the adopted Resolution of Intention to CalPERS on or before July 1, 2023. Adoption of the Final Resolution/Ordinance by this date is not required.

If you have questions about the cost analysis, please call (888) CalPERS (225-7377). Please ask to speak to a contract analyst for questions about the timing of the contract amendment. Please ask to speak to me for questions about this cost analysis.

A handwritten signature in black ink, appearing to read "David Clement".

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



Amendment Actuarial Valuation  
as of June 30, 2021

for the  
Safety Plan  
of the  
Scotts Valley Fire Protection District  
(CalPERS ID: 4027652040)

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

## Introduction

This report presents the June 30, 2021 actuarial valuation results of the proposed merger of the Branciforte Fire Protection District with the Scotts Valley Fire Protection District Safety Plan, pursuant to Section 20508 of the **California Public Employees' Retirement Law**.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68. A separate accounting valuation report for annual GASB reporting purposes is available from CalPERS and details for ordering are available on our website.

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

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

The following tables show the change in the plans' employer contribution requirements for fiscal year 2023-24 due to the proposed merger. If the effective date of the proposed merger is prior to July 1, 2023, the contribution requirements for the remainder of fiscal year 2023-24 will remain unchanged.

	Scotts Valley Fire Protection District (Pre-Merger)	Branciforte Fire Protection District (Pre-Merger)	Scotts Valley Fire Protection District (Post-Merger)
	Fiscal Year 2023-24	Fiscal Year 2023-24	Fiscal Year 2023-24
Development of Normal Cost as a Percentage of Payroll			
Base Total Normal Cost for Formula	31.82%	31.82%	31.82%
Surcharge for Class 1 Benefits <sup>1</sup>			
a) FAC 1	1.32%	0.00%	1.32%
<b>Plan's Total Normal Cost</b>	<b>33.14%</b>	<b>31.82%</b>	<b>33.14%</b>
<b>Plan's Employee Contribution Rate<sup>2</sup></b>	<b><u>8.99%</u></b>	<b><u>8.99%</u></b>	<b><u>8.99%</u></b>
Employer Normal Cost Rate	24.15%	22.83%	24.15%
Projected Payroll for Contribution Fiscal Year	\$1,949,471	\$169,596	\$2,119,067
Estimated Employer Contributions Based on Projected Payroll			
<b>Plan's Estimated Employer Normal Cost</b>	<b>\$470,797</b>	<b>\$38,719</b>	<b>\$511,755</b>
<b>Plan's Payment on Amortization Bases</b>	<b>1,021,417</b>	<b>68,255</b>	<b>1,089,672</b>
% of Projected Payroll (illustrative only)	52.39%	40.25%	51.42%
Estimated Total Employer Contribution	\$1,492,214	\$106,974	\$1,601,427
% of Projected Payroll (illustrative only)	76.54%	63.08%	75.57%
Required Employer Contributions			
Employer Normal Cost Rate	24.15%	22.83%	24.15%
<i>Plus, Either</i>			
1) Monthly UAL Payment	\$85,118.08	\$5,687.92	\$90,806.00
<i>Or</i>			
2) Annual UAL Prepayment*	\$988,365	\$66,046	\$1,054,411

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

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

<sup>1</sup> The Section 2 report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

<sup>2</sup> The rate displayed is the actual average employee contribution rate for the Risk Pool, which takes into account adjustments for Social Security contribution offsets. The required employee contribution, which is set by statute, is <<9%>> of pay.

## Plan's Funded Status

June 30, 2021	Scotts Valley Fire Protection District (Pre-Merger)	Branciforte Fire Protection District (Pre-Merger)	Scotts Valley Fire Protection District (Post-Merger)
1. Present Value of Projected Benefits (PVB)	\$54,346,477	\$4,006,414	\$58,379,757
2. Entry Age Accrued Liability (AL)	50,846,730	3,509,364	54,356,094
<b>3. Plan's Market Value of Assets (MVA)</b>	41,417,299	3,212,821	44,630,120
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	9,429,431	296,543	9,725,974
5. Funded Ratio [(3) / (2)]	81.5%	91.5%	82.1%

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 tables below show 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 fiscal year 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. The projected normal cost percentages below reflect that the normal cost will continue to decline over time as new employees are hired into lower cost benefit tiers. 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.

### Scotts Valley Fire Protection District

#### Pre-Merger

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	24.15%	24.2%	24.2%	24.2%	24.2%	24.2%
UAL Payment	\$1,021,417	\$1,007,000	\$961,000	\$913,000	\$845,000	\$878,000

### Branciforte Fire Protection District

#### Pre-Merger

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	22.83%	22.8%	22.8%	22.8%	22.8%	22.8%
UAL Payment	\$68,255	\$0	\$0	\$0	\$0	\$0

### Scotts Valley Fire Protection District

#### Post-Merger

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	24.15%	24.2%	24.2%	24.2%	24.2%	24.2%
UAL Payment	\$1,089,672	\$1,007,000	\$961,000	\$913,000	\$845,000	\$878,000

## Schedule of Plan's Amortization Bases

The following pages display the amortization base schedules for Scotts Valley Fire Protection District before and after the proposed merger, as well as the amortization base schedule for Branciforte Fire Protection District before the proposed merger. 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: fiscal year 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 on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution 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.

