



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

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

REGULAR MEETING AGENDA

Wednesday, April 3, 2024 at 9:00 a.m.

(hybrid meeting may be attended remotely or in-person)

Attend Meeting by Internet: <https://us02web.zoom.us/j/85603836977>
(Password 208678)

Attend Meeting by Conference Call: Dial 1-669-900-6833 or 1-253-215-8782
(Webinar ID: 856 0383 6977)

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

HYBRID MEETING PROCESS

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

- a) Commission Quorum: State law indicates that a quorum must consist of Commissioners in person pursuant to AB 2449.
- b) Public Comments: For those wishing to make public comments remotely, identified individuals will be given up to three (3) minutes to speak. Staff will inform the individual when one minute is left and when their time is up. For those attending the meeting remotely, please click on the “Raise Hand” button under the “Reactions Tab” to raise your hand. For those joining via conference call, pressing *9 will raise your hand. The three (3) minute limit also applies to virtual public comments.
- c) Accommodations for Persons with Disabilities: Santa Cruz LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. If you are a person with a disability and wish to attend the meeting, but require special assistance in order to participate, please contact the staff at (831) 454-2055 at least 24 hours in advance of the meeting to make the appropriate arrangements. Persons with disabilities may also request a copy of the agenda in an alternative format.

1. ROLL CALL

2. EXECUTIVE OFFICER'S MESSAGE

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

a. Hybrid Meeting Process

The Commission will receive an update on the hybrid meeting process.

Recommended Action: No action required; Informational item only.

3. ADOPTION OF MINUTES

The Commission will consider approving the minutes from the March 6, 2024 Regular LAFCO Meeting.

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

4. ORAL COMMUNICATIONS

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

5. PUBLIC HEARINGS

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

a. Service & Sphere Review for County Service Area 3

The Commission will consider the adoption of a service and sphere of influence review for County Service Area 3 (Aptos Seascape).

Recommended Actions:

- 1) Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
- 2) Determine, pursuant to Government Code Section 56425, that LAFCO is required to develop and determine a sphere of influence for CSA 3, and review and update, as necessary;
- 3) Determine, pursuant to Government Code Section 56430, that LAFCO is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and

- 4) Adopt LAFCO Resolution (No. 2024-08) approving the 2024 Service and Sphere of Influence Review for CSA 3 with the following conditions:
 - a. Amend CSA 3's sphere of influence to coincide with its current jurisdictional boundary;
 - b. Determine that the "open space maintenance service," initially approved on December 6, 2006, was never implemented before LAFCO's two-year deadline of December 6, 2008 and therefore not an official service under CSA 3; and
 - c. Direct the Executive Officer to distribute a copy of the adopted service and sphere review to CSA 3 representatives and any other interested or affected parties, including but not limited to the County of Santa Cruz.

b. Draft Budget for Fiscal Year 2024-25

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

Recommended Action: Adopt the draft resolution (No. 2024-09) approving the draft budget for Fiscal Year 2024-25, with the following conditions:

- a. Direct staff to distribute the draft budget for review and comment to the 25 funding agencies (20 special districts, 4 cities, and the County); and
- b. Direct staff to schedule a public hearing, pursuant to Government Code Section 56381, for consideration and adoption of a final budget for Fiscal Year 2024-25 no later than June 5, 2024.

6. OTHER BUSINESS

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

a. Public Member Selection Process – Candidate Interviews

The Commission will consider selecting two candidates to fill the vacancies for LAFCO's regular and alternate public member seats after completing an interview with each candidate during an open session.

Recommended Action: Select the Regular and Alternate Public Members in accordance with Government Code Section 56331 and the Commission's policies.

7. WRITTEN CORRESPONDENCE

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

8. PRESS ARTICLES

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

a. Press Articles during the Months of February and March

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

Recommended Action: No action required; Informational item only.

9. COMMISSIONERS' BUSINESS

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

10. ADJOURNMENT

LAFCO's next regular meeting is scheduled for Wednesday, May 1, 2024 at 9:00 a.m.

ADDITIONAL NOTICES:

Campaign Contributions

State law (Government Code Section 84308) requires that a LAFCO Commissioner disqualify themselves from voting on an application involving an "entitlement for use" (such as an annexation or sphere amendment) if, within the last twelve months, the Commissioner has received \$250 or more in campaign contributions from an applicant, any financially interested person who actively supports or opposes an application, or an agency (such as an attorney, engineer, or planning consultant) representing an applicant or interested participant. The law also requires any applicant or other participant in a LAFCO proceeding to disclose the amount and name of the recipient Commissioner on the official record of the proceeding. The Commission prefers that the disclosure be made on a standard form that is filed with LAFCO staff at least 24 hours before the LAFCO hearing begins. If this is not possible, a written or oral disclosure can be made at the beginning of the hearing. The law also prohibits an applicant or other participant from making a contribution of \$250 or more to a LAFCO Commissioner while a proceeding is pending or for 3 months afterward. Disclosure forms and further information can be obtained from the LAFCO office at Room #318-D, 701 Ocean Street, Santa Cruz, CA 95060 (phone 831-454-2055).

Contributions and Expenditures Supporting and Opposing Proposals

Pursuant to Government Code Sections §56100.1, §56300(b), §56700.1, §59009, and §81000 et seq., and Santa Cruz LAFCO's Policies and Procedures for the Disclosures of Contributions and Expenditures in Support of and Opposition to proposals, any person or combination of persons who directly or indirectly contributes a total of \$1,000 or more or expends a total of \$1,000 or more in support of or opposition to a LAFCO Proposal must comply with the disclosure requirements of the Political Reform Act (Section 84250). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. Additional information may be obtained at the Santa Cruz County Elections Department, 701 Ocean Street, Room 210, Santa Cruz, CA 95060 (phone 831-454-2060). More information on the scope of the required disclosures is available at the web site of the Fair Political Practices Commission: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).

Accommodating People with Disabilities

The Local Agency Formation Commission of Santa Cruz County does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 24 hours in advance of the meeting to make arrangements. For TDD service, the California State Relay Service 1-800-735-2929 will provide a link between the caller and the LAFCO staff.

Late Agenda Materials

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



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

DRAFT MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, March 6, 2024

Start Time - 9:00 a.m.

1. ROLL CALL

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

The following Commissioners were present:

- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Justin Cummings
- Commissioner Manu Koenig (*Vice-Chair*)
- Commissioner Rachél Lather
- Commissioner Eduardo Montesino
- Commissioner Allan Timms
- Alternate Commissioner Ed Banks
- Alternate Commissioner John Hunt (*Chair*)

The following LAFCO staff members were present:

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

2. EXECUTIVE OFFICER'S MESSAGE

2a. Virtual Meeting Process

Executive Officer Joe Serrano had one announcement to make to the Commission. Mr. Serrano indicated that the meeting was being conducted through a hybrid approach with Commissioners and staff attending in-person while members of the public have the option to attend virtually or in-person.

3. ADOPTION OF MINUTES

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

Chair John Hunt called for a motion. **Commissioner Roger Anderson** motioned for approval of the February 7th Meeting Minutes and **Commissioner Jim Anderson** seconded the motion.

Chair John Hunt called for a voice vote on the approval of the draft minutes.

MOTION: Roger Anderson

SECOND: Jim Anderson

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: Manu Koenig

MOTION PASSES: 6-0

4. ORAL COMMUNICATIONS

Chair John Hunt requested public comments on any non-agenda items. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission on this item.

Chair John Hunt closed public comments and moved on to the next agenda item.

5. PUBLIC HEARINGS

Chair John Hunt indicated that there were two public hearing items for Commission consideration today.

5a. "Old Coach Road / John Hall Extraterritorial Service Agreement"

Chair John Hunt requested staff to provide a presentation on the proposed extraterritorial service agreement (ESA) involving the City of Scotts Valley.

Executive Officer Joe Serrano informed the Commission that staff received a request from a property owner to receive sewer services from the City of Scotts Valley for a single parcel with a single-family home dwelling unit. The parcel is located on Old Coach Road, where the City is already providing services to four existing ESAs located along the same road. The City adopted a resolution indicating it is willing and capable of providing the requested services. The recommended action fulfills requirements under LAFCO law and within the Commission's adopted policies. Mr. Serrano recommended the Commission approve the ESA involving the City of Scotts Valley.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission on this item. **Chair John Hunt** closed public comments.

Chair John Hunt requested comments or clarifying questions from the Commission. **Commissioner Allan Timms** recommended the Commission support the proposed action.

Commissioner Allan Timms motioned for approval of staff recommendation and **Commissioner Justin Cummings** seconded the motion.

Chair John Hunt called for a voice vote on the motion based on the staff's recommendation: **Adopt the draft resolution (No. 2024-06) approving the extraterritorial service agreement involving the City of Scotts Valley.**

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

MOTION PASSES: 7-0

5b. "Policies & Procedures Handbook – Proposed Amendments"

Chair John Hunt requested staff to provide a presentation on the proposed amendments to LAFCO's policies and procedures handbook.

Executive Officer Joe Serrano reminded the Commission that all LAFCO policies were merged into a single handbook in 2023. Mr. Serrano noted this consolidation of policies allows the Commission to easily review and make necessary amendments on a regular basis. This year, staff is recommending modifications to several policies to reflect current practices and address outdated language. Mr. Serrano recommended the Commission approve the proposed edits.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were no requests to address the Commission on this item. **Chair John Hunt** closed public comments.

Chair John Hunt requested comments or clarifying questions from the Commission. **Commissioner Allan Timms** asked a question about technical support and mitigating potential security risks associated with working remotely. **Executive Officer Joe Serrano** explained that LAFCO has been coordinating with the County's Information Services Department to download the required security software needed to access LAFCO's files remotely.

Commissioner Justin Cummings asked a question on how staff determined the compensation pay schedule considering the high cost of living in Santa Cruz County. **Executive Officer Joe Serrano** explained that the policy language was provided directly by LAFCO's Legal Counsel and the salary steps were based on an internal compensation survey conducted in conjunction with other LAFCOs. Mr. Serrano also indicated that staff could modify the policy in the future to ensure salaries are competitive and consistent with the cost of living in Santa Cruz County.

Commissioner Roger Anderson suggested adding an appendix to the Employment Policy so readers can reference additional information pertaining to the compensation pay schedule. Mr. Anderson also suggested adding requirements to the policy regarding updated software, multi-factor authentication, and asked to revisit the policy once it had been reviewed and revised.

Commissioner Jim Anderson noted that in the past, the use of personal computers for work-related functions was prohibited and mentioned that it was easier to use computers that were provided and maintained by the employer/agency.

Commissioner Rachél Lather noted that adding specific language directing the use of specific software or operating systems could be cumbersome and potentially confusing. **Executive Officer Joe Serrano** indicated that language can be added to ensure LAFCO remains consistent and compliant with all County policies.

Chair John Hunt called for a motion. **Commissioner Jim Anderson** motioned for approval of staff recommendation and **Commissioner Roger Anderson** seconded the motion.

Chair John Hunt called for a voice vote on the motion: **Adopt LAFCO Resolution (No. 2024-07) approving the Comprehensive Policies & Procedures Handbook with the following changes: (A) Amend the Employment Policy to include guidelines on how to consider salary adjustments and reflect the steps to be taken when working remotely; (B) Amend the Independent Special Districts Selection Policy to reflect the recent changes to the list of public agencies in Santa Cruz County; (C) Amend the City Selection Committee Policy to reflect the changes to the new term limits and rotation schedule; (D) Amend the Processing Fees & Deposits to include guidelines on how to manage financial assistance requests; (E) Approve the proposed minor and non-substantial adjustments identified throughout the proposed handbook; (F) Add an appendix to the Employment Policy, and (G) Include language indicating LAFCO will implement measures that are consistent and compliant with the County's remote security-related policies.**

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

MOTION PASSES: 7-0

6. OTHER BUSINESS

Chair John Hunt indicated that there are four business items for Commission consideration today.

6a. Big Basin Water Company – Governance Options

Chair John Hunt requested staff to provide a presentation to consider and discuss the proposed governance options report for the Big Basin Water Company (BBWC).

Executive Officer Joe Serrano explained that although water and sewer service has improved for customers of BBWC under the court-appointment receivership, it is still only a temporary measure. Efforts to identify a more sustainable successor agency to provide these essential services remain ongoing, but it has been a collaborative one supported by LAFCO, local public agencies, and the affected constituents. The governance options report provides an overview of the BBWC's history and services, a summary of ongoing challenges, and a list of possible governance options for the Commission, receiver, and public to consider. Additionally, Mr. Serrano mentioned that with support from their water consultant (Piret Harmon), Moonshot Missions was identified as a potential nonprofit partner that can provide expert objective analysis and identify potential solutions to this urgent matter. Ultimately, the goal is to provide the residents of the Big Basin area with reliable and sustainable municipal services needed for life and property. Mr. Serrano recommended the Commission receive and file the report and approve the recommended actions. Finally, Mr. Serrano provided an update on the transition plan for sewer services that may be provided by the County of Santa Cruz under County Service Area No. 7.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** indicated that there were seven requests to address the Commission on this item.

Bruce McPherson, Fifth District Supervisor, expressed his appreciation to LAFCO staff for their collaborative effort to address this urgent matter.

Becky Steinbruner, a member of the public, shared her experience with a small water company in Aptos during the 1990s and hopes Moonshot Missions can share their expertise with other small local water companies.

Nicolas L. Jaber, an attorney from Serviam by Wright LLP (court-appointed receiver), thanked LAFCO staff for their work on the governance options report. Mr. Jaber explained that the receiver acts as an agent of the court and that a transition needs to occur in order for the two receiverships for water and sewer to end. Currently, there is a transition plan in place to transfer sewer service to CSA 7, but the governance options report will be key in determining a transition plan for the delivery of water services.

Lydia Rossiter, Senior Utility Advisor for Moonshot Missions and a resident of Santa Cruz County, provided background information on the non-profit agency. Ms. Rossiter looks forward to contributing to the collaborative effort at no cost to the residents or partner public agencies.

Julie Jennings, a member of the public and customer of BBWC, expressed her appreciation and support to the receiver, as well as LAFCO for moving forward the collaborative effort to address this urgent matter. A commitment from local agencies to ensure the provision of water services is of utmost importance to the customers of BBWC.

Ann Thrift, a member of the public and customer of BBWC, provided an update on efforts by the residents to address the urgent matter. Ms. Thrift also expressed her appreciation to the public agencies participating in the collaborative effort.

Executive Officer Joe Serrano announced the reading of a correspondence received from **Patrick LaBruzzo**, a member of the public and customer of BBWC. Mr. LaBruzzo expressed his support for the recommended actions and asked the Commission to approve the draft report. Mr. LaBruzzo also encouraged LAFCO to continue communicating and engaging in a transparent manner with members of the affected residents.

Chair John Hunt closed public comments and requested comments or clarifying questions from the Commission. **Commissioner Roger Anderson** asked which of the governance options could feasibly lead or qualify for public funding and asked for a timeline towards a potential solution. **Executive Officer Joe Serrano** explained that any potential governance option selected would require support from the affected constituents and agencies but added that Moonshot Mission's expertise will be of great value at this juncture.

Commissioner Allan Timms identified a minor typo in the draft report on page 8 and requested staff to make the proper correction.

Commissioner Rachél Lather suggested the completion of an income survey to help determine future rate fees to be paid by the Big Basin community and potentially increase the likelihood of receiving public funding. Ms. Lather also expressed her support for Moonshot Missions participation in this matter.

Commissioner Justin Cummings thanked staff for their participation in this collaborative effort and asked about next steps. **Executive Officer Joe Serrano** spoke on the status of the transition of sewer services to the County before July 1, about a potential benefit assessment and mentioned that a transition plan for the provision of water services was ongoing.

Commissioner Rachél Lather asked about Proposition 218 requirements for the sewer service transition plan. **Matt Machado**, Director of Community Development & Infrastructure, provided an explanation on how a Proposition 218 ballot would take place under these circumstances and described outreach efforts to affected residents. Mr. Machado also explained that the aim is to take over the provision of sewer services by July 1 and provide upgrades to the system in the next few years.

Nicolas L. Jaber reiterated the complexities of identifying a transition plan for the provision of water services. Mr. Jaber also emphasized that as an agent of the court, the receiver will ultimately generate a report and the court will have final discretion on the matter. The concern, however, remains being able to cover the operating costs until a transition plan is established.

Commissioner Rachél Lather requested clarification on LAFCO's role in the transition of sewer services to the County. **Executive Officer Joe Serrano** informed the Commission that the affected parcels are already located within CSA 7 and no LAFCO action is needed at this time. However, Mr. Serrano did note that there is a parcel with a

fire station located outside CSA 7 that will need to be annexed in the future. As a precursor to annexation, LAFCO anticipates receiving an extraterritorial service agreement application for services from the County. Mr. Serrano also mentioned that LAFCO may play a role once a transition plan has been developed for the continued provision of water services to the customers of BBWC.

Chair John Hunt called for a motion. **Commissioner Roger Anderson** motioned for approval of staff recommendation and **Commissioner Jim Anderson** seconded the motion.

Chair John Hunt called for a voice vote on the motion: **(1) Receive and file the Big Basin Water Company Governance Options Report; and (2) Direct staff to work with Moonshot Missions and the court-appointed receiver to further explore all possible governance options.**

MOTION: Jim Anderson

SECOND: Justin Cummings

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

6b. Public Member Selection Process

Chair John Hunt requested Legal Counsel to provide an explanation on the public member selection process to select two candidates to fill the vacancies for LAFCO's regular and alternate public member seats.

Legal Counsel Joshua Nelson explained the regular LAFCO Commissioners that are not candidates for the regular or alternate member seats will be allowed to vote in the selection process. Before the process begins, the current regular and alternate public members will be asked to leave the dais and sit with members of the public throughout the duration of the selection process. The Commission will then review the qualified candidates and may appoint two of them for the regular and alternate member seats, if desired. **Vice-Chair Manu Koenig** will administer the discussion for this item.

Vice-Chair Manu Koenig requested comments or clarifying questions from the Commission on the item. **Vice-Chair Manu Koenig** noted no comments or clarifying questions from the Commission.

Vice-Chair Manu Koenig requested public comments on the item. **Executive Officer Joe Serrano** noted that several candidates would like to address the Commission.

Adam Hensley, Becky Steinbruner, Lowell Hurst, Roger Anderson, John Hunt, Jane Barr (in sequential order) provided background information, explained their interest in serving on LAFCO, and stated their qualifications in support of their candidacy.

Vice-Chair Manu Koenig thanked the candidates and closed public comments. **Commissioner Eduardo Montesino** expressed his support for Lowell Hurst's candidacy and motioned to approve Lowell Hurst as the regular public member on LAFCO. The motion was not seconded. **Vice-Chair Manu Koenig** requested further discussions.

Commissioner Justin Cummings inquired about the Commission's composition in relation to potentially increasing County representation. **Executive Officer Joe Serrano** provided an explanation of how membership is determined on the Commission and said that Commissioners can consider the candidate's area residency when selecting the regular and alternate public members. Mr. Cummings suggested that future conversations should be scheduled to further discuss increasing diverse representation on the Commission.

Commissioner Justin Cummings motioned to reappoint Roger Anderson and John Hunt as the regular and alternate public members respectfully. **Commissioner Jim Anderson** seconded the motion.

Commissioner Allan Timms requested deferring action until a more thorough public interview process could be completed at the next regular meeting in April. **Vice-Chair Manu Koenig** reminded the Commission that there was still time to extend the selection process into April to ensure all qualified candidates are considered.

Commissioner Rachél Lather expressed her support and appreciation for Roger Anderson and John Hunt.

Commissioner Allan Timms commented that he is supportive of the original motion but believes that the applicants deserve more time to be heard and considered for this important appointment.

Commissioner Justin Cummings withdrew his motion and **Commissioner Jim Anderson** withdrew his second.

Commissioner Allan Timms motioned to extend the selection process to April and provide the applicants with an opportunity to be interviewed in-person by the Commission. **Commissioner Eduardo Montesino** seconded the motion.

Commissioner Rachél Lather inquired about potential accommodations for the applicants and the Commission at the next regular meeting. **Executive Officer Joe Serrano** noted that staff can make necessary accommodations ahead of the next regular meeting.

Vice-Chair Manu Koenig called for a voice vote on the motion: **Defer action and schedule an interview process to select the regular and alternate public members at the next regular meeting on April 3, 2024.**

MOTION: Allan Timms
SECOND: Eduardo Montesino
FOR: Jim Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None
ABSTAIN: None

MOTION PASSES: 6-0

Commissioners Roger Anderson and John Hunt rejoined the Commission on the dais. **Vice-Chair Manu Koenig** yielded administrative duties back to **Chair John Hunt**.

6c. City of Capitola Annexation Plan – Continued Item

Chair John Hunt requested staff to provide a presentation on the City's request for funding assistance towards the completion of an annexation plan.

Executive Officer Joe Serrano informed the Commission that the City of Capitola had recently requested financial assistance from LAFCO to hire an outside consultant and complete an annexation plan based on recommendations from their last service and sphere review. In March, the Commission directed staff to develop a draft financial assistance policy that would cap financial assistance requests at \$15,000 in any given fiscal year. Mr. Serrano also reminded the Commission that it had earlier approved the draft Processing Fees & Deposits Policy, which included the requested financial assistance request policy. Staff recommended that the Commission consider the City's request for financial assistance.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** noted no requests to address the Commission on this item. **Chair John Hunt** closed public comments.

Chair John Hunt requested comments or clarifying questions from the Commission on this item. **Commissioner Jim Anderson** inquired on how the Commission can be fair when considering financial assistance requests from different public agencies or jurisdictions. **Executive Officer Joe Serrano** stated that although the Commission would consider each request case by case, it would still be subject to the \$15,000 cap. Mr. Serrano further added that LAFCO does not typically receive requests for financial assistance and thus far, the City is the only agency to request financial assistance this fiscal year.

Commissioner Manu Koenig indicated that he was in support of providing the City of Capitola with the maximum amount allowed under the financial assistance request policy in large part to the fact that the City has many unmet needs and potential annexation of adjacent areas could bring benefits to the residents.

Commissioner Jim Anderson asked if waiving other LAFCO fees can offset the need to use the allocated \$15,000 in a given year. **Executive Officer Joe Serrano** stated that the Commission has discretion over waiving LAFCO fees.

Commissioner Allan Timms motioned for approval of staff recommendation and **Commissioner Manu Koenig** seconded the motion.

Chair John Hunt called for a voice vote on the motion: **Provide the City of Capitola with \$15,000 towards the hiring of an outside consultant and complete an annexation plan.**

MOTION: Allan Timms

SECOND: Manu Koenig

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: Rachél Lather

MOTION PASSES: 6-0

6d. Legislative Update (New Legislative Session)

Chair John Hunt requested staff to provide a status update on the new legislative session.

Executive Officer Joe Serrano noted that the legislative session started the second year of its current cycle and staff has been monitoring 15 LAFCO-related bills. In particular, the Omnibus Bill (Assembly Bill 3277) has one proposed amendment to LAFCO law regarding property tax agreements involving special districts. Mr. Serrano recommended adopting a “Support” position for AB 3277 and sending a letter of support to the bill’s author.

Chair John Hunt opened the floor for Commission discussion and noted no Commission discussion.

Chair John Hunt requested public comments on the item. **Executive Officer Joe Serrano** noted no requests to address the Commission on this item. **Chair John Hunt** closed public comments.

Chair John Hunt called for a motion. **Commissioner Jim Anderson** motioned for approval of staff recommendation and **Commissioner Justin Cummings** seconded the motion.

Chair John Hunt called for a voice vote on the motion: **Take a “Support” position on Assembly Bill 3277 and direct the Executive Officer to submit a letter of support to the bill’s author declaring the Commission’s position.**

MOTION: Jim Anderson

SECOND: Justin Cummings

FOR: Jim Anderson, Roger Anderson, Justin Cummings, Manu Koenig, Rachél Lather, Eduardo Montesino, and Allan Timms.

AGAINST: None

ABSTAIN: None

MOTION PASSES: 7-0

7. WRITTEN CORRESPONDENCE

Chair John Hunt inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** informed the Commission it had received three late correspondences regarding the Big Basin Water Company.

Chair John Hunt moved to the next item since no Commission action was required.

8. PRESS ARTICLES

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

Chair John Hunt moved to the next item since no Commission action was required.

9. COMMISSIONERS' BUSINESS

Chair John Hunt inquired whether any Commissioner would like to share any information. Mr. Hunt indicated that there were no requests to share any information.

Chair John Hunt moved to the next item since no Commission action was required.

10. ADJOURNMENT

Chair John Hunt adjourned the Regular Commission Meeting at 10:39 a.m. to the next regular LAFCO meeting scheduled for Wednesday, April 3, 2024 at 9:00 a.m.

JOHN HUNT, CHAIRPERSON

Attest:

JOE A. SERRANO, EXECUTIVE OFFICER



Santa Cruz Local Agency Formation Commission

Date: April 3, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Service and Sphere Review for County Service Area 3**

SUMMARY OF RECOMMENDATION

LAFCO periodically performs municipal service reviews and sphere of influence updates for each agency subject to LAFCO's boundary regulations. As part of the Commission's Multi-Year Work Program, LAFCO staff has drafted a service and sphere review for County Service Area 3 ("CSA 3") and scheduled a public hearing.

It is recommended that the Commission take the following actions:

1. Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
2. Determine, pursuant to Government Code Section 56425, that LAFCO is required to develop and determine a sphere of influence for CSA 3, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, that LAFCO is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
4. Adopt LAFCO Resolution (No. 2024-08) approving the 2024 Service and Sphere of Influence Review for CSA 3 with the following conditions:
 - a. Amend CSA 3's sphere of influence to coincide with its current jurisdictional boundary;
 - b. Determine that the "open space maintenance service," initially approved on December 6, 2006, was never implemented before LAFCO's two-year deadline of December 6, 2008 and therefore not an official service under CSA 3; and
 - c. Direct the Executive Officer to distribute a copy of this adopted service and sphere review to the CSA 3 representatives and any other interested or affected parties, including but not limited to the County of Santa Cruz.

EXECUTIVE OFFICER'S REPORT:

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

Purpose & Key Findings

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

1. CSA 3 provides municipal services to a coastal community.

The CSA's service area encompasses approximately 376 acres of unincorporated territory and includes approximately 45,000 residents within the Seascape community. CSA 3 has been given the legal authority by LAFCO to provide six service provisions: Beach Access Maintenance, Road Median Landscaping Maintenance, Street Sweeping, Beach Litter Control, Beach Patrol, and Open Space Landscaping Maintenance.

2. CSA 3 added a new service but was never implemented.

The County submitted an application in 2006 to expand the list of services under CSA 3 to include "open space maintenance services." The LAFCO at that time approved the new provision with the condition that the County begin providing the service no later than December 6, 2008. Based on staff's analysis, the service was never implemented within the two-year deadline, and therefore, not an official service under CSA 3. No official LAFCO action is required but staff is recommending that the Commission formally make this determination as part of this service review.

3. CSA 3 is financially stable at this time.

The CSA's primary source of revenue is from service charges. CSA 3's fund balance ended with approximately \$47,000 in FY 2022-23, an increase of 34% from the previous fiscal year. Financial statements indicate that the CSA ended with a surplus each year from 2019 to 2023. However, the surplus is a result of the County reducing, or in some cases, discontinuing certain services to ensure that enough revenue was available to cover annual expenses. The cutback in service delivery is also a result of the CSA's benefit assessments being stagnant for almost 30 years.

4. CSA 3 requires improvement in governmental transparency.

State law now requires all independent special districts to maintain and operate a website by January 1, 2020. CSA 3 is a dependent special district, and therefore, not subject to this statutory requirement. However, LAFCO encourages the County to offer more information about CSA 3 on their website to ensure residents have the opportunity to participate in the CSA's decision-making process and future actions.

5. CSA 3's sphere of influence goes beyond its jurisdictional boundary.

The Commission adopted CSA 3's original sphere of influence in February 1983 which went beyond the jurisdictional boundary to include 96 additional parcels. The intent was for the County to annex this area, most residential, to provide the same services as the rest of the Seascapes community. However, the sphere boundary has been in place for over 40 years without a single annexation. Therefore, staff is recommending that the Commission reduce the sphere boundary to be coterminous with the current service area.

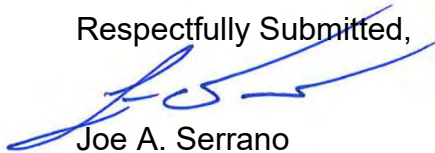
Environmental Review

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

Agency Coordination and Public Notice

A hearing notice for this draft service review was published in the March 12th issue of the Santa Cruz Sentinel (**Attachment 3**). The draft service and sphere review is attached to this staff report. As part of staff's extensive process, an administrative draft of the report was also shared with county representatives of CSA 3, including Matt Machado the Deputy Chief Administrative Officer and Director of Community Development & Infrastructure. This allowed the CSA an opportunity to review LAFCO staff's findings and provide corrections and/or feedback before the report was finalized. The assistance of Mr. Machado and their staff in completing this service review was greatly appreciated. In conclusion, staff is recommending that the Commission adopt the attached resolution (refer to **Attachment 4**) approving the service and sphere review.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. Service and Sphere Review – Administrative Draft
2. Environmental Determination – Categorical Exemption
3. Public Hearing Notice
4. Draft Resolution No. 2024-08

cc: Matt Machado, Community Development & Infrastructure (County Public Works)

County Service Area 3 (Service & Sphere Review)



Local Agency Formation Commission
of Santa Cruz County



Administrative Version – March 25, 2024

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EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries regarding County Service Area 3 (referred to as “CSA 3”). The report will be used by the Local Agency Formation Commission (LAFCO) to conduct a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that LAFCO conduct periodic reviews and updates of Spheres of Influence for all cities and special districts in Santa Cruz County (Government Code Section 56425). It also requires LAFCO to conduct a review of municipal services before adopting sphere updates (Government Code Section 56430). The last service review conducted for CSA 3 was adopted on June 5, 2019.

The service review process does not require LAFCO to initiate changes of organization based on service review conclusions or findings; it only requires that LAFCO make determinations regarding the delivery of public services in accordance with Government Code Section 56430. However, LAFCO, local agencies, and the public may subsequently use the determinations and related analysis to consider whether to pursue changes in service delivery, government organization, or spheres of influence. Service and sphere reviews are informational documents and are generally exempt from environmental review. LAFCO staff has conducted an environmental review of the District’s existing sphere of influence pursuant to the California Environmental Quality Act (CEQA) and determined that this report is exempt from CEQA. Such an exemption is due to the fact that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (Section 15061[b][3]).

CSA 3 (Aptos Seascap) Overview

County service area 3 was formed in 1965 to provide a series of services to the Seascap community in Aptos. A total of five services are allowed to be offered under CSA 3, as shown in **Table 1**.

Table 1: CSA 3 Services

Type of Service	Year of Activation
1. Beach Access Maintenance	1965
2. Road Median Landscaping Maintenance	1965
3. Street Sweeping	1965
4. Beach Litter Control	1994
5. Beach Patrol	1994

The County’s Community Development & Infrastructure Department (previously known as the Planning and Public Works Departments) is responsible for providing financial oversight of all funds collected and disbursed, as well as procurement oversight. All CSAs are formed and operate in accordance with the County Service Area Law (Government Code Section 25210 et seq.). **Figure 1** on page 3 provides a vicinity map showing the location of the CSA in the southern portion of Santa Cruz County near the coast.

Figure 1: Vicinity Map



County Service Area 3 (Aptos Seascapes) Service and Sphere Boundaries

CSA 3 provides several services to appx. 24,000 residents. There are 1,663 parcels within its service area and an additional 96 parcels in its sphere boundary.



Map created on 2/26/24

Legal Authority

CSA 3 is governed by the County Service Area Law (Government Code Section 25210 et seq.). The Legislature finds and declares the following:

- a) Population growth and development in unincorporated areas result in new and increased demands for public facilities and services that promote the public peace, health, safety, and general welfare.
- b) The residents and property owners in unincorporated areas should have reasonable methods available so that they can finance and provide these needed public facilities and services.
- c) The residents and property owners in some unincorporated areas may propose the incorporation of new cities or annexations to existing cities as a way to fulfill these demands for public facilities and services.
- d) In other unincorporated areas, independent special districts with directly elected or appointed governing boards can fulfill these demands for public facilities and services.
- e) County boards of supervisors need alternative organizations and methods to finance and provide needed public facilities and services to the residents and property owners of unincorporated areas.
- f) In enacting the County Service Area Law by this chapter, it is the intent of the Legislature to continue a broad statutory authority for county boards of supervisors to use county service areas as a method to finance and provide needed public facilities and services.
- g) Further, it is the intent of the Legislature that county boards of supervisors, residents, and property owners use the powers and procedures provided by the County Service Area Law to meet the diversity of local conditions, circumstances, and resources.