## Schedule of Plan's Amortization Bases (Continued)

### Scotts Valley Fire Protection District (Pre-Merger)

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
Investment (Gain)/Loss	6/30/13	100%	Up/Down	2.80%	22	4,405,318	307,114	4,387,495	315,560	4,359,732	316,439
Non-Investment (Gain)/Loss	6/30/13	100%	Up/Down	2.80%	22	(267,710)	(18,663)	(266,627)	(19,177)	(264,939)	(19,230)
Share of Pre-2013 Pool UAL	6/30/13	No Ramp		2.80%	14	2,893,408	249,140	2,832,688	255,991	2,760,759	258,116
Assumption Change	6/30/14	100%	Up/Down	2.80%	13	1,943,428	195,423	1,873,623	200,798	1,793,517	203,023
Investment (Gain)/Loss	6/30/14	100%	Up/Down	2.80%	23	(3,157,689)	(214,208)	(3,151,041)	(220,099)	(3,137,852)	(220,524)
Non-Investment (Gain)/Loss	6/30/14	100%	Up/Down	2.80%	23	38,398	2,605	38,317	2,676	38,157	2,682
Investment (Gain)/Loss	6/30/15	100%	Up/Down	2.80%	24	1,938,165	128,165	1,937,509	131,689	1,933,167	131,833
Non-Investment (Gain)/Loss	6/30/15	100%	Up/Down	2.80%	24	(6,988)	(462)	(6,986)	(475)	(6,970)	(475)
Assumption Change	6/30/16	100%	Up/Down	2.80%	15	761,230	56,013	755,108	71,942	732,108	72,603
Investment (Gain)/Loss	6/30/16	100%	Up/Down	2.80%	25	2,523,969	132,014	2,559,170	169,555	2,557,968	169,601
Non-Investment (Gain)/Loss	6/30/16	100%	Up/Down	2.80%	25	(405,766)	(21,223)	(411,425)	(27,259)	(411,231)	(27,266)
Assumption Change	6/30/17	100%	Up/Down	2.80%	16	987,755	53,778	999,346	73,676	991,162	92,860
Investment (Gain)/Loss	6/30/17	100%	Up/Down	2.80%	26	(1,251,743)	(49,192)	(1,286,025)	(67,393)	(1,303,828)	(84,199)
Non-Investment (Gain)/Loss	6/30/17	100%	Up/Down	2.80%	26	31,162	1,225	32,015	1,678	32,458	2,096
Assumption Change	6/30/18	80%	Up/Down	2.80%	17	1,479,161	53,938	1,524,002	83,132	1,541,722	111,637
Investment (Gain)/Loss	6/30/18	80%	Up/Down	2.80%	27	(388,929)	(10,338)	(404,692)	(15,934)	(415,744)	(21,213)
Method Change	6/30/18	80%	Up/Down	2.80%	17	333,447	12,159	343,556	18,741	347,550	25,166
Non-Investment (Gain)/Loss	6/30/18	80%	Up/Down	2.80%	27	181,653	4,829	189,015	7,442	194,177	9,908
Investment (Gain)/Loss	6/30/19	60%	Up Only	0.00%	18	189,066	4,134	197,650	8,267	202,547	12,178
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	18	220,837	20,152	215,028	20,152	208,824	19,799
Investment (Gain)/Loss	6/30/20	40%	Up Only	0.00%	19	863,999	0	922,751	20,213	964,609	39,652
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	19	151,315	0	161,604	14,775	157,324	14,509
Assumption Change	6/30/21	No Ramp		0.00%	20	269,045	(19,772)	307,773	(20,326)	349,707	31,447
Net Investment (Gain)	6/30/21	20%	Up Only	0.00%	20	(4,064,124)	0	(4,340,484)	0	(4,635,637)	(99,642)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	20	(190,925)	0	(203,908)	0	(217,774)	(19,583)
Risk Mitigation	6/30/21	No Ramp		0.00%	1	1,228,060	(25,303)	1,337,717	(26,011)	1,455,563	1,504,238
Risk Mitigation Offset	6/30/21	No Ramp		0.00%	1	(1,276,111)	0	(1,362,887)	0	(1,455,563)	(1,504,238)
Total						9,429,431	861,528	9,180,292	999,613	8,771,513	1,021,417



## Schedule of Plan's Amortization Bases (Continued)

Branciforte Fire Protection District (Pre-Merger)										
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	Minimum Required Payment 2023-24
Fresh Start	6/30/21	No Ramp		0.00%	1	296,543	129,785	182,583	124,780	68,255
Total						296,543	129,785	182,583	124,780	68,255