CSA Zones of Benefit

State law indicates that LAFCOs have purview over cities and special districts, including county services areas. However, in accordance with Government Code Section 56036(b)(10), LAFCOs do not have authority over a zone of any special district. This service review is intended to provide information about CSA 3 only. The creation, modification, or dissolution of future zones can only be implemented by the County through official action from the Board of Supervisors. It is LAFCO's understanding that there are no zones of benefits within CSA 3, however, there is interest in forming a potential zone(s) in the near future – if residents support this new funding source option. Further discussion about this opportunity is discussed later in the report (refer to page 16).

Key Findings

The following are key findings of the 2024 Service and Sphere of Influence Review for County Service Area 3 (Aptos Seascapes):

1. CSA 3 provides municipal services to a coastal community.

The CSA's service area encompasses approximately 376 acres of unincorporated territory and includes approximately 45,000 residents within the Seascapes community. CSA 3 has been given the legal authority by LAFCO to provide six service provisions: Beach Access Maintenance, Road Median Landscaping Maintenance, Street Sweeping, Beach Litter Control, Beach Patrol, and Open Space Landscaping Maintenance.

2. CSA 3 added a new service but was never implemented.

The County submitted an application in 2006 to expand the list of services under CSA 3 to include "open space maintenance services." The LAFCO at that time approved the new provision with the condition that the County begin providing the service no later than December 6, 2008. Based on staff's analysis, the service was never implemented within the two-year deadline, and therefore, not an official service under CSA 3. No official LAFCO action is required but staff is recommending that the Commission formally make this determination as part of this service review.

3. CSA 3 is financially stable at this time.

The CSA's primary source of revenue is from service charges. CSA 3's fund balance ended with approximately \$47,000 in FY 2022-23, an increase of 34% from the previous fiscal year. Financial statements indicate that the CSA ended with a surplus each year from 2019 to 2023. However, the surplus is a result of the County reducing, or in some cases, discontinuing certain services to ensure that enough revenue was available to cover annual expenses. The cutback in service delivery is also a result of the CSA's benefit assessments being stagnant for almost 30 years.

4. CSA 3 requires improvement in governmental transparency.

State law now requires all independent special districts to maintain and operate a website by January 1, 2020. CSA 3 is a dependent special district, and therefore, not subject to this statutory requirement. However, LAFCO encourages the County to offer more information about CSA 3 on their website to ensure residents have the opportunity to participate in the CSA's decision-making process and future actions.

5. CSA 3's sphere of influence goes beyond its jurisdictional boundary.

The Commission adopted CSA 3's original sphere of influence in February 1983 which went beyond the jurisdictional boundary to include 96 additional parcels. The intent was for the County to annex this area, most residential, to provide the same services as the rest of the Seascapes community. However, the sphere boundary has been in place for over 40 years without a single annexation. Therefore, staff is recommending that the Commission reduce the sphere boundary to be coterminous with the current service area.

Recommended Actions

Based on the analysis and findings in the 2024 Service and Sphere of Influence Review for County Service Area 3, the Executive Officer recommends that the Commission:

1. Find that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, LAFCO determined that the sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
2. Determine, pursuant to Government Code Section 56425, the Local Agency Formation Commission of Santa Cruz County is required to develop and determine a sphere of influence for County Service Area 3, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, the Local Agency Formation Commission of Santa Cruz County is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
4. Adopt a Resolution (LAFCO No. 2024-08) approving the 2024 Service and Sphere of Influence Review for County Service Area 3 with the following conditions:
 - a. Amend CSA 3's sphere of influence to coincide with its current jurisdictional boundary;
 - b. Determine that the "open space maintenance service," initially approved on December 6, 2006, was never implemented before LAFCO's two-year deadline of December 6, 2008 and therefore not an official service under CSA 3; and
 - c. Direct the Executive Officer to distribute a copy of the adopted service and sphere review to CSA 3 representatives and any other interested or affected parties, including but not limited to the County of Santa Cruz.

DISTRICT OVERVIEW

History

County Service Area 3 was formed on December 14, 1965 and its service area encompasses 1,663 parcels (totaling 530 acres), as shown in the map on page 3. **Appendix A** provides a copy of the 1965 formation resolution adopted by the County¹. CSA 3's original purpose was to provide beach access maintenance, road median landscaping maintenance, and street sweeping services to the Seascape community. In 1994, LAFCO activated two latent powers (beach litter control and beach patrol) as additional services for CSA 3. In 2006, LAFCO activated one more latent power for CSA 3 – this time for open space landscaping maintenance services to mitigate fire hazard. CSA 3's original sphere of influence boundary was established on February 2, 1983, and extended beyond the service area as shown in **Appendix B**. The sphere boundary has remained the same for over 40 years. **Appendix C** provides a timeline of all the boundary changes approved by LAFCO since its inception. Only eight LAFCO actions were taken since 1965, and all but one was completed between 1965-1983. The last LAFCO action involving the CSA was in October 2006 when LAFCO approved the new service for open space maintenance (more information about this expired service is on page 14).

Services & Operations

CSA 3 provides multiple services to the Seascape community and these services are funded through benefit assessments. The assessed parcels are classified as follows: (1) Residential, (2) Duplex, (3) Three-Unit Condo, (4) Fourplex, (5) Retirement Home, and (6) Minor Commercial, Affordable Housing, Hotel, Swim/Tennis Club. **Figure 2** on page 8 shows the current land use designation within CSA 3. The current benefit assessments are based on flat fees that have not changed or been adjusted for inflation since 1996. It is LAFCO's understanding that attempts were made to increase the rates in FY 2002-23, FY 2021-22, and FY 2023-24, but the residents ultimately voted down the proposed rate changes. It is important to note that the CSA representatives were the ones who initiated the process for an election to increase not the County specifically. The purpose of the failed rate increase was to provide necessary funding for road median maintenance, street utility facilities, and beach access maintenance, patrol, and litter control services for the beach area below Via Palo Alto and extending south to the resort (all within CSA 3). **Table 2** provides an overview of the current rates along with the proposed rate adjustment, which failed via mailed-in ballots in March 2023.

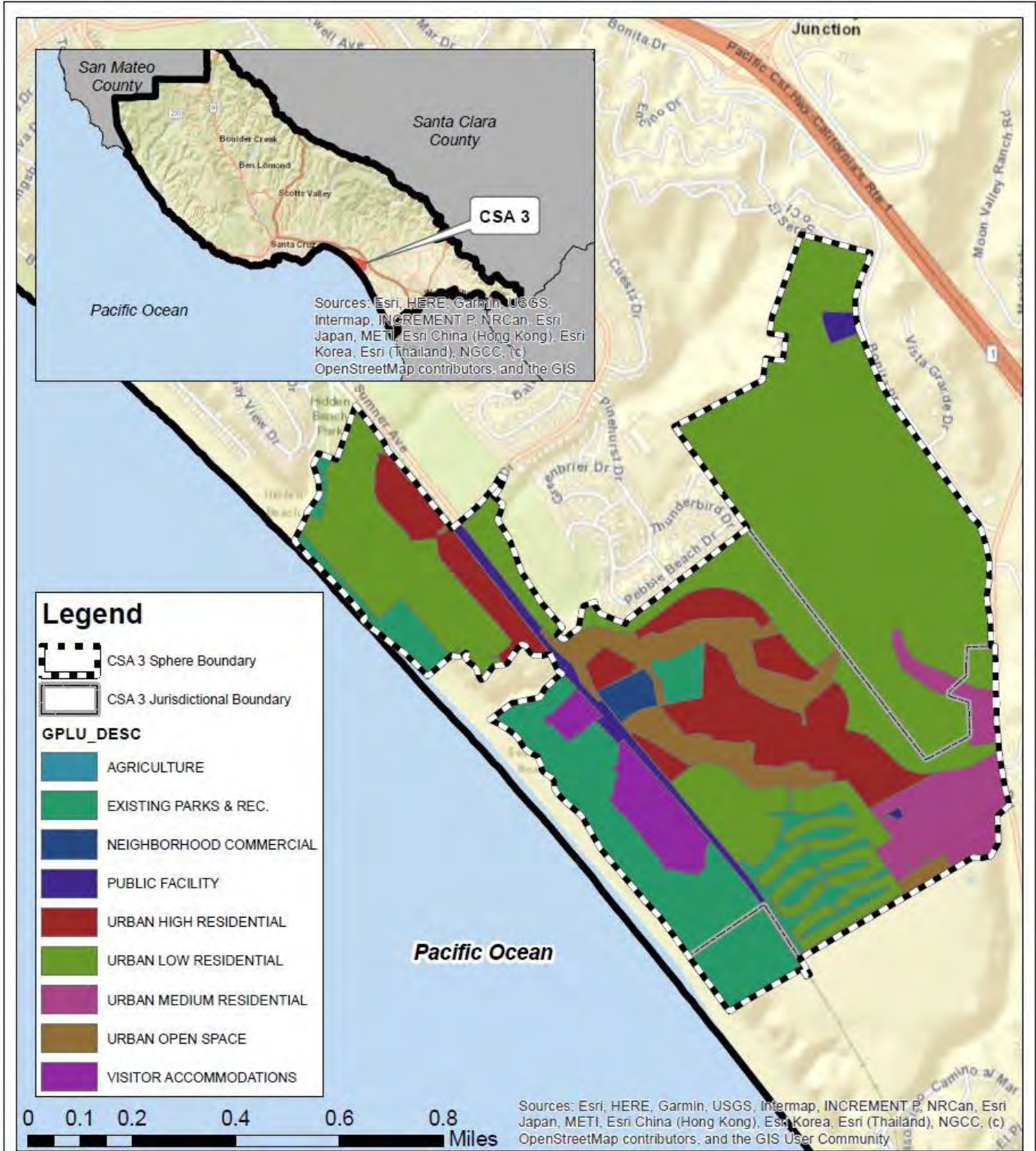
Table 2: Annual Charges

Benefit Assessment Structure	Current Rates (since 1996)	Proposed Rates (failed in 2023)
Residential, Vacant	\$50	\$150
Duplex	\$100	\$300
Three-Unit Condo	\$150	\$450
Fourplex, Retirement Home	\$200	\$600
Minor Commercial, Affordable Housing, Hotel, Swim/Tennis Club	\$400	\$1,200

Footnote: Rates have remained the same for almost 30 years without any changes or adjustments

¹ LAFCO Reso No. 198 officially created CSA 3, however, a copy of the resolution was not available

Figure 2: Land Use Map



County Service Area 3 (Aptos Seascapes) Service and Sphere Boundaries



Map created on 2/26/24

CSA 3 provides several services to appx. 24,000 residents. There are 1,663 parcels within its service area and an additional 96 parcels in its sphere boundary.

Population & Growth

Based on staff's analysis, the population of CSA 3 in 2020 was estimated to be 24,000. The Association of Bay Area Governments (ABAG) and the Association of Monterey Bay Area Governments (AMBAG) provide population projections for cities and counties in the Coastal Region. Official growth projections are not available for special districts. In general, the Coastal Region is anticipated to have a slow growth over the next fifteen years. **Table 3** shows the anticipated population for the CSA. The average rate of change within CSA 3 is 0.86%.

Population Projection

Based on the projections for Santa Cruz County, LAFCO staff was able to develop a population forecast for CSA 3 by increasing the CSA's 2020 population amount by 0.86% for the next fifteen years. Under this assumption, LAFCO staff projects that the entire population of the CSA will be approximately 25,000 by 2040.

Table 3: Projected Population

	2020	2025	2030	2035	2040
Unincorporated County Territory	136,891	137,896	139,105	140,356	141,645
CSA 3 (Aptos Seascapes)	23,974	24,179	24,387	24,596	24,807

Disadvantaged Unincorporated Communities

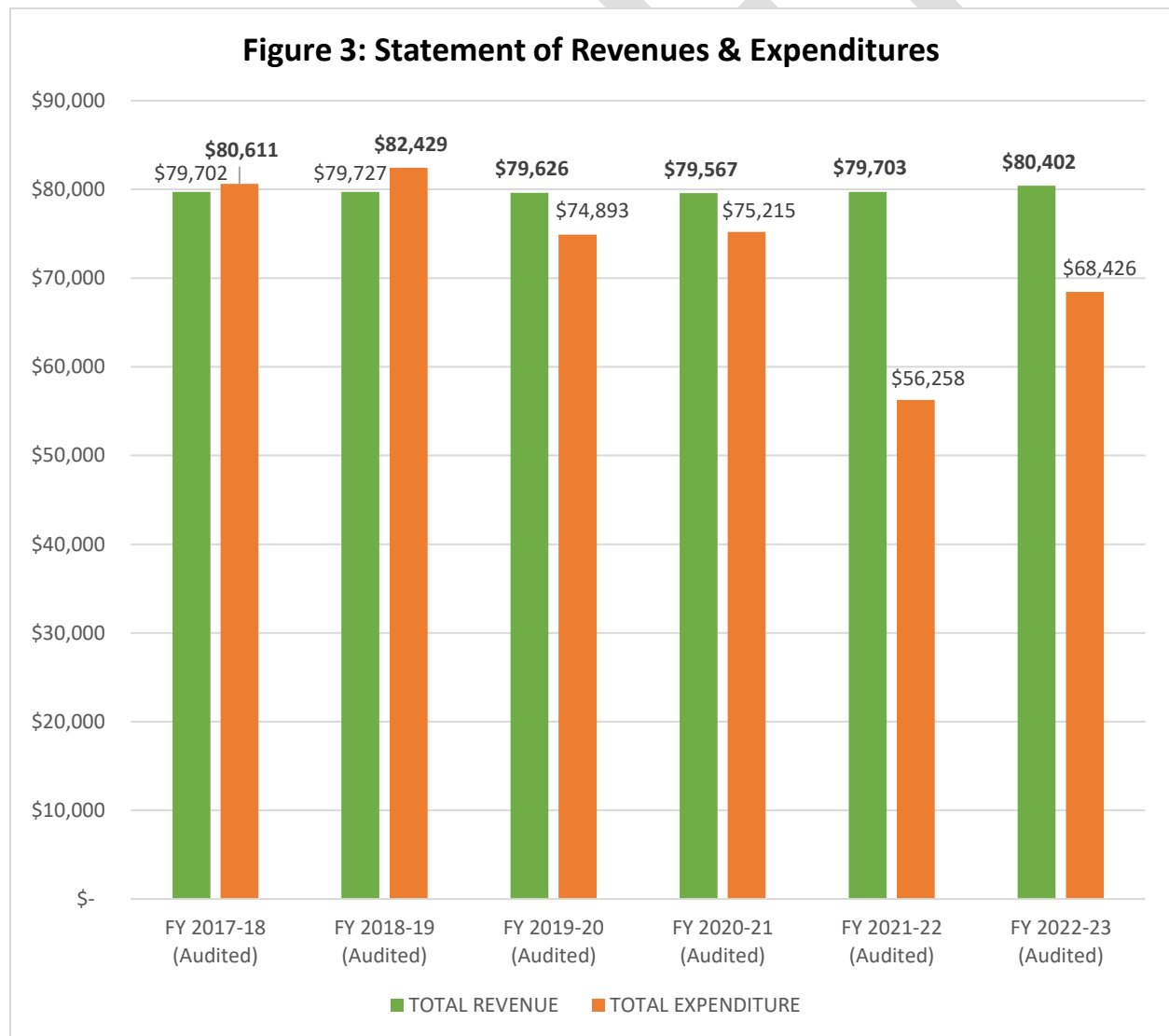
In accordance with Senate Bill 244, which became effective on January 1, 2012, state law requires the identification and description of all "disadvantaged unincorporated communities" (DUCs) located within or contiguous to the existing spheres of influence of cities and special districts which provide fire protection, sewer, and/or water services (Government Code Section 56046). DUCs are defined as inhabited unincorporated areas with an annual median household income that is 80% or less than the statewide annual median household income.

In 2020, the California statewide annual median household income was \$78,672, and 80% of that was \$62,938. LAFCO staff utilized the ArcGIS mapping program to locate potential DUCs in Santa Cruz County. Based on the criteria set forth by SB 244, in conjunction with further evaluation of these areas, staff determined that there are no disadvantaged unincorporated communities within CSA 3 at this time.

FINANCES

This section will highlight the CSA’s audited financial performance during the most recent fiscal years. Fiscal Year 2022-23 is the latest audited financial statement publicly available. A comprehensive analysis of the CSA’s financial performance during the past six years is shown in **Table 7** on page 12.