## Schedule of Plan's Amortization Bases (Continued)

### Scotts Valley Fire Protection District (Post-Merger)

Reason for Base	Date Est.	Ramp Level 2023-24	Ramp Shape	Escalation 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
Investment (Gain)/Loss	6/30/13	100%	Up/Down	2.80%	22	4,405,318	307,114	4,387,495	315,560	4,359,732	316,439
Non-Investment (Gain)/Loss	6/30/13	100%	Up/Down	2.80%	22	(267,710)	(18,663)	(266,627)	(19,177)	(264,939)	(19,230)
Share of Pre-2013 Pool UAL	6/30/13	No Ramp		2.80%	14	2,893,408	249,140	2,832,688	255,991	2,760,759	258,116
Assumption Change	6/30/14	100%	Up/Down	2.80%	13	1,943,428	195,423	1,873,623	200,798	1,793,517	203,023
Investment (Gain)/Loss	6/30/14	100%	Up/Down	2.80%	23	(3,157,689)	(214,208)	(3,151,041)	(220,099)	(3,137,852)	(220,524)
Non-Investment (Gain)/Loss	6/30/14	100%	Up/Down	2.80%	23	38,398	2,605	38,317	2,676	38,157	2,682
Investment (Gain)/Loss	6/30/15	100%	Up/Down	2.80%	24	1,938,165	128,165	1,937,509	131,689	1,933,167	131,833
Non-Investment (Gain)/Loss	6/30/15	100%	Up/Down	2.80%	24	(6,988)	(462)	(6,986)	(475)	(6,970)	(475)
Assumption Change	6/30/16	100%	Up/Down	2.80%	15	761,230	56,013	755,108	71,942	732,108	72,603
Investment (Gain)/Loss	6/30/16	100%	Up/Down	2.80%	25	2,523,969	132,014	2,559,170	169,555	2,557,968	169,601
Non-Investment (Gain)/Loss	6/30/16	100%	Up/Down	2.80%	25	(405,766)	(21,223)	(411,425)	(27,259)	(411,231)	(27,266)
Assumption Change	6/30/17	100%	Up/Down	2.80%	16	987,755	53,778	999,346	73,676	991,162	92,860
Investment (Gain)/Loss	6/30/17	100%	Up/Down	2.80%	26	(1,251,743)	(49,192)	(1,286,025)	(67,393)	(1,303,828)	(84,199)
Non-Investment (Gain)/Loss	6/30/17	100%	Up/Down	2.80%	26	31,162	1,225	32,015	1,678	32,458	2,096
Assumption Change	6/30/18	80%	Up/Down	2.80%	17	1,479,161	53,938	1,524,002	83,132	1,541,722	111,637
Investment (Gain)/Loss	6/30/18	80%	Up/Down	2.80%	27	(388,929)	(10,338)	(404,692)	(15,934)	(415,744)	(21,213)
Method Change	6/30/18	80%	Up/Down	2.80%	17	333,447	12,159	343,556	18,741	347,550	25,166
Non-Investment (Gain)/Loss	6/30/18	80%	Up/Down	2.80%	27	181,653	4,829	189,015	7,442	194,177	9,908
Investment (Gain)/Loss	6/30/19	60%	Up Only	0.00%	18	189,066	4,134	197,650	8,267	202,547	12,178
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	18	220,837	20,152	215,028	20,152	208,824	19,799
Investment (Gain)/Loss	6/30/20	40%	Up Only	0.00%	19	863,999	0	922,751	20,213	964,609	39,652
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	19	151,315	0	161,604	14,775	157,324	14,509
Assumption Change	6/30/21	No Ramp		0.00%	20	269,045	(19,772)	307,773	(20,326)	349,707	31,447
Net Investment (Gain)	6/30/21	20%	Up Only	0.00%	20	(4,064,124)	0	(4,340,484)	0	(4,635,637)	(99,642)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	20	(190,925)	0	(203,908)	0	(217,774)	(19,583)
Risk Mitigation	6/30/21	No Ramp		0.00%	1	1,228,060	(25,303)	1,337,717	(26,011)	1,455,563	1,504,238
Risk Mitigation Offset	6/30/21	No Ramp		0.00%	1	(1,276,111)	0	(1,362,887)	0	(1,455,563)	(1,504,238)
Merger (Branciforte)	6/30/21	No Ramp		0.00%	1	296,543	129,785	182,583	124,780	66,046	68,255
Total						9,725,974	991,313	9,362,875	1,124,393	8,837,559	1,089,672

## 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 projected normal cost rates reflect that the rates are anticipated to decline over time as new employees are hired into lower-cost benefit tiers. 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.