At the end of FY 2022-23, the total revenue collected by the CSA was approximately \$80,400, representing a 1% increase from the previous year (\$79,700 in FY 2021-22). Total expenses for FY 2022-23 were approximately \$68,400, which increased from the previous year by 22% (\$56,300 in FY 2021-22). As shown in **Figure 3**, the CSA’s total revenues have been more than total expenditures each year since FY 2019-20. The positive balance is a result of the County’s action to reduce or in some cases discontinue provisions of certain services due to its inability to increase the current benefit assessment rates. These rates have not changed for almost 40 years even though annual costs and inflation have increased during the same time period. That is why total revenue from charges for services has been restricted to \$79,695 each fiscal year as shown in the following tables on pages 11 and 12.



Revenues

CSA 3's primary source of revenue is charges for services. Since rates have not changed since 1996, CSA 3 is limited to receiving the same amount each year (\$79,596). Less than one percent comes from the Interest made from their account balance, which has only earned between \$30 to \$700 in the last six years. **Table 4** highlights the limited revenue sources since 2017.

Table 4: Total Revenue

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
REVENUE						
Charges for Services	\$79,596	\$79,596	\$79,596	\$79,478	\$79,596	\$79,695
<i>Change (%)</i>		0.0%	0.0%	-0.1%	0.1%	0.1%
Interest	\$106	\$131	\$30	\$89	\$107	\$707
<i>Change (%)</i>		23.6%	-77.1%	196.7%	20.2%	560.7%
Total Revenue	\$79,702	\$79,727	\$79,626	\$79,567	\$79,703	\$80,402
<i>Change (%)</i>		0.0%	-0.1%	-0.1%	0.2%	0.9%

Expenditures

CSA 3's total expenditures involve landscape maintenance, street sweeping, beach patrol, utilities, accounting, and other miscellaneous costs. However, all these expenses are shown under one budget line item in the County's audited financial statements as "Service & Supplies." **Table 5** distinguishes the cost and percentage since 2017.

Table 5: Total Expenditure

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
EXPENDITURE						
Services & Supplies	\$ 80,611	\$ 82,429	\$ 74,893	\$ 75,215	\$ 56,258	\$ 68,426
<i>Change (%)</i>		2.3%	-9.1%	0.4%	-25.2%	21.6%
Total Expenditure	\$ 80,611	\$ 82,429	\$ 74,893	\$ 75,215	\$ 56,258	\$ 68,426
<i>Change (%)</i>		2.3%	-9.1%	0.4%	-25.2%	21.6%

Fund Balance

As of June 30, 2023, the total fund balance was approximately \$47,000. The following table highlights the net position balance from 2017 to 2023. As shown in the table below, CSA 3's fund balance has fluctuated over the years, recently experiencing significant increases during the most recent years. It is LAFCO's understanding that since 2018, the County has reduced or in some cases discontinued the provision of certain services to ensure that enough revenue was available to cover anticipated expenses each year.

Table 6: Fund Balance/Net Position

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Net Position (Ending Balance)	\$4,908	\$2,206	\$6,939	\$11,292	\$34,736	\$46,712
Change in (\$) from previous year		-\$2,702	\$4,733	\$4,353	\$23,445	\$11,975
Change in (%) from previous year		-55%	215%	63%	208%	34%

Table 7: Total Revenues & Expenditures

COUNTY SERVICE AREA 3 (APTOS SEASCAPE)						
	FY 2017-18 (Audited)	FY 2018-19 (Audited)	FY 2019-20 (Audited)	FY 2020-21 (Audited)	FY 2021-22 (Audited)	FY 2022-23 (Audited)
REVENUE						
Charges for Services	\$ 79,596	\$ 79,596	\$ 79,596	\$ 79,478	\$ 79,596	\$ 79,695
Interest	\$ 106	\$ 131	\$ 30	\$ 89	\$ 107	\$ 707
TOTAL REVENUE	\$ 79,702	\$ 79,727	\$ 79,626	\$ 79,567	\$ 79,703	\$ 80,402
EXPENDITURE						
Services & Supplies	\$ 80,611	\$ 82,429	\$ 74,893	\$ 75,215	\$ 56,258	\$ 68,426
TOTAL EXPENDITURE	\$ 80,611	\$ 82,429	\$ 74,893	\$ 75,215	\$ 56,258	\$ 68,426
Surplus / (Deficit)	\$ (909)	\$ (2,702)	\$ 4,733	\$ 4,352	\$ 23,445	\$ 11,976
FUND BALANCE						
Ending Balance	\$ 4,908	\$ 2,206	\$ 6,939	\$ 11,292	\$ 34,736	\$ 46,712
Change (\$)		\$ (2,702)	\$ 4,733	\$ 4,353	\$ 23,445	\$ 11,975
Change (%)		-55%	215%	63%	208%	34%

GOVERNANCE

CSA 3 is a dependent special district governed by the County Board of Supervisors. All CSAs are formed and operate pursuant to the County Service Area Law (Government Code Section 25210 et seq.). County Supervisors receive no additional compensation for their CSA responsibilities. The County’s Community Development & Infrastructure Department (previously known as the Planning and Public Works Departments) manages the services related to CSA 3. The Board of Supervisors holds public hearings when considering any annual charges and/or work programs overseen by the Board.

Local Accountability & Structure

The current Board is as follows:

Table 8: Board of Directors

Board Member	Supervisory District	Term of Office
Manu Koenig	First District (Live Oak, Soquel, Summit, Santa Cruz Gardens, Carbonera, and parts of Scotts Valley & Capitola)	First Elected: 2020 Next Election: Primary 2024
Zach Friend	Second District (Aptos, Freedom, Corralitos, La Selva Beach, and parts of Capitola & Watsonville)	First Elected: 2012 Next Election: Primary 2024
Justin Cummings	Third District (Santa Cruz, Bonny Doon, North Coast)	First Elected: 2022 Next Election: Primary 2026
Felipe Hernandez	Fourth District (Pajaro Valley, Watsonville)	First Elected: 2022 Next Election: Primary 2026
Bruce McPherson	Fifth District (San Lorenzo Valley, most of Scotts Valley, parts of Santa Cruz, and Paradise Park)	First Elected: 2012 Next Election: Primary 2024

Challenges and Opportunities

Both independent and dependent special districts are tasked with operating in an efficient and transparent manner on a regular basis. LAFCO staff has taken the position that public agencies should always prepare and consider future opportunities and potential challenges in order to properly provide and sustain adequate services to their constituents. The following section explores possible actions that should be considered by the CSA.

Financial Transparency

CSA 3 has the legal authority to provide six service provisions. While the adopted annual budgets and actual expenses on the County website do not breakout the “Services & Supplies” expense more specifically, the CSA 3 representatives are provided financial reports twice annually which do breakout the costs for specific types of services. These detailed financial documents are not publicly available at this time. It may be beneficial to include these financial documents on the County’ website for further transparency..

LAFCO Staff Recommendation: *The CSA should consider having financial statements accessible online for more transparency.*

Financial Stability / Zones of Benefit

As previously stated, CSA 3 has been given the legal authority to provide six different services; however, certain services have been reduced or discontinued by the County due to lack of proper funding. It is LAFCO’s understanding that the community has expressed interest in forming a zone of benefit to adequately provide funding towards beach maintenance and patrol. While LAFCOs have no purview over the formation of zones of benefit, creating a zone or several zones may address the current financial structure which is currently outdated and not sustainable.

LAFCO Staff Recommendation: *The County should explore forming one or several zones to adequately fund the existing services based on location and/or need.*

Open Space Maintenance Service

In 2006, the County submitted an application to activate a new service under CSA 3: *Open Space Landscaping Maintenance*. LAFCO approved the activation of this new provision in December 2006 with the condition that the County begin providing this service by December 2008 (two-year deadline). The service was not initiated or implemented within the two-year period, and therefore, not an official service responsibility under CSA 3. The Commission should formally make this determination as part of this service review. **Appendix D** provides more background information on the 2006 effort and expiration deadline.

LAFCO Staff Recommendation: *The Commission should formally determine that the two-year deadline passed without the implementation of the open space maintenance service. Therefore, this service is officially not under CSA 3’s scope of work.*

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. SB 929 identifies several components that must be found within an agency's website. Additionally, the Special District Leadership Foundation (SDLF), an independent, non-profit organization formed to promote good governance and best practices among California's special districts, has also outlined recommended website elements as part of its District Transparency Certificate of Excellence. This program was created as an effort to promote transparency in the operations and governance of special districts to the public.

Based on SB 929's criteria and the recommendations set by the SDLF; LAFCO conducted a thorough review of the CSA's website even though said law only applies to independent special districts. **Table 9** summarizes staff's findings on whether the website is meeting the statutory requirements. At present, the CSA does not meet the statutory requirements under SB 929 and SDLF's website transparency criteria. In fact, LAFCO could not find any reference to CSA 3 on the County's website. The financial information used to conduct LAFCO's analysis for this service review was available within the County's budget and audit webpages, but were retrieved after a thorough examination of the fiscal documentations. There is currently no financial information available exclusively for CSA 3 at this time. It is LAFCO's recommendation that the County provide more information for CSA 3. This recommendation is consistent with previous requests for other CSAs within Santa Cruz County.

Table 9: Website Transparency

Website Components	Checkmark (Yes)
Required Items (SB 949 Criteria and SDLF Benchmarks)	
1. Names and Contact Information of Board Members*	
2. Board Member Term Limits	
3. Names of Key Staff, including General Manager	
4. Contact Information for Staff	
5. Election/Appointment Procedure & Deadlines	
6. Board Meeting Schedule*	
7. Mission Statement	
8. Description of District's Services/Functions and Service Area	
9. Authorizing Statute/Enabling Act	
10. Adopted District Budgets*	
11. Financial Audits*	
12. Archive of Board Meeting Agendas & Minutes*	
13. Link to State Controller's Webpages for District's reported Board Member and Staff Compensation	
14. Link to State Controller's Webpages for District's reported Financial Transaction Report	
15. Reimbursement & Compensation Policy / Annual Policies	
16. Home Page Link to Agendas/Board Packets	
17. SB 272 - Compliance-Enterprise Catalogs	
18. Machine Readable/Searchable Agendas	
19. Recipients of Grant Funding or Assistance	
20. Link or Copies of LAFCO's Service & Sphere Reviews	
Total Score (out of a possible 20)	0 (0%)

Additional Items (SDLF's Recommended Elements)	
1. Board Member Ethics Training Certificates	
2. Picture, Bio, and Email Addresses of Board Members	
3. Last Three Years of Audits	
4. Financial Reserves Policy	
5. Online/Downloadable Public Records Act Request Form	
6. Audio or Video Recordings of Board Meetings	
7. Map of District Boundaries/Service Area	
8. Link to CSDA Mapping Program	
9. General Description of Special Districts or Link to www.districtmakethedifference.org	
10. Link to Most Recently Filed to FPPC Forms	
Total Score (out of a possible 10)	0 (0%)

*Footnote: Senate Bill 929 Statutory Requirements

LAFCO Staff Recommendation: While CSA 3 is not subject to SB 929, LAFCO encourages more transparency from CSA 3 by sharing online information on how residents can participate in the CSA's decision-making process and future actions.

SPHERE OF INFLUENCE

Cortese-Knox-Hertzberg Act

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

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

Sphere Boundary

CSA 3's original sphere was adopted on February 2, 1983 and includes 96 parcels (totaling 67 acres) beyond the CSA's jurisdictional boundary, as shown in **Figure 1** on page 3 and **Figure 4** on page 18. Since then, the sphere has remained unchanged for over 40 years without a single annexation. The intent of this sphere boundary was for the County to eventually annex these parcels, most residential, and provide the same services as the rest of the Seascape community. Due to the lack of activity to add territory into the CSA based on the sphere boundary, staff is recommending that the sphere of influence be reduced and be coterminous with the CSA's current service area, as shown in **Figure 5** on page 19.



Figure 4: Current Sphere Map

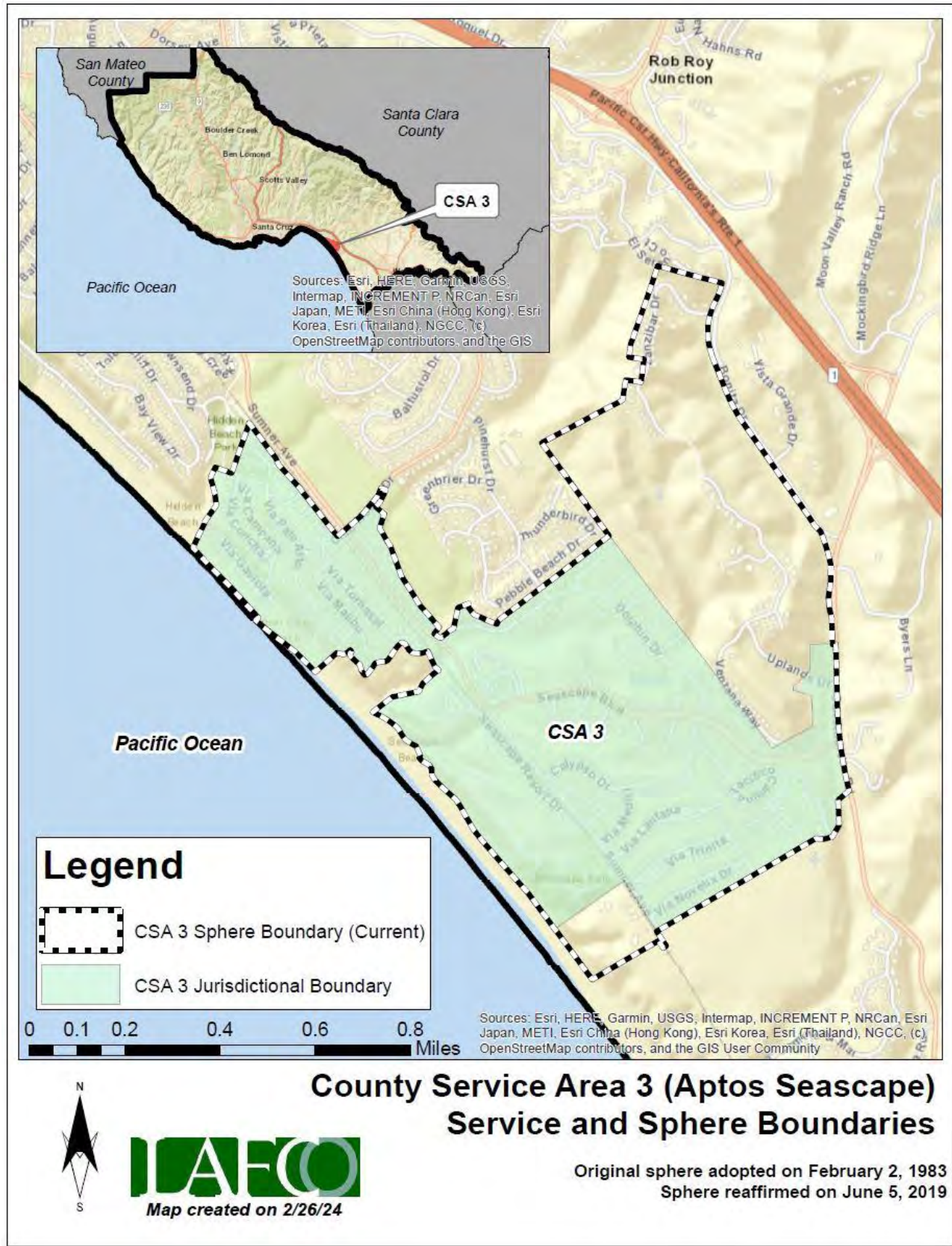


Figure 5: Proposed Sphere Map



DISTRICT SUMMARY

CSA 3 (Aptos Seascape)	
Formation	California Government Code, Section 25210 et seq. (County Service Area Law)
Board of Trustees	County Board of Supervisors; five members; elected at-large to a four-year term
Contact Person	Matt Machado, Deputy Chief Administrative Officer and Director of Community Development & Infrastructure
Employees	Zero full-time employees
Facilities	N/A
District Area	376 acres (0.59 square miles)
Sphere of Influence	The sphere boundary goes beyond the jurisdictional boundary.
FY 2022-23 Audit	Total Revenue = \$80,402 Total Expenditure = \$68,426 Projected Net Position (Ending Balance) = \$46,712
Contact Information	Mailing Address: 701 Ocean Street, Room 410 Santa Cruz CA 95060 Phone Number: 831-454-2160 Email Address: dpwcsa@santacruzcountyca.gov Website: https://www.dpw.co.santa-cruz.ca.us/Home/CSAs.aspx <i>(no website/webpage currently dedicated to CSA 3)</i>
Public Meetings	Annual public meeting is held by the Board of Supervisors to adopt annual charges.
Mission Statement	N/A

SERVICE AND SPHERE REVIEW DETERMINATIONS

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

Service Provision Determinations

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

1. Growth and population projections for the affected area.

CSA 3 encompasses the community of Seascape within Aptos (unincorporated county territory). It is estimated that approximately 24,000 residents currently live within the CSA's jurisdiction. LAFCO staff projects that the CSA's population may reach 25,000 by 2040.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

CSA 3 does not provide water, sewer, or fire protection to the Seascape community.

4. Financial ability of agencies to provide services.

CSA 3's primary source of revenue is from service charges. CSA 3's fund balance ended with approximately \$47,000 in FY 2022-23. The CSA is currently solvent; however, benefit assessments have not changed since 1996, which has limited the amount of revenue collected to cover annual expenses.

5. Status of, and opportunities for, shared facilities.

The County should consider utilizing its existing website to promote and share more information about CSA 3's finances, activities, and governance.

6. Accountability for community service needs, including governmental structure and operational efficiencies.

LAFCO encourages more transparency from CSA 3 by sharing online information on how residents can participate in the CSA's decision-making process and future actions.

7. Any other matter related to effective or efficient service delivery, as required by commission policy.

No additional local LAFCO policies are specifically relevant to this service review.

Sphere of Influence Determinations

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

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

The present and planned land uses are based on the general plan from the County, which range from urban to rural uses. The general plan anticipates growth centered on existing urban areas and the maintenance of agricultural production, rural residential uses, and environmental protection in rural areas.

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

It is LAFCO's understanding that the residents within CSA 3 have expressed interest in forming a zone of benefit to adequately fund beach maintenance and patrol. However, the last several attempts to increase rates have failed. The County should coordinate with the community to jointly determine what services are most needed within CSA 3.

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

CSA 3 has the legal authority to provide five service provisions: (1) Beach Access Maintenance, (2) Road Median Landscaping Maintenance, (3) Street Sweeping, (4) Beach Litter Control, and (5) Beach Patrol. Open Space Landscaping Maintenance was approved as a new service in 2006 but it was never implemented within the two-year deadline and therefore not an official service under CSA 3. It is also LAFCO's understanding that the County has reduced or discontinued certain services due to lack of proper funding. Benefit assessments have not increased since 1996.

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

CSA 3 has a governing board comprised of residents as well as a homeowner's association. These bodies should continue coordinating with the County to educate the community about its current financial restrictions and service provisions.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

APPENDICES

Appendix A: 1965 Formation Resolution

Appendix B: List of Boundary Changes (1965 to 2006)

Appendix C: 1983 Sphere Adoption Resolution

Appendix D: 2006 Introduction of New Service (Expiration Condition)



APPENDIX A:

1965 Formation Resolution



RESOLUTION NO. 696-65

On the motion of Supervisor **Black**
duly seconded by Supervisor **Silliman**
the following resolution is adopted:

A RESOLUTION ESTABLISHING
APTOS SEASCAPE COUNTY SERVICE AREA NO. 3

APTOS SEASCAPE

RESOLVED, by the Board of Supervisors of the County
of Santa Cruz, California, that

WHEREAS, this Board did on the 10th day of August,
1965, adopt Resolution No. 609-65 of Intention for the
Establishment of a County Service Area, under the terms
of Chapter 2.2 of Title 3 of the Government Code of the
State of California;

WHEREAS, it appears that notices of said hearing
were duly and regularly mailed and published in the time,
form and manner required by said Act, as evidenced by the
affidavits on file with said County Clerk, whereupon said
hearing was duly and regularly held at the time and place
stated in said notices; and

WHEREAS, no interested persons or taxpayers for or
against the establishment of the area, the extent of said
area or the furnishing of said extended services, filed
written protests with the County Clerk of said County at
or before the time set for hearing, and all persons inter-
ested desiring to be heard were given an opportunity to be
heard, and all matters and things pertaining to the estab-
lishment of said County Service Area were fully heard and
considered by this Board, and said Board has acquired juris-
diction to establish said County Service Area, and to fi-
nally determine and establish the boundaries thereof and
designate the types of services to be performed therein.

NOW, THEREFORE, said Board does hereby FIND, DETERMINE and ORDER, as follows:

1. That Aptos Seascapes County Service Area No. 3 is hereby established pursuant to Chapter 2.2 of Title 3 of the Government Code in the unincorporated area of Santa Cruz County, the exterior boundaries of which are herein determined and established and are more particularly described in Exhibit "A" attached hereto and incorporated by reference herein.

2. The types of extended county services to be provided within the area pursuant to Chapter 2.2 of Title 3 of the Government Code are (a) the development and maintenance of parkway facilities, (b) the development and maintenance of street utility facilities, (c) the development and maintenance of drainage facilities, and (d) any other governmental services, hereinafter referred to as miscellaneous extended services, which the County is authorized by law to perform and which the County does not also perform on a countywide basis both within and without cities, and, except where funds are otherwise available, a tax sufficient to pay for all such services furnished on an extended basis will be annually levied upon all taxable property within said area.

PASSED and ADOPTED by the Board of Supervisors
of the County of Santa Cruz, State of California,
this 14th day of September, 1965, by the
following vote:

AYES: SUPERVISORS **Black, Burton, Silliman, Locatelli
and McCallie**
NOES: SUPERVISORS **None**
ABSENT: SUPERVISORS **None**

RUSS McCALLIE

Chairman of said Board

ATTEST: **TOM M. KELLEY**
Clerk of said Board

DISTRIBUTION: Auditor-Controller
County Counsel

Approved as to form

WILLIAM B. CAUD
County Counsel

STATE OF CALIFORNIA] SS
COUNTY OF SANTA CRUZ]

I, TOM M. KELLEY, County Clerk and ex-officio
Clerk of the Board of Supervisors of the County of
Santa Cruz, State of California, do hereby certify that
the foregoing is a true and correct copy of a resolution
passed and adopted by and entered in the minutes of
the said Board.

In Witness whereof I have hereunto set my hand and
affixed the seal of the said Board, on Sept 17, 1965

TOM M. KELLEY, County Clerk

By Wm. Davis, Deputy

APPENDIX B:

Past Boundary Changes (1965 to Present)

Project Number	Proposal Title	Action Date
198	Formation of Aptos Seascape CSA 3	12/14/1965
158	Seascape Beach Estates No. 4 Annexation to CSA 3	4/16/1969
159	Aptos Seascape / Leonard Annexation to CSA 3	4/16/1969
126	Seascape Beach Estates Annexation to Aptos Seascape CSA 3	3/20/1968
639	Aptos Seascape Unit 16 Annexation to CSA 3	2/2/1983
651	Aptos Seascape CSA 3 SOI	2/2/1983
749	Benchlands / Seascape Greens / School Site Annexation to Aptos Seascape CSA 3	6/7/1989
912	Extend Scope of Services CSA 3 Aptos Seascape	12/6/2006

APPENDIX C:

1983 Sphere Adoption Resolution

RESOLUTION NO. 651

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

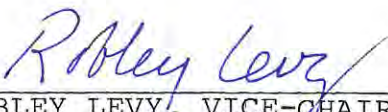
RESOLUTION OF THE
SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
ADOPTING THE 1990 SPHERE OF INFLUENCE FOR
APTOS SEASCAPE COUNTY SERVICE AREA NO. 3

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

1. The Commission has initiated the Aptos Seascape County Service Area Sphere of Influence Study pursuant to Section 54774 of the Government Code.
2. The Executive Officer has given notice of public hearing by this Commission upon the Aptos Seascape County Service Area Sphere of Influence in the form and manner prescribed by law.
3. The public hearing was held by this Commission on February 2, 1983, and at the hearing this Commission heard all interested persons.
4. The Commission has considered the Negative Declaration dated January 14, 1983 together with the comments received during the public review process, and approves the Negative Declaration. The Commission finds that adopting this sphere of influence will not have a significant effect on the environment.
5. The Commission adopts the Sphere of Influence Findings listed in the Executive Officer's Report dated January 27, 1983.
6. The Commission hereby adopts the Sphere of Influence for the Aptos Seascape County Service Area to include the territory shown on the map designated Exhibit "A" attached hereto, and to be subject to the following policies: None.


PASSED AND ADOPTED by the Local Agency Formation Commission of the County of Santa Cruz this second day of February 1983 by the following vote:

AYES: COMMISSIONERS JOHNSTON, PULLEY, NIELSEN, LEVY
NOES: COMMISSIONERS PATTON
ABSENT: COMMISSIONERS NONE



ROBLEY LEVY, VICE-CHAIRMAN
Santa Cruz Local Agency
Formation Commission

Attest:



Patrick M. McCormick
Executive Officer

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 749

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

MAKING DETERMINATIONS AND AUTHORIZING PROCEEDINGS
TO ANNEX TERRITORY DESIGNATED AS
BENCHLANDS/SEASCAPE GREENS/SCHOOL SITE NO. 749
TO COUNTY SERVICE AREA 3

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

1. A resolution for the proposed annexation of certain territory to County Service Area 3 (Aptos Seascape) was heretofore filed with the Executive Officer of this Commission pursuant to the Cortese-Knox Local Government Reorganization Act of 1985 (Government Code Section 56000 et seq.); said territory is assigned the short term designation of "Benchlands/Seascape Greens/School Site No. 749".
2. The Executive Officer of the Commission has examined said application, has prepared a report including his recommendations thereon, and has presented the same before this Commission for consideration.
3. The public hearing by this Commission was held on June 7, 1989 and at such hearing this Commission heard and received all oral and written protests, objections, and evidence which were made, presented, or filed.
4. Said territory includes approximately 150 acres and is found to be inhabited for purposes of annexation.
5. The boundaries of the areas proposed to be annexed are approved as submitted (see Exhibit A).
6. The approval of such annexation is conditioned upon the following terms and conditions: a) The proponent shall provide a legal map, description, and fees to meet State Board of Equalization requirements.
7. The Commission has considered the Negative Declaration dated May 17, 1989 together with the comments received during the public review process, and approves the Negative Declaration.
8. Pursuant to Board of Supervisors Resolution No. 342-89 adopted May 23, 1989, there will be no exchange of property tax revenues.
9. The approval is consistent with the adopted Sphere of Influence for County Service Area 3.
10. The Commission hereby approves this proposal and authorizes the Santa Cruz

County Board of Supervisors to conduct annexation proceedings in compliance with this resolution and state law.

PASSED AND ADOPTED by the Local Agency Formation Commission of the County of Santa Cruz this 7th day of June, 1989 by the following vote:

AYES: COMMISSIONERS WORMHOUDT, PATTON, GARCIA, MURPHY, LEVY

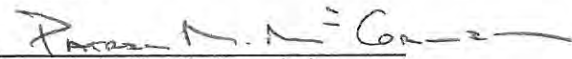
NOES: NONE

ABSENT:



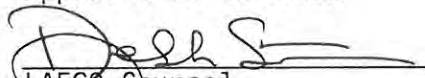
ROBLEY LEVY, CHAIRPERSON
Santa Cruz Local Agency Formation
Commission

Attest:



Patrick M. McCormick
Executive Officer

Approved as to form:



LAFCO Counsel

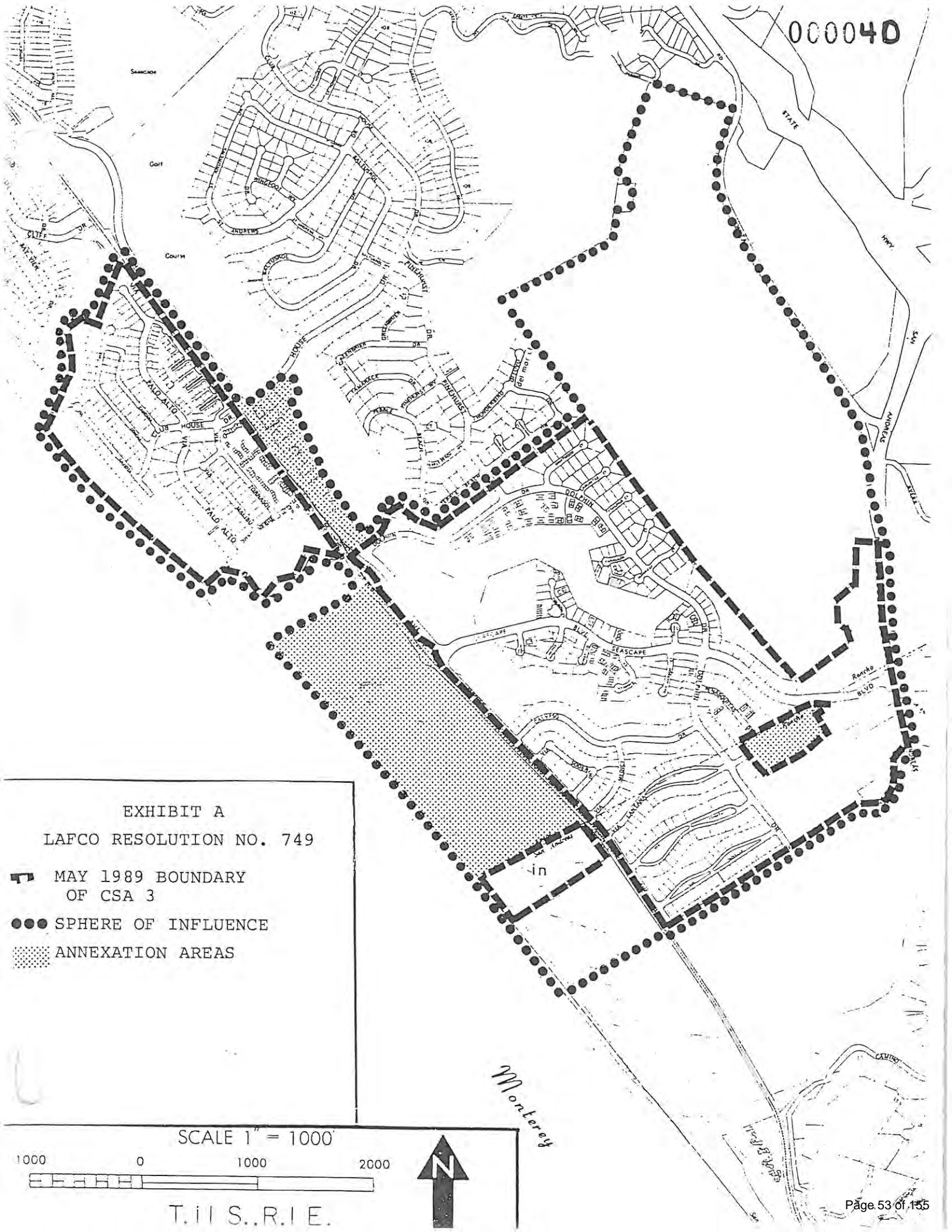



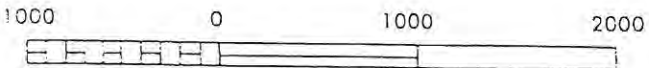


EXHIBIT A

LAFCO RESOLUTION NO. 749

-  MAY 1989 BOUNDARY OF CSA 3
-  SPHERE OF INFLUENCE
-  ANNEXATION AREAS

SCALE 1" = 1000'



T.I.S.R.I.E.

Monterey

APPENDIX D:

2006 Introduction of New Service (Expiration Date)



Executive Officer's Report
November 29, 2006 for December 6th Agenda

Email: info@santacruzlafco.org
website: www.santacruzlafco.org

000014

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

Subject: Adding Open Space Landscaping Maintenance to Services Performed by County
Service Area 3, Aptos Seascap
LAFCO Application Number 912

Summary: County Service Area 3, which provides specialized services in Aptos Seascap, is requesting authorization to begin a new service: open space landscaping maintenance.

Recommendation: Staff recommends that the Commission, by motion, authorize, County Service Area 3 to provide open space landscaping maintenance services.

Members of the Commission:

The Santa Cruz County Department of Public Works has submitted an application on behalf of County Service Area 3 to expand the list of services that the County Service Area is authorized to provide. State laws ("enabling acts") contain a list of services that each type of district may provide. As part of the formation proceedings, the formation documents identify which types of services a district will actually provide. If the district wants to add a new type of service, Government Code Section 56824.14 requires LAFCO authorization for a new service. The reason for this law is so that LAFCO can review the private and public options for providing the service to assure that the public service is needed and the proposed district is an efficient means of providing the service.