### Scotts Valley Fire Protection District (Pre-Merger)

Assumed Annual Return FY 2021-22 through FY 2040-41	Projected Employer Contributions				
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
3.0% (5 <sup>th</sup> percentile)					
Normal Cost Rate	24.2%	24.2%	24.2%	24.2%	24.2%
UAL Contribution	\$1,045,000	\$1,079,000	\$1,149,000	\$1,242,000	\$1,477,000
10.8% (95 <sup>th</sup> percentile)					
Normal Cost Rate	24.6%	25.0%	25.4%	25.8%	26.3%
UAL Contribution	\$971,000	\$854,000	\$694,000	\$0	\$0

### Scotts Valley Fire Protection District (Post-Merger)

Assumed Annual Return FY 2021-22 through FY 2040-41	Projected Employer Contributions				
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
3.0% (5 <sup>th</sup> percentile)					
Normal Cost Rate	24.2%	24.2%	24.2%	24.2%	24.2%
UAL Contribution	\$1,048,000	\$1,088,100	\$1,167,000	\$1,273,000	\$1,523,000
10.8% (95 <sup>th</sup> percentile)					
Normal Cost Rate	24.6%	25.0%	25.4%	25.8%	26.3%
UAL Contribution	\$971,000	\$854,000	\$694,000	\$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.

## Future Investment Return Scenarios (Continued)

### Scotts Valley Fire Protection District (Pre-Merger)

Assumed Annual Return for Fiscal Year 2021-22	Required Employer Contributions	Projected Employer Contributions
	FY 2023-24	FY 2024-25
(17.2%) (2 standard deviation loss)		
Normal Cost Rate	24.15%	24.2%
UAL Contribution	\$1,021,417	\$1,251,000
(5.2%) (1 standard deviation loss)		
Normal Cost Rate	24.15%	24.2%
UAL Contribution	\$1,021,417	\$1,129,000

### Scotts Valley Fire Protection District (Post-Merger)

Assumed Annual Return for Fiscal Year 2021-22	Required Employer Contributions	Projected Employer Contributions
	FY 2023-24	FY 2024-25
(17.2%) (2 standard deviation loss)		
Normal Cost Rate	24.15%	24.2%
UAL Contribution	\$1,089,672	\$1,270,000
(5.2%) (1 standard deviation loss)		
Normal Cost Rate	24.15%	24.2%
UAL Contribution	\$1,089,672	\$1,138,500

- 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

#### Scotts Valley Fire Protection District (Pre-Merger)

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	41.56%	33.14%	26.71%
b) Accrued Liability	57,502,422	50,846,730	45,344,237
c) Market Value of Assets	41,417,299	41,417,299	41,417,299
d) Unfunded Liability/(Surplus) [(b) - (c)]	16,085,123	9,429,431	3,926,938
e) Funded Status	72.0%	81.5%	91.3%

#### Scotts Valley Fire Protection District (Post-Merger)

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	41.56%	33.14%	26.71%
b) Accrued Liability	61,477,779	54,356,094	48,470,902
c) Market Value of Assets	44,630,120	44,630,120	44,630,120
d) Unfunded Liability/(Surplus) [(b) - (c)]	16,847,659	9,725,974	3,840,782
e) Funded Status	72.6%	82.1%	92.1%

## Discount Rate Sensitivity (continued)

Sensitivity to the Price Inflation Assumption

### Scotts Valley Fire Protection District (Pre-Merger)

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	34.78%	33.14%	30.09%
b) Accrued Liability	52,558,072	50,846,730	46,723,312
c) Market Value of Assets	41,417,299	41,417,299	41,417,299
d) Unfunded Liability/(Surplus) [(b) - (c)]	11,140,773	9,429,431	5,306,013
e) Funded Status	78.8%	81.5%	88.6%

### Scotts Valley Fire Protection District (Post-Merger)

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	34.78%	33.14%	30.09%
b) Accrued Liability	56,190,052	54,356,094	49,951,044
c) Market Value of Assets	44,630,120	44,630,120	44,630,120
d) Unfunded Liability/(Surplus) [(b) - (c)]	11,559,932	9,725,974	5,320,924
e) Funded Status	79.4%	82.1%	89.3%

## Mortality Rate Sensitivity

The following tables look at the change in the June 30, 2021 plan costs and funded ratio 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 on a future change in the mortality assumption

Scotts Valley Fire Protection District (Pre-Merger)

As of June 30, 2021	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	33.61%	33.14%	32.70%
b) Accrued Liability	51,751,984	50,846,730	50,010,330
c) Market Value of Assets	41,417,299	41,417,299	41,417,299
d) Unfunded Liability/(Surplus) [(b) - (c)]	10,334,685	9,429,431	8,593,031
e) Funded Status	80.0%	81.5%	82.8%

Scotts Valley Fire Protection District (Post-Merger)

As of June 30, 2021	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	33.61%	33.14%	32.70%
b) Accrued Liability	55,328,781	54,356,094	53,457,466
c) Market Value of Assets	44,630,120	44,630,120	44,630,120
d) Unfunded Liability/(Surplus) [(b) - (c)]	10,698,661	9,725,974	8,827,346
e) Funded Status	80.7%	82.1%	83.5%

## 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 plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions.

**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 increases. A mature plan will often have a ratio above 60%-65%.

### Scotts Valley Fire Protection District as of June 30, 2021

Ratio of Retiree Accrued Liability to Total Accrued Liability	Pre-Merger	Post-Merger
1. Retired Accrued Liability	34,717,994	37,315,551
2. Total Accrued Liability	50,846,730	54,356,094
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.68	0.69

Another measure of the maturity level of CalPERS and its plans is 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.

### Scotts Valley Fire Protection District as of June 30, 2021

Support Ratio	Pre-Merger	Post-Merger
1. Number of Actives	12	14
2. Number of Retirees	36	46
3. Support Ratio [(1) / (2)]	0.33	0.31



## Maturity Measures (Continued)

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

### Asset Volatility Ratio (AVR)

Plans that have higher asset-to-payroll ratios 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. Shown below is the **asset volatility ratio, a measure of the plan's current contribution volatility**. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.

### Liability Volatility Ratio (LVR)

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

Scotts Valley Fire Protection District as of June 30, 2021

Contribution Volatility	Pre-Merger	Post-Merger
1. Market Value of Assets	\$41,417,299	\$44,630,120
2. Payroll	1,794,475	1,950,587
3. Asset Volatility Ratio (AVR) [(1) / (2)]	23.1	22.9
4. Accrued Liability	\$50,846,730	\$54,356,094
5. Liability Volatility Ratio (LVR) [(4) / (2)]	28.3	27.9

## Participant Data

The table below summarizes changes in the **plan's member data**.

June 30, 2021	Scotts Valley Fire Protection District (Pre-Merger)	Branciforte Fire Protection District (Pre- Merger)	Scotts Valley Fire Protection District (Post-Merger)
Reported Payroll	\$1,794,475	\$156,112	\$1,950,587
Projected Payroll for Contribution Purposes	\$1,949,471	\$169,596	\$2,119,067
Number of Members			
Actives	12	2	14
Transferred	8	3	11
Separated	2	1	3
Retired	36	10	46
Total	58	16	74

### Additional Disclosure

If your agency is requesting cost information for two or more benefit changes, the cost of adopting more than one of these changes may not be obtained by adding the individual costs. Instead, a separate valuation must be done to provide a cost analysis for the combination of benefit changes.

Please note that the cost analysis provided in this document may not be relied upon after July 1, 2023. If you have not taken action to contract by this date, you must contact our office for an updated cost analysis, based on the new annual valuation.

Descriptions of the actuarial methodologies, actuarial assumptions, and plan benefit provisions may be found in the appendices of the June 30, 2021 annual report. Please note that the results shown here are subject to change if any of the data or plan provisions differ from what was used in this study.

### Certification

This actuarial valuation for the proposed merger is based on the participant, benefits, and asset data used in the June 30, 2021 annual valuation, with the benefits modified, if necessary, to reflect what is currently provided under **the agency's** contract with CalPERS, and further modified to reflect the proposed merger. It is my opinion that the valuation has been performed in accordance with standards of practice prescribed by the Actuarial Standards Board, and the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.



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



**California Public Employees' Retirement System**

**Actuarial Office**

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**888 CalPERS** (or **888-225-7377**) | TTY: (877) 249-7442 | [www.calpers.ca.gov](http://www.calpers.ca.gov)

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April 4, 2023

PEPRA Safety Plan of the Scotts Valley Fire Protection District  
(CalPERS ID: 4027652040)  
Amendment Actuarial Valuation Report as of June 30, 2021

Section 20508 Cost Analysis for Merger with Branciforte Fire Protection District

Dear Requestor:

A cost analysis for the valuation(s) requested above and related information is enclosed.

The change in the employer contribution rate, as of the effective date of the proposed merger, is displayed on page 3.

Government Code sections 20463 (b) and (c) require the governing body of a public agency which requests a contract cost analysis to provide each affected employee organization with a copy within five days of receipt. Likewise, if a cost analysis is requested by an employee organization, the employee organization is required to provide a copy of the analysis to the public agency within five days of receipt.

This cost analysis expires July 1, 2023. A Resolution of Intention **declaring the agency's intent** to amend the contract must be approved by the agency's governing body. The approved resolution must be received by this office on or before July 1, 2023. If either of these two conditions is not met, an updated cost analysis is required to merge the contracts. An updated cost analysis may be available as early as September 2023.

To complete the contract merger process based on the enclosed analysis, do the following:

- Complete and return the enclosed Contract Request and Schedule of Agency Actions forms. Within 90 days, CalPERS staff will send your agency the Resolution of Intention form for adoption.
- Complete and return the adopted Resolution of Intention to CalPERS on or before July 1, 2023. Adoption of the Final Resolution/Ordinance by this date is not required.