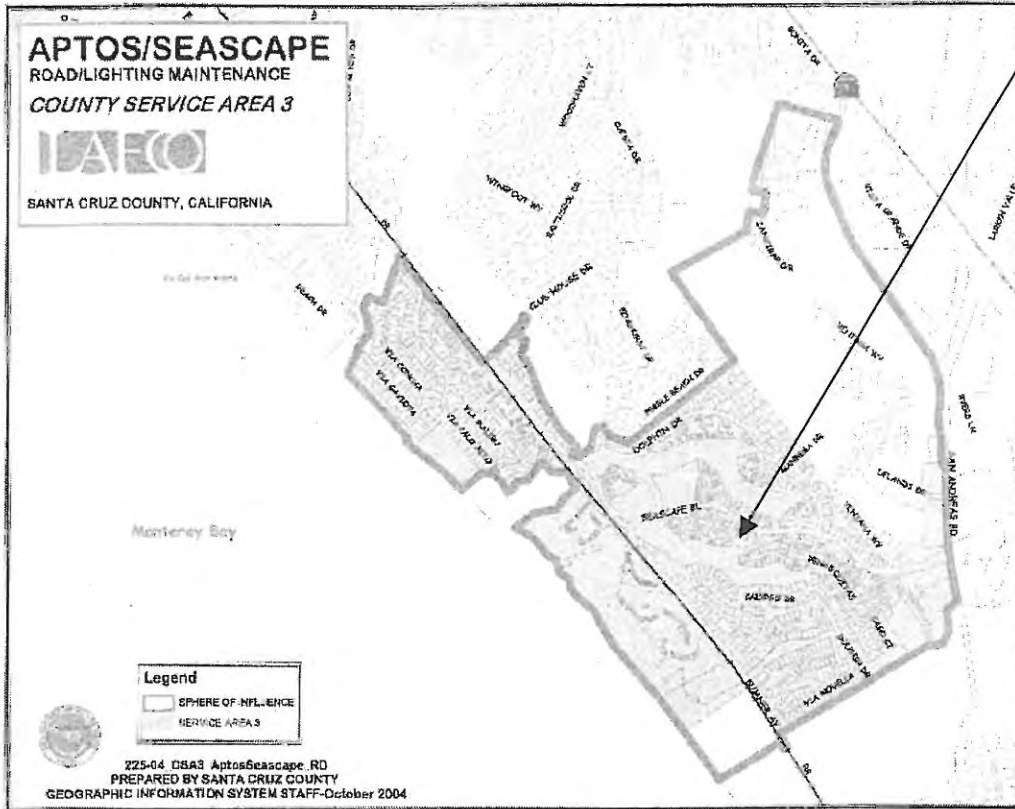
County Service Area 3 was formed in 1965 during the initial development of the Aptos Seascap community. Upon formation (LAFCO No. 198), the County Service Area was authorized to provide three services:

- Development and maintenance of parkway facilities,
- Development and maintenance of street utility facilities,
- Development and maintenance of drainage facilities.

In 1994, the County Service Area added another service:
Beach security patrol and litter control.

The County Service Area 3 is located in the coastal area of Aptos Seascap between San Andreas Road and Monterey Bay.

County Service Area Boundaries (green) and Sphere of Influence (red line). Canyon.



Aerial Photo. Canyon runs west-east across lower center of photo.



The current proposal is to add open space landscaping maintenance services such as brush cutting, tree trimming, mowing, and ground cover maintenance. The planned location for these activities is a canyon between Seascap Boulevard and Calypso Drive (map attached). This 16-acre canyon parcel (APN 054-121-02) is owned by the Seascap Improvement Association, a non-profit organization funded by voluntary contributions. The County General Plan designation for the parcel is urban open space, and the zoning is PR for parks and recreation. The canyon is surrounded by developed residential parcels, and the Seascap community is now built out to the zoning. The principal purpose of the open space maintenance would be to reduce the fire hazard with minor landscape maintenance activities that do not degrade the natural character of the canyon.

Photo of canyon from Seascap Blvd., houses to left, canyon to right.



Canyon from Sumner Avenue



The area is currently being maintained by the Seascape Improvement Association, a non-profit organization funded through voluntary contributions from businesses, property owners, and residents in the Seascape area. The reason the proponents are asking the County Service Area to assume the maintenance responsibility is that the Seascape Improvement Association is not raising adequate funding on a regular basis, and that the voluntary nature of the contributions results in some property owners who benefit from the maintenance not paying for the service. The proponents state that nearby homeowners' associations have been approached about the maintenance, and the homeowners' associations do not want the liability that comes with maintaining the open space.

If the proposed service is authorized by LAFCO, the County will proceed to establish a zone of benefit within County Service Area 3, to prepare a budget for the new services, and to conduct an assessment election (see attached letter from Tom Bolich, County Director of Public Works).

Budget

The CSA 3 budget from LAFCO's 2005 Countywide Service Review is summarized below. There are 1632 parcels in the CSA with a single-family residence paying \$50 per year. A preliminary estimate by County staff is that the annual cost of the new service would be \$3000. If the Board of Supervisors sets up a zone with 150 parcels, the new assessment would be approximately \$15-20 per residence.

CSA 3 Aptos Seascape – Financial Summary

Index 622100	FY 2002-2003 (Actual)	FY 2003-2004 (Actual)	FY 2004-2005* (Budget)
Revenue			
District Service Charges	\$79,053	\$79,052	\$79,051
Interest	\$146	\$249	\$500
Other Revenue	(\$579)		
Total Revenue	\$78,621	\$79,301	\$79,551
Expenditures			
Summary Total (prior years)	\$62,866	\$74,971	
Landscape Maint/Renovation			\$50,000
Street Sweeping			\$20,000
Beach Patrol			\$30,000
Misc. Services			\$3,369
Utilities			\$7,000
Accounting / Audit Fees			\$500
Contingencies			(\$8,071)
Total Expenditures	\$62,866	\$74,971	\$102,798
Net Income	\$15,755	\$4,330	\$23,247
Fund Balance, at year end	\$18,917	\$22,229	

Environmental Review

The LAFCO staff has issued a Categorical Exemption (Class 4--Minor Alterations to Land). No additional environmental analysis needs to be done to comply with the California Environmental Quality Act.

Alternatives

The Commission may:

- Approve the proposed new service,
- Deny the proposal, or
- Continue its consideration of the application to a future meeting.

Recommendation

The staff recommends that the Commission, by motion, approve the proposed new open space maintenance service, with a deadline of two years (December 6, 2008) to begin the new service. If the service is not initiated in this time period, LAFCO's authorization expires. By operation of law, if the service is initiated, it may be continued indefinitely and extended to other properties in the County Service Area without returning for LAFCO's authorization. This two-year period will allow for two budget cycles to get funding in place.

The proposed open space maintenance activities have a sufficient public purpose that the County Service Area may perform the service. It does not appear that any private maintenance activities are likely to raise sufficient funds for reliable open space maintenance activities.

Note that the Board of Supervisors solely controls the establishment of the funding mechanism, including any zone of benefit; LAFCO does not regulate either budget or zones of benefit.

Respectfully submitted,



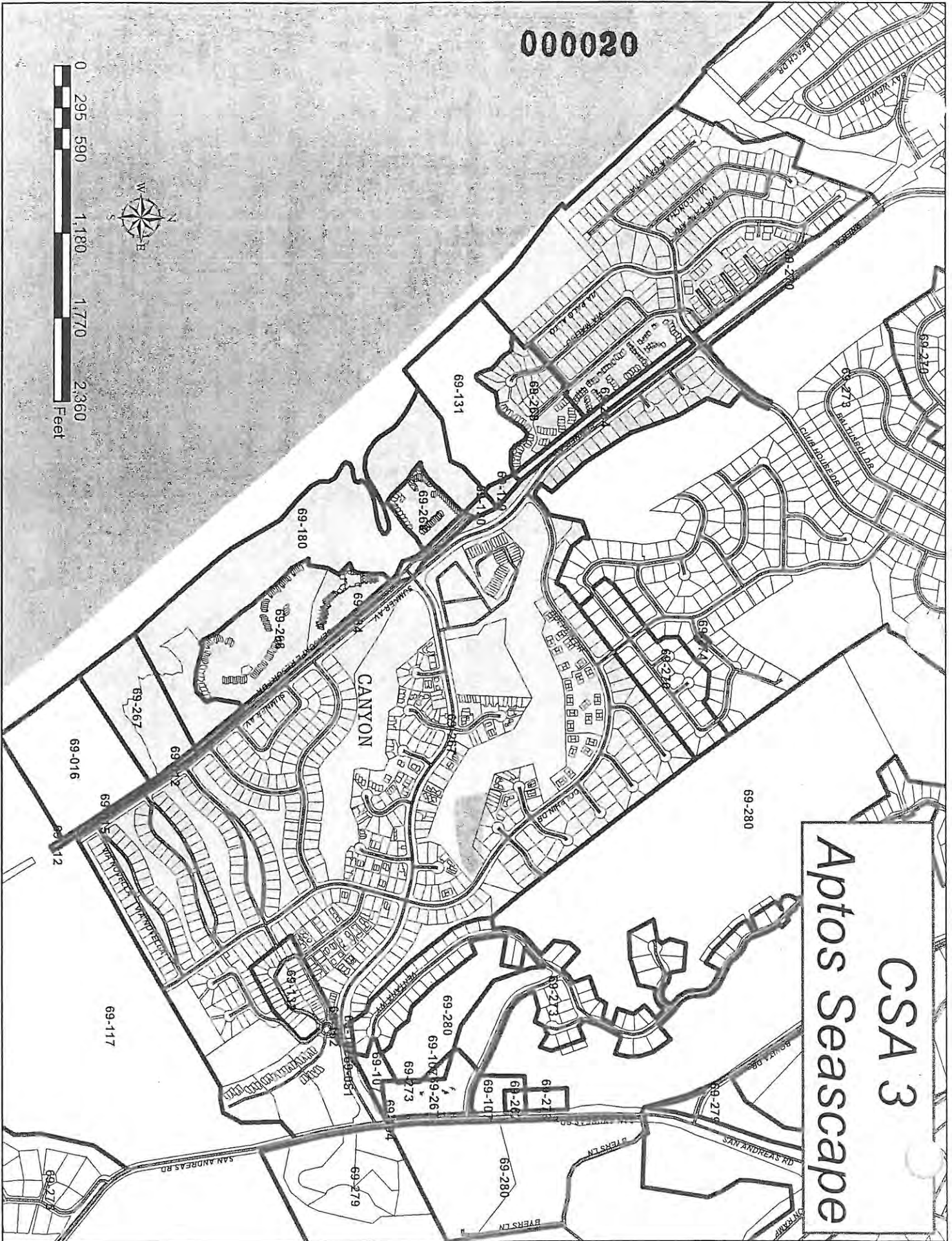
Patrick M. McCormick
Executive Officer

Attachments

- CSA Map
- Potential Zone Map
- Board of Supervisors Formation Resolution
- Transmittal Letter from County Director of Public Works

cc: Steve Byrd, Seascape Improvement Association
County Department of Public Works, Attention: Susann Rogberg
Aptos/La Selva Fire Protection District

000020



CSA 3
Aptos Seascapes

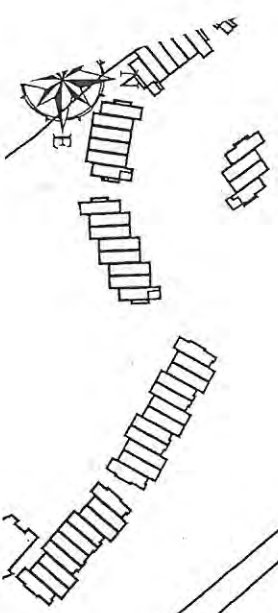
EXHIBIT B
VILLAGE
CSA 3
APTOS SEASCAPE
ZONE A

000021

Exhibit B

054-121-02

CANYON



000022

RESOLUTION NO. 696-65

On the motion of Supervisor **Black**
duly seconded by Supervisor **Silliman**
the following resolution is adopted:

A RESOLUTION ESTABLISHING
APTOS SEASCAPE COUNTY SERVICE AREA NO. [REDACTED]
APTOS SEASCAPE

RESOLVED, by the Board of Supervisors of the County
of Santa Cruz, California, that

WHEREAS, this Board did on the 10th day of August,
1965, adopt Resolution No. 609-65 of Intention for the
Establishment of a County Service Area, under the terms
of Chapter 2.2 of Title 3 of the Government Code of the
State of California;

WHEREAS, it appears that notices of said hearing
were duly and regularly mailed and published in the time,
form and manner required by said Act, as evidenced by the
affidavits on file with said County Clerk, whereupon said
hearing was duly and regularly held at the time and place
stated in said notices; and

WHEREAS, no interested persons or taxpayers for or
against the establishment of the area, the extent of said
area or the furnishing of said extended services, filed
written protests with the County Clerk of said County at
or before the time set for hearing, and all persons inter-
ested desiring to be heard were given an opportunity to be
heard, and all matters and things pertaining to the estab-
lishment of said County Service Area were fully heard and
considered by this Board, and said Board has acquired juris-
diction to establish said County Service Area, and to fi-
nally determine and establish the boundaries thereof and
designate the types of services to be performed therein.

NOW, THEREFORE, said Board does hereby FIND,
DETERMINE and ORDER, as follows:

1. That Aptos Seascapes County Service Area No. 3 is hereby established pursuant to Chapter 2.2 of Title 3 of the Government Code in the unincorporated area of Santa Cruz County, the exterior boundaries of which are herein determined and established and are more particularly described in Exhibit "A" attached hereto and incorporated by reference herein. *see Cf "A" to Res. 609-65*

2. The types of extended county services to be provided within the area pursuant to Chapter 2.2 of Title 3 of the Government Code are (a) the development and maintenance of parkway facilities, (b) the development and maintenance of street utility facilities, (c) the development and maintenance of drainage facilities, and (d) any other governmental services, hereinafter referred to as miscellaneous extended services, which the County is authorized by law to perform and which the County does not also perform on a countywide basis both within and without cities, and, except where funds are otherwise available, a tax sufficient to pay for all such services furnished on an extended basis will be annually levied upon all taxable property within said area.

b) street utility:

gas
water
sewer

Et

etc

PASSED and ADOPTED by the Board of Supervisors
of the County of Santa Cruz, State of California,
this 14th day of September, 1965, by the
following vote:

AYES: SUPERVISORS **Black, Burton, Silliman, Locatelli
and McCallie**
NOES: SUPERVISORS **None**
ABSENT: SUPERVISORS **None**

RUSS McCALLIE

Chairman of said Board

ATTEST: **TOM M. KELLEY**
Clerk of said Board

DISTRIBUTION: Auditor-Controller
County Counsel

Approved as to form

WILLIAM H. CARD
County Counsel

STATE OF CALIFORNIA]
COUNTY OF SANTA CRUZ] SS

I, TOM M. KELLEY, County Clerk and ex-officio
Clerk of the Board of Supervisors of the County of
Santa Cruz, State of California, do hereby certify that
the foregoing is a true and correct copy of a resolution
passed and adopted by and entered in the minutes of
the said Board.

In Witness whereof I have hereunto set my hand and
affixed the seal of the said Board, on Sept 17, 1965

TOM M. KELLEY, County Clerk
By Shirley Davis, Deputy



County of Santa Cruz

DEPARTMENT OF PUBLIC WORKS

000025

701 OCEAN STREET, ROOM 410, SANTA CRUZ, CA 95060-4070
(831) 454-2160 FAX (831) 454-2385 TDD (831) 454-2123

THOMAS L. BOLICH
DIRECTOR OF PUBLIC WORKS

January 6, 2006

PATRICK MC CORMICK
LOCAL AGENCY FORMATION COMMISSION
701 Ocean Street, Room 318-D
Santa Cruz, CA 95060

SUBJECT: COUNTY SERVICE AREA NO. 3 - APTOS SEASCAPE

Dear Mr. McCormick:

County Service Area (CSA) No. 3 was formed in 1965 as a condition of the development of the Aptos Seascape Assessment District. Attached for your information and use is a copy of Resolution No. 696-65 establishing the CSA for the following services: development and maintenance of parkway facilities; development and maintenance of street utility facilities; development and maintenance of drainage facilities; and other governmental services. Also attached is a copy of Resolution No. 313-94 which extended services for beach security patrol and litter control.