If you have questions about the cost analysis, please call (888) CalPERS (225-7377). Please ask to speak to a contract analyst for questions about the timing of the contract amendment. Please ask to speak to me for questions about this cost analysis.

A handwritten signature in black ink, appearing to read "David Clement", with a long, sweeping horizontal line extending to the right.

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



Amendment Actuarial Valuation  
as of June 30, 2021

for the  
PEPRA Safety Plan  
of the  
Scotts Valley Fire Protection District  
(CalPERS ID: 4027652040)

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

## Introduction

This report presents the June 30, 2021 actuarial valuation results of the proposed merger of the Branciforte Fire Protection District with the Scotts Valley Fire Protection District PEPRA Safety Plan, pursuant to Section 20508 of the California **Public Employees' Retirement Law**.

The pension funding information presented in this report should not be used in financial reports subject to GASB Statement No. 68. A separate accounting valuation report for annual GASB reporting purposes is available from CalPERS and details for ordering are available on our website.

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

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

The following tables show the change in the plans' employer contribution requirements for fiscal year 2023-24 due to the proposed merger. If the effective date of the proposed merger is prior to July 1, 2023, the contribution requirements for the remainder of fiscal year 2023-24 will remain unchanged.

	Scotts Valley Fire Protection District (Pre-Merger)	Branciforte Fire Protection District (Pre-Merger)	Scotts Valley Fire Protection District (Post-Merger)
	Fiscal Year 2023-24	Fiscal Year 2023-24	Fiscal Year 2023-24
Development of Normal Cost as a Percentage of Payroll			
Base Total Normal Cost for Formula 2.7% @ 57	27.29%	27.29%	27.29%
Surcharge for Class 1 Benefits <sup>1</sup>			
None	0.00%	0.00%	0.00%
<b>Plan's Total Normal Cost</b>	27.29%	27.29%	27.29%
<b>Plan's Employee Contribution Rate</b>	<u>13.75%</u>	<u>13.75%</u>	<u>13.75%</u>
Employer Normal Cost Rate	13.54%	13.54%	13.54%
Projected Payroll for Contribution Fiscal Year	\$1,686,148	\$76,997	\$1,763,145
Estimated Employer Contributions Based on Projected Payroll			
<b>Plan's Estimated Employer Normal Cost</b>	\$228,304	\$10,425	\$238,729
<b>Plan's Payment on Amortization Bases</b>	0	584	584
% of Projected Payroll (illustrative only)	N/A	0.75%	0.03%
Estimated Total Employer Contribution	\$228,304	\$11,009	\$239,313
% of Projected Payroll (illustrative only)	13.54%	14.30%	13.57%
Required Employer Contributions			
Employer Normal Cost Rate	13.54%	13.54%	13.54%
Plus			
1) Monthly UAL Payment	\$0	\$48.67	\$48.67
Or			
2) Annual UAL Prepayment*	\$0	\$565	\$565
Required PEPRA Member Rate	13.75%	13.75%	13.75%

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

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

*For additional detail regarding the determination of the required contribution for PEPRA members, see "PEPRA Member Contribution Rates" in the June 30, 2021 annual valuation report.*

<sup>1</sup> The Section 2 report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

## Plan's Funded Status

June 30, 2021	Scotts Valley Fire Protection District (Pre-Merger)	Branciforte Fire Protection District (Pre-Merger)	Scotts Valley Fire Protection District (Post-Merger)
1. Present Value of Projected Benefits (PVB)	\$7,167,714	\$308,105	\$7,529,344
2. Entry Age Accrued Liability (AL)	1,616,496	10,236	1,626,732
<b>3. Plan's Market Value of Assets (MVA)</b>	1,773,541	11,435	1,784,976
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	(157,045)	(1,199)	(158,244)
5. Funded Ratio [(3) / (2)]	109.7%	111.7%	109.7%

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 tables below show 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 fiscal year 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. The projected normal cost percentages below reflect that the normal cost will continue to decline over time as new employees are hired into lower cost benefit tiers. 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.

### Scotts Valley Fire Protection District

#### Pre-Merger

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	13.54%	13.5%	13.5%	13.5%	13.5%	13.5%
UAL Payment	\$0	\$0	\$0	\$0	\$0	\$0

### Branciforte Fire Protection District

#### Pre-Merger

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	13.54%	13.5%	13.5%	13.5%	13.5%	13.5%
UAL Payment	\$584	\$584	\$584	\$584	\$585	\$0

### Scotts Valley Fire Protection District

#### Post-Merger

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2021-22)				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Normal Cost %	13.54%	13.5%	13.5%	13.5%	13.5%	13.5%
UAL Payment	\$584	\$584	\$584	\$584	\$585	\$0



## Schedule of Plan's Amortization Bases

The following pages display the amortization base schedules for Scotts Valley Fire Protection District before and after the proposed merger, as well as the amortization base schedule for Branciforte Fire Protection District before the proposed merger. 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: fiscal year 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 on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution 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.