Currently, the CSA is providing street sweeping services, beach patrol and litter clean-up, payment of utilities for the irrigation system and landscaping services for islands located on Seascape Boulevard, Sumner Avenue, and Club House Drive west of Sumner Avenue. The landscape services include turf maintenance (mowing, edging of sidewalks and other paved areas, clean-up and litter removal), shrub bed and ground cover maintenance (edging, weeding, removal of dead or diseased plants, pruning) and maintenance and repair of the irrigation system. In addition, tree trimming and tree removal are performed as needed.

Public Works has now received a request from CSA No. 3 to expand landscaping services to incorporate mowing of the canyon area situated between Calypso Drive and Seascape Boulevard and Dolphin Drive to Sumner Avenue.

Public Works is proposing that a separate zone within the CSA be established to fund extended landscaping services to the canyon area. This zone would be comprised of the 200 or so parcels that surround the canyon area. Additional fees would be assessed to the parcels within this zone expressly for mowing of the canyon area if approved by the affected property owners.



000026

Public Works anticipates starting the process of establishing the canyon zone and election of the assessment in time to be included in fiscal year 2006/07 charges. Please advise if establishment of this zone falls within the current Local Agency Formation Commission approval or if other procedures are required.

Yours truly,



THOMAS L. BOLICH
Director of Public Works

NMH:bbs

seascb.wpd

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 749

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

MAKING DETERMINATIONS AND AUTHORIZING PROCEEDINGS
TO ANNEX TERRITORY DESIGNATED AS
BENCHLANDS/SEASCAPE GREENS/SCHOOL SITE NO. 749
TO COUNTY SERVICE AREA 3

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

1. A resolution for the proposed annexation of certain territory to County Service Area 3 (Aptos Seascape) was heretofore filed with the Executive Officer of this Commission pursuant to the Cortese-Knox Local Government Reorganization Act of 1985 (Government Code Section 56000 et seq.); said territory is assigned the short term designation of "Benchlands/Seascape Greens/School Site No. 749".
2. The Executive Officer of the Commission has examined said application, has prepared a report including his recommendations thereon, and has presented the same before this Commission for consideration.
3. The public hearing by this Commission was held on June 7, 1989 and at such hearing this Commission heard and received all oral and written protests, objections, and evidence which were made, presented, or filed.
4. Said territory includes approximately 150 acres and is found to be inhabited for purposes of annexation.
5. The boundaries of the areas proposed to be annexed are approved as submitted (see Exhibit A).
6. The approval of such annexation is conditioned upon the following terms and conditions: a) The proponent shall provide a legal map, description, and fees to meet State Board of Equalization requirements.
7. The Commission has considered the Negative Declaration dated May 17, 1989 together with the comments received during the public review process, and approves the Negative Declaration.
8. Pursuant to Board of Supervisors Resolution No. 342-89 adopted May 23, 1989, there will be no exchange of property tax revenues.
9. The approval is consistent with the adopted Sphere of Influence for County Service Area 3.
10. The Commission hereby approves this proposal and authorizes the Santa Cruz

County Board of Supervisors to conduct annexation proceedings in compliance with this resolution and state law.

PASSED AND ADOPTED by the Local Agency Formation Commission of the County of Santa Cruz this 7th day of June, 1989 by the following vote:

AYES: COMMISSIONERS WORMHOUDT, PATTON, GARCIA, MURPHY, LEVY

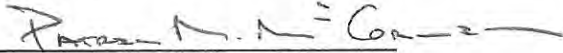
NOES: NONE

ABSENT:



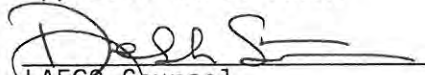
ROBLEY LEVY, CHAIRPERSON
Santa Cruz Local Agency Formation
Commission

Attest:



Patrick M. McCormick
Executive Officer

Approved as to form:



LAFCO Counsel

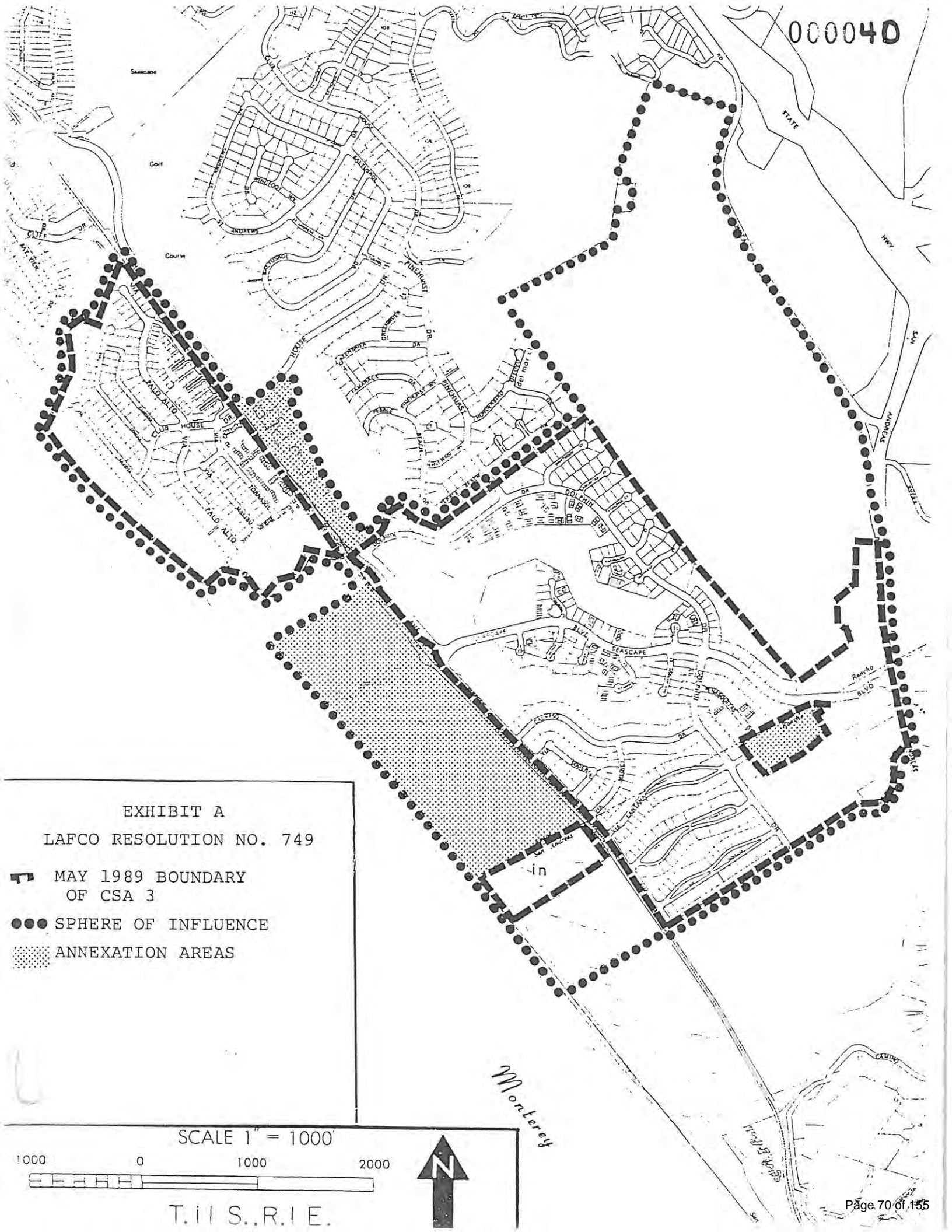



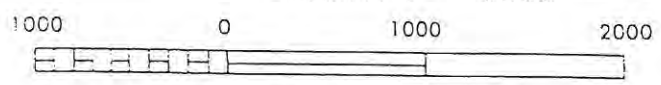


EXHIBIT A

LAFCO RESOLUTION NO. 749

-  MAY 1989 BOUNDARY OF CSA 3
-  SPHERE OF INFLUENCE
-  ANNEXATION AREAS

SCALE 1" = 1000'



T.I.S.R.I.E.

Monterey

000027

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 313-94

On the motion of Supervisor Symons
duly seconded by Supervisor Beautz
the following resolution is adopted:

RESOLUTION ESTABLISHING ADDITIONAL EXTENDED SERVICES
IN COUNTY SERVICE AREA NO. 3, APTOS SEASCAPE

WHEREAS, this Board by its Resolution 219-94 adopted
May 10, 1994, declared its intention to provide Beach Security
and Litter Control as an additional extended service in County
Service Area No. 3, Aptos Seascape, and for that purpose fixed a
time and place for public hearing on said resolution; and

WHEREAS, the public convenience and necessity require the
Beach Security Patrol and Litter Control be provided as an extended
service within said area; and

WHEREAS, this Board finds that notice of the hearing has been
given as required by law and that the proceedings prior to adoption
of this Resolution have been valid and in conformity with the
requirements of County Service Area Law; and

WHEREAS, the Board determines that no protest has been
submitted or that all protests should be overruled.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of
Supervisors of the County of Santa Cruz, State of California, that
said Board of Supervisors does hereby so declare and determine that
Beach Security Patrol and Litter Control is hereby established as
an authorized service to be provided in County Service Area No. 3,
Aptos Seascape.

Notice of Exemption

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

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

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

Project Title: Service and Sphere of Influence Review for County Service Area 3

Project Location: CSA 3 was formed in 1965 and provides multiple services to the Seascapes community, located in the southern and coastal region of the county. **The CSA's service area encompasses** approximately 376 acres of unincorporated territory and includes approximately 45,000 residents within the Seascapes community. A vicinity map depicting the **CSA's** jurisdictional and sphere boundaries is attached (refer to Attachment A).

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

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

Name of Public Agency Approving Project: Local Agency Formation Commission of Santa Cruz County. The LAFCO public hearing on this proposal is scheduled for 9:00 a.m. on April 3, 2024.

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

Exempt Status: (check one)

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

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

Lead Agency Contact Person: Joe A. Serrano

Area Code/Phone Extension: 831-454-2055

Signature: _____ Date: April 4, 2024
Joe A. Serrano, Executive Officer

Signed by Lead Agency



**NOTICE OF PUBLIC HEARING
LOCAL AGENCY FORMATION COMMISSION**

NOTICE IS HEREBY GIVEN that at 9:00 a.m., Wednesday, April 3, 2024, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following items:

- **Service and Sphere of Influence Review for County Service Area 3:** Consideration of a service and sphere review for CSA 3 (Aptos Seascaple). CSA 3 was formed in 1965 and provides multiple services to the Seascaple community. A full analysis will be conducted for this dependent special district.
- **Draft Budget for Fiscal Year 2024-25:** Adoption of a draft budget for the upcoming fiscal year. The final budget will be considered on May 1, 2024. The review, approval, and notice of this budget will be consistent with Government Code Section 56381.

In compliance with the California Environmental Quality Act (CEQA), LAFCO staff is scheduled to prepare a Categorical Exemption for the proposals listed above. Instructions for members of the public to participate in-person or remotely are available in the Agenda and Agenda Packet: <https://santacruzlafco.org/meetings/>. During the meeting, the Commission will consider oral or written comments from any interested person. Maps, written reports, environmental review documents and further information can be obtained by contacting LAFCO's staff at (831) 454-2055 or from LAFCO's website at www.santacruzlafco.org. LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. If you wish to attend this meeting and require special assistance in order to participate, please contact the LAFCO office at least 24 hours in advance of the meeting to make arrangements.

A handwritten signature in blue ink, appearing to read 'Joe A. Serrano'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Joe A. Serrano
Executive Officer
Date: March 12, 2024

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2024-08

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
APPROVING THE 2023 SERVICE AND SPHERE OF INFLUENCE REVIEW
FOR COUNTY SERVICE AREA 3

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

1. In accordance with Government Code Sections 56425, 56427, and 56430, the Commission has initiated and conducted the 2024 Service and Sphere of Influence Review for County Service Area 3 (“CSA 3”).
2. The Commission’s Executive Officer has given notice of a public hearing by this Commission of the service and sphere of influence review in the form and manner prescribed by law.
3. The Commission held a public hearing on April 3, 2024, and at the hearing, the Commission heard and received all oral and written protests, objections, and evidence that were presented.
4. This approval of the 2024 Service and Sphere of Influence Review for CSA 3 is exempt under the California Environmental Quality Act (“CEQA”) pursuant to the CEQA Guidelines Section 15061(b)(3) because this Commission action does not change the services or the planned service area of the subject agency. There is no possibility that the activity may have a significant impact on the environment. This action qualifies for a Notice of Exemption under CEQA and staff is directed to file the same.
5. The Commission hereby approves the 2024 Service and Sphere of Influence Review for CSA 3.
6. The Commission hereby approves the Service Review Determinations, as shown on Exhibit A.
7. The Commission hereby approves the Sphere of Influence Determinations, as shown on Exhibit B.
8. The Commission hereby amends the Sphere of Influence Map for CSA 3 to be coterminous with its existing service area, as shown in Exhibit C.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 3rd day of April 2024.

AYES:

NOES:

ABSTAIN:

JOHN HUNT, CHAIRPERSON

Attest:

Joe A. Serrano
Executive Officer

Approved as to form:

Joshua Nelson
LAFCO Counsel

EXHIBIT A
COUNTY SERVICE AREA 3
2024 SERVICE REVIEW DETERMINATIONS

- 1. Growth and population projections for the affected area.**
CSA 3 encompasses the community of Seascapes within Aptos (unincorporated county territory). It is estimated that approximately 24,000 residents currently live within the CSA's jurisdiction. LAFCO staff projects that the CSA's population may reach 25,000 by 2040.
- 2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**
In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.
- 3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.**
CSA 3 does not provide water, sewer, or fire protection to the Seascapes community.
- 4. Financial ability of agencies to provide services.**
CSA 3's primary source of revenue is from service charges. CSA 3's fund balance ended with approximately \$47,000 in FY 2022-23. The CSA is currently solvent; however, benefit assessments have not changed since 1996, which has limited the amount of revenue collected to cover annual expenses.
- 5. Status of, and opportunities for, shared facilities.**
The County should consider utilizing its existing website to promote and share more information about CSA 3's finances, activities, and governance.
- 6. Accountability for community service needs, including governmental structure and operational efficiencies.**
LAFCO encourages more transparency from CSA 3 by sharing online information on how residents can participate in the CSA's decision-making process and future actions.
- 7. Any other matter related to effective or efficient service delivery, as required by commission policy.**
No additional local LAFCO policies are specifically relevant to this service review.

EXHIBIT B
COUNTY SERVICE AREA 3
2024 SPHERE OF INFLUENCE DETERMINATIONS

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

The present and planned land uses are based on the general plan from the County, which range from urban to rural uses. The general plan anticipates growth centered on existing urban areas and the maintenance of agricultural production, rural residential uses, and environmental protection in rural areas.

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

It is LAFCO's understanding that the residents within CSA 3 have expressed interest in forming a zone of benefit to adequately fund beach maintenance and patrol. However, the last several attempts to increase rates have failed. The County should coordinate with the community to jointly determine what services are most needed within CSA 3.

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

CSA 3 has the legal authority to provide five service provisions: (1) Beach Access Maintenance, (2) Road Median Landscaping Maintenance, (3) Street Sweeping, (4) Beach Litter Control, and (5) Beach Patrol. Open Space Landscaping Maintenance was approved as a new service in 2006 but it was never implemented within the two-year deadline and therefore not an official service under CSA 3. It is also LAFCO's understanding that the County has reduced or discontinued certain services due to lack of proper funding. Benefit assessments have not increased since 1996.

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

CSA 3 has a governing board comprised of residents as well as a homeowner's association. These bodies should continue coordinating with the County to educate the community about its current financial restrictions and service provisions.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

In 2020, the California statewide median household income was \$78,672, and 80% of that was \$62,938. Based on LAFCO's analysis, there are no disadvantaged unincorporated communities within or contiguous to the District's sphere boundary.

EXHIBIT C
COUNTY SERVICE AREA 3
SPHERE OF INFLUENCE MAP

LAFCO amends the Sphere of Influence for CSA 3.





Santa Cruz Local Agency Formation Commission

Date: April 3, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Draft Budget for Fiscal Year 2024-25**

SUMMARY OF RECOMMENDATION

State law requires that LAFCO adopt a draft budget by May and a final budget by June of the same year. Staff noticed a public hearing in the Santa Cruz Sentinel on March 12, 2024, in order for the Commission to consider a draft budget for the upcoming fiscal year during a public forum. LAFCO’s funding agencies were also informed about the Commission’s consideration of the draft budget prior to the public hearing.