## Schedule of Plan's Amortization Bases (Continued)

### Scotts Valley Fire Protection District (Pre-Merger)

Reason for Base	Date Est.	Ramp Level 2023-24	Ramp Shape	Escalation 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	6/30/2021				N/A	(157,045)	(38,986)	(127,434)	(39,163)	(95,627)	0
Total						(157,045)	(38,986)	(127,434)	(39,163)	(95,627)	0

### Branciforte Fire Protection District (Pre-Merger)

Reason for Base	Date Est.	Ramp Level 2023-24	Ramp Shape	Escalation 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	6/30/2021	No Ramp		0.00%	5	(1,199)	(1,780)	559	(1,830)	2,488	584
Total						(1,199)	(1,780)	559	(1,830)	2,488	584

### Scotts Valley Fire Protection District (Post-Merger)

Reason for Base	Date Est.	Ramp Level 2023-24	Ramp Shape	Escalation 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	6/30/2021				N/A	(157,045)	(38,986)	(127,434)	(39,163)	(95,627)	0
Merger (Branciforte)	6/30/2021	No Ramp		0.00%	5	(1,199)	(1,780)	559	(1,830)	2,488	584
Total						(158,244)	(40,766)	(126,875)	(40,993)	(93,139)	584

## 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 projected normal cost rates reflect that the rates are anticipated to decline over time as new employees are hired into lower-cost benefit tiers. 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.

### Scotts Valley Fire Protection District (Pre-Merger)

Assumed Annual Return FY 2021-22 through FY 2040-41	Projected Employer Contributions				
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
3.0% (5 <sup>th</sup> percentile)					
Normal Cost Rate	13.5%	13.5%	13.5%	13.5%	13.5%
UAL Contribution	\$0	\$1,100	\$4,000	\$8,600	\$15,000
10.8% (95 <sup>th</sup> percentile)					
Normal Cost Rate	13.9%	14.3%	14.1%	14.5%	14.8%
UAL Contribution	\$0	\$0	\$0	\$0	\$0

### Scotts Valley Fire Protection District (Post-Merger)

Assumed Annual Return FY 2021-22 through FY 2040-41	Projected Employer Contributions				
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
3.0% (5 <sup>th</sup> percentile)					
Normal Cost Rate	13.5%	13.5%	13.5%	13.5%	13.5%
UAL Contribution	\$600	\$1,720	\$4,650	\$9,290	\$15,170
10.8% (95 <sup>th</sup> percentile)					
Normal Cost Rate	13.9%	14.3%	14.1%	14.5%	14.8%
UAL Contribution	\$570	\$550	\$0	\$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.

## Future Investment Return Scenarios (Continued)

### Scotts Valley Fire Protection District (Pre-Merger)

Assumed Annual Return for Fiscal Year 2021-22	Required Employer Contributions	Projected Employer Contributions
	FY 2023-24	FY 2024-25
(17.2%) (2 standard deviation loss)		
Normal Cost Rate	13.54%	13.5%
UAL Contribution	\$0	\$8,300
(5.2%) (1 standard deviation loss)		
Normal Cost Rate	13.54%	13.5%
UAL Contribution	\$0	\$3,000

### Scotts Valley Fire Protection District (Post-Merger)

Assumed Annual Return for Fiscal Year 2021-22	Required Employer Contributions	Projected Employer Contributions
	FY 2023-24	FY 2024-25
(17.2%) (2 standard deviation loss)		
Normal Cost Rate	13.54%	13.5%
UAL Contribution	\$584	\$8,950
(5.2%) (1 standard deviation loss)		
Normal Cost Rate	13.54%	13.5%
UAL Contribution	\$584	\$3,620

- 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

#### Scotts Valley Fire Protection District (Pre-Merger)

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	34.35%	27.29%	21.95%
b) Accrued Liability	\$1,976,736	\$1,616,496	\$1,334,460
c) Market Value of Assets	\$1,773,541	\$1,773,541	\$1,773,541
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$203,195	(\$157,045)	(\$439,081)
e) Funded Status	89.7%	109.7%	132.9%

#### Scotts Valley Fire Protection District (Post-Merger)

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	34.35%	27.29%	21.95%
b) Accrued Liability	\$1,990,645	\$1,626,732	\$1,342,192
c) Market Value of Assets	\$1,784,976	\$1,784,976	\$1,784,976
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$205,669	(\$158,244)	(\$442,784)
e) Funded Status	89.7%	109.7%	133.0%

## Discount Rate Sensitivity (continued)

### Sensitivity to the Price Inflation Assumption

#### Scotts Valley Fire Protection District (Pre-Merger)

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	28.79%	27.29%	24.69%
b) Accrued Liability	\$1,690,109	\$1,616,496	\$1,469,331
c) Market Value of Assets	\$1,773,541	\$1,773,541	\$1,773,541
d) Unfunded Liability/(Surplus) [(b) - (c)]	(\$83,432)	(\$157,045)	(\$304,210)
e) Funded Status	104.9%	109.7%	120.7%

#### Scotts Valley Fire Protection District (Post-Merger)

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	28.79%	27.29%	24.69%
b) Accrued Liability	\$1,700,799	\$1,626,732	\$1,478,752
c) Market Value of Assets	\$1,784,976	\$1,784,976	\$1,784,976
d) Unfunded Liability/(Surplus) [(b) - (c)]	(\$84,177)	(\$158,244)	(\$306,224)
e) Funded Status	104.9%	109.7%	120.7%

## Mortality Rate Sensitivity

The following tables look at the change in the June 30, 2021 plan costs and funded ratio 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 on a future change in the mortality assumption

Scotts Valley Fire Protection District (Pre-Merger)

As of June 30, 2021	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	27.65%	27.29%	26.95%
b) Accrued Liability	\$1,642,763	\$1,616,496	\$1,592,033
c) Market Value of Assets	\$1,773,541	\$1,773,541	\$1,773,541
d) Unfunded Liability/(Surplus) [(b) - (c)]	(\$130,778)	(\$157,045)	(\$181,508)
e) Funded Status	108.0%	109.7%	111.4%

Scotts Valley Fire Protection District (Post-Merger)

As of June 30, 2021	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	27.65%	27.29%	26.95%
b) Accrued Liability	\$1,653,127	\$1,626,732	\$1,602,149
c) Market Value of Assets	\$1,784,976	\$1,784,976	\$1,784,976
d) Unfunded Liability/(Surplus) [(b) - (c)]	(\$131,849)	(\$158,244)	(\$182,827)
e) Funded Status	108.0%	109.7%	111.4%

## 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 plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions.

**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 increases. A mature plan will often have a ratio above 60%-65%.

### Scotts Valley Fire Protection District as of June 30, 2021

Ratio of Retiree Accrued Liability to Total Accrued Liability	Pre-Merger	Post-Merger
1. Retired Accrued Liability	\$210,089	\$210,089
2. Total Accrued Liability	1,616,496	1,626,732
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.13	0.13

Another measure of the maturity level of CalPERS and its plans is 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.

### Scotts Valley Fire Protection District as of June 30, 2021

Support Ratio	Pre-Merger	Post-Merger
1. Number of Actives	14	15
2. Number of Retirees	1	1
3. Support Ratio [(1) / (2)]	14.00	15.00



## Maturity Measures (Continued)

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

### Asset Volatility Ratio (AVR)

Plans that have higher asset-to-payroll ratios 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. Shown below is the **asset volatility ratio, a measure of the plan's current contribution volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.**

### Liability Volatility Ratio (LVR)

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

Scotts Valley Fire Protection District as of June 30, 2021

Contribution Volatility	Pre-Merger	Post-Merger
1. Market Value of Assets	\$1,773,541	\$1,784,976
2. Payroll	1,552,088	1,622,963
3. Asset Volatility Ratio (AVR) [(1) / (2)]	1.1	1.1
4. Accrued Liability	\$1,616,496	\$1,626,732
5. Liability Volatility Ratio (LVR) [(4) / (2)]	1.0	1.0

## Participant Data

The table below summarizes changes in the **plan's member data**.

June 30, 2021	Scotts Valley Fire Protection District (Pre-Merger)	Branciforte Fire Protection District (Pre- Merger)	Scotts Valley Fire Protection District (Post-Merger)
Reported Payroll	\$1,552,088	\$70,875	\$1,622,963
Projected Payroll for Contribution Purposes	\$1,686,148	\$76,997	\$1,763,145
Number of Members			
Actives	14	1	15
Transferred	1	1	2
Separated	1	0	1
Retired	1	0	1
Total	17	2	19

### Additional Disclosure

If your agency is requesting cost information for two or more benefit changes, the cost of adopting more than one of these changes may not be obtained by adding the individual costs. Instead, a separate valuation must be done to provide a cost analysis for the combination of benefit changes.

Please note that the cost analysis provided in this document may not be relied upon after July 1, 2023. If you have not taken action to contract by this date, you must contact our office for an updated cost analysis, based on the new annual valuation.

Descriptions of the actuarial methodologies, actuarial assumptions, and plan benefit provisions may be found in the appendices of the June 30, 2021 annual report. Please note that the results shown here are subject to change if any of the data or plan provisions differ from what was used in this study.

### Certification

This actuarial valuation for the proposed merger is based on the participant, benefits, and asset data used in the June 30, 2021 annual valuation, with the benefits modified, if necessary, to reflect what is currently provided under **the agency's** contract with CalPERS, and further modified to reflect the proposed merger. It is my opinion that the valuation has been performed in accordance with standards of practice prescribed by the Actuarial Standards Board, and the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the **CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law**.



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