It is recommended that the Commission take the following actions:

1. Adopt the resolution (LAFCO No. 2024-09) approving the draft budget for Fiscal Year 2024-25, with the following conditions:
 - a. Direct staff to distribute the draft budget for review and comment to the 25 funding agencies (20 special districts, 4 cities, and the County); and
 - b. Direct staff to schedule a public hearing, pursuant to Government Code Section 56381, for consideration and adoption of a final budget for Fiscal Year 2024-25 no later than June 5, 2024.

EXECUTIVE OFFICER’S REPORT:

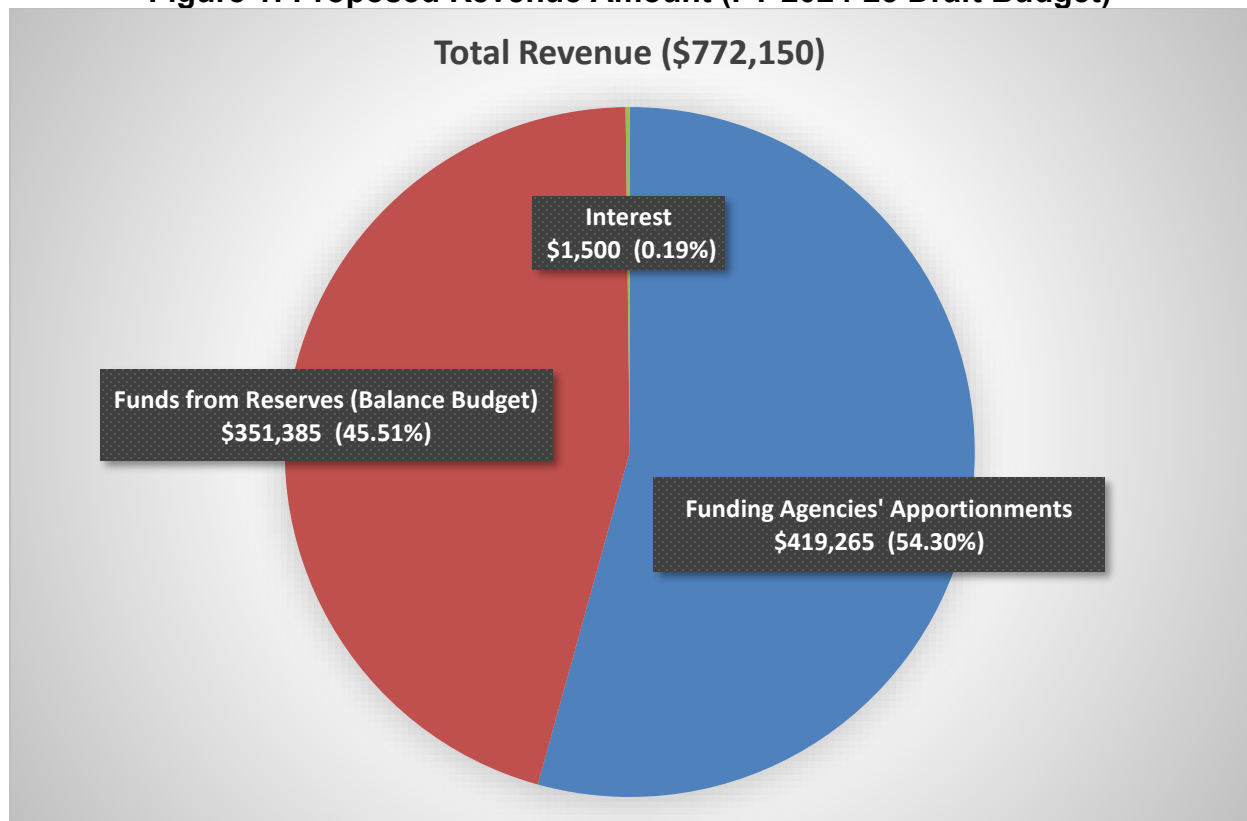
Government Code Section 56381(a) requires the Commission to hold a public hearing to adopt a draft and final budget each year. The proposed FY 2024-25 draft budget is presented in line-item detail for the Commission’s review and consideration (refer to **Attachment 1**). If the draft budget is approved by the Commission, it will be distributed to the Board of Supervisors, the cities, and the independent special districts for review and comment. Subsequently, the final budget with any submitted comments, will be considered by the Commission at a second public hearing no later than the June 5, 2024 Regular LAFCO Meeting.

The proposed FY 2024-25 draft budget is balanced. Total expenses are projected to be \$572,150, representing a 15% decrease from the current budget (FY 23-24 = \$675,450). The expected expenditures are covered by two key funding methods: projected revenues and a drawdown from LAFCO’s fund balance. The entire draft budget totals \$772,150 which represents an increase of 14% from the current budget (FY 23-24 = \$675,450). However, this increase is primarily due to the accurate reflection of LAFCO’s reserve funds which were never segregated in prior budgets. The following pages provide a description and discussion of the revenues, expenditures, and fund balance contained in the FY 2024-25 draft budget.

REVENUES

The revenues in the proposed draft budget total \$772,150. There are three categories that comprise LAFCO's revenue: (1) County, Cities, and Special Districts Apportionments, (2) Interest, and (3) LAFCO's Fund Balance. As depicted in **Figure 1**, the apportionments from the funding agencies constitute approximately 54% of total revenues. The remaining revenue source derives from LAFCO's fund balance (46%) and interest (less than 1%).

Figure 1: Proposed Revenue Amount (FY 2024-25 Draft Budget)



County, Cities, and Special Districts Apportionments

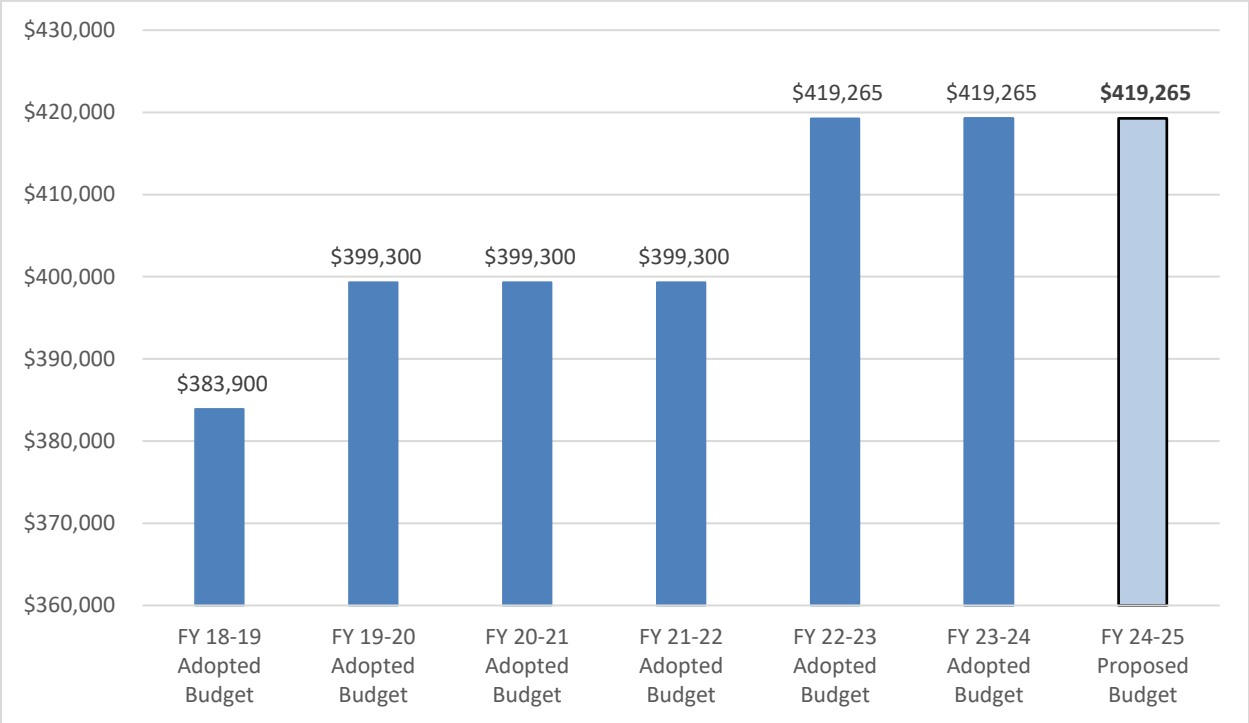
The apportionments from the funding agencies are LAFCO's primary source of revenue. The total apportionment for FY 2024-25 is \$419,265 which represents a zero percent increase from the current budget (FY 2023-24 LAFCO Dues = \$419,265). This also represents the third consecutive year in which total apportionments were not increased. **Figure 2** on page 3 compares the proposed apportionment amount with the last six years.

Attachment 2 highlights the projected apportionments for each funding agency as part of this year's draft budget. Pursuant to State law, the total apportionment of \$419,265 is equally divided amongst the County, cities, and independent special districts. The apportionments for the individual cities and special districts are calculated by the County Auditor-Controller using the formula outlined in Government Code Section 56381(b)(1)(A), as discussed in the next page.

- **Cities (4 in total):** The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.

- **Districts (20 in total):** The independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. A district's total revenue shall be calculated for non-enterprise activities as total revenues for general purpose transactions less intergovernmental revenue, and for enterprise activities as total operating and nonoperating revenues less intergovernmental revenue, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller.

Figure 2: LAFCO Apportionments (FY 2018-19 to FY 2024-25)



Footnote: Allocations were increased by 4% (\$15,400) in FY 19-20 and remained unchanged until FY 22-23 which saw an increase of 5% (\$19,965). The allocation amount is scheduled to remain frozen for a third consecutive year.

Interest

This revenue category includes interest earned from the agency’s payroll account. Since the Commission receives an influx of revenues at the beginning of each fiscal year from the funding agencies, the apportionments are deposited into one account which earns interest year-round. Staff withdraw funds from this account throughout the fiscal year to cover the agency’s operational expenses. Given the current trends in rates, the draft budget for FY 2024-25 assumes that the interest accrued on the agency’s payroll account will generate \$1,500 this upcoming year due to current economic conditions.

Fund Balance / Reserves

The Commission designates funds for all budget line items in order to operate the LAFCO office, including two recently developed reserve funds: Litigation Reserves (\$100,000) and Contingency Reserves (\$100,000). If the Commission experiences any surplus at the end of the fiscal year, that carryover or “unreserved” amount is maintained in the agency’s payroll account. Historically, the Commission uses this amount to help balance the upcoming budget, if needed. Over the past several years, the use of these funds as part of the revenue assumptions has helped to avoid large fluctuations in the annual apportionments to the funding agencies. The total fund balance for the last four fiscal years is shown on the following page.

Table A: LAFCO's Fund Balance (FY 19-20 to FY 23-24)

	FY 19-20 (Actual)	FY 20-21 (Actual)	FY 21-22 (Actual)	FY 22-23 (Actual)	FY 23-24 (Projected)
Fund Balance Amount (Year-End)	\$337,820	\$306,494	\$363,085	\$352,673	\$354,093
Funds earmarked for Contingency Reserves	-	-	-	-	\$100,000
Funds earmarked for Litigation Reserves	-	-	-	-	\$100,000
Unrestricted Funds	-	-	-	-	<u>\$151,385</u>
Total Funds used to Balance FY 24-25 Budget	-	-	-	-	\$351,385
Unrestricted Funds Left (Unused / Remaining)	-	-	-	-	<u>\$2,708</u>
Fund Balance Amount (Projected Year-End)					<u>\$354,093</u>

Reserve Policy

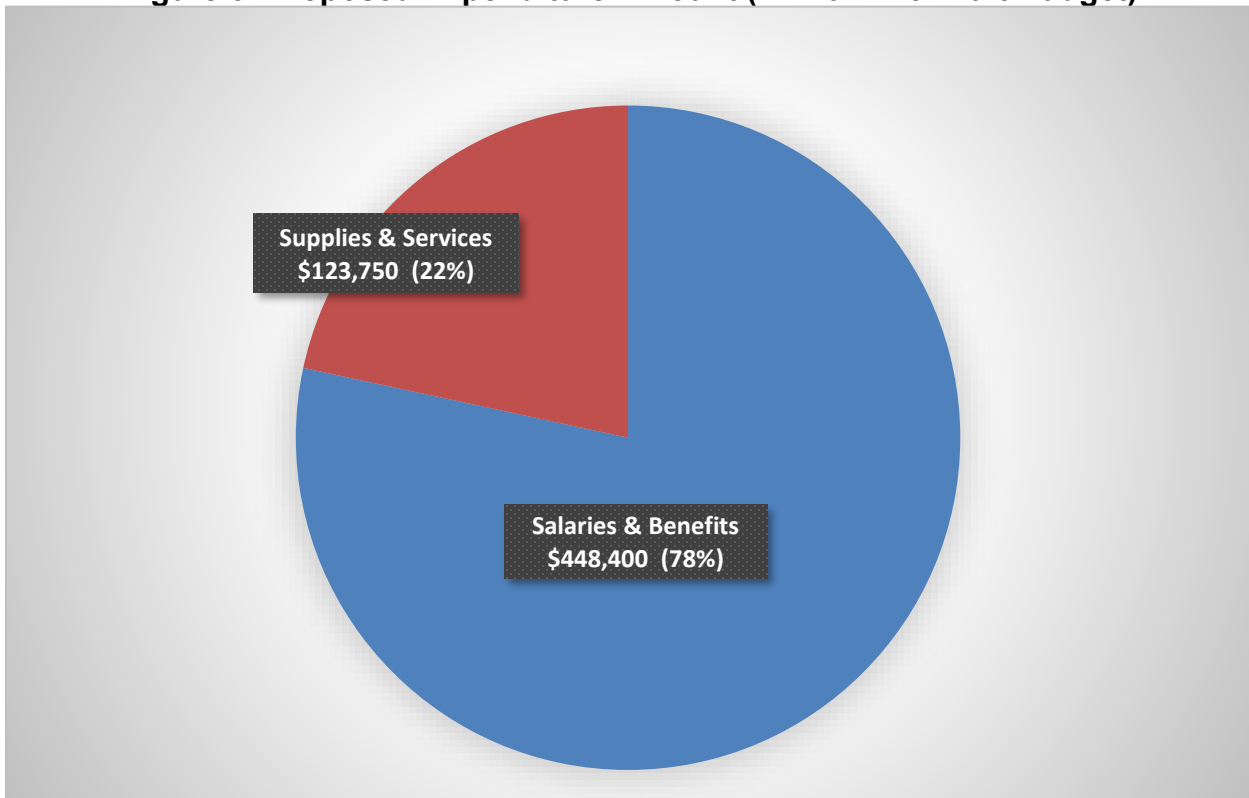
The Commission updated its Financial Policy in September 2023 to include guidance on maintaining two reserve funds: Litigation and Contingency Reserves¹. The policy indicates that as of July 1, 2024, LAFCO will have two reserve funds restricted to the agency's account with the County of Santa Cruz. The Litigation Reserves holds restricted funds for costs related to agency legal challenges. Restricted funds are to cover any unforeseen future agency loss and/or urgency which includes but is not limited to property or equipment damage, loss, or theft. These funds may also be used to balance annual LAFCO budgets.

EXPENDITURES

The proposed budget expenditures reflect the necessary resources to support LAFCO's operations and to effectively manage the mandated projects that are not supported by applicant fees, such as preparing updates of agencies' spheres of influence, conducting municipal service reviews, and other staff assignments. The draft budget includes adjustments to specific budget categories based on past trends and actual expenditures. The Commission expenses are described in two categories: (1) Salaries & Benefits, and (2) Supplies & Services. The percentage of each category is depicted in **Figure 3** on page 5 and described briefly in the following sections. **Attachment 3** also provides a detailed narrative of all LAFCO expenses within these two categories.

¹ Financial Policy: <https://santacruzlafo.org/wp-content/uploads/2024/03/PP-Handbook-Adopted-Version-3-6-24.pdf>

Figure 3: Proposed Expenditure Amount (FY 2024-25 Draft Budget)



Salaries

Santa Cruz LAFCO will have two full-time professional staff members for the upcoming fiscal year. Total salaries for FY 2024-25 are expected to be \$260,000, which represents a 6% increase from the current budget for FY 2023-24 (\$245,000). The projections in the proposed budget also reflect recently approved adjustments to staff’s annual salaries. The following table shows the salary breakdown for staff members since FY 2020-21.

Table B: LAFCO Staff Salary (FY 19-20 to FY 23-24)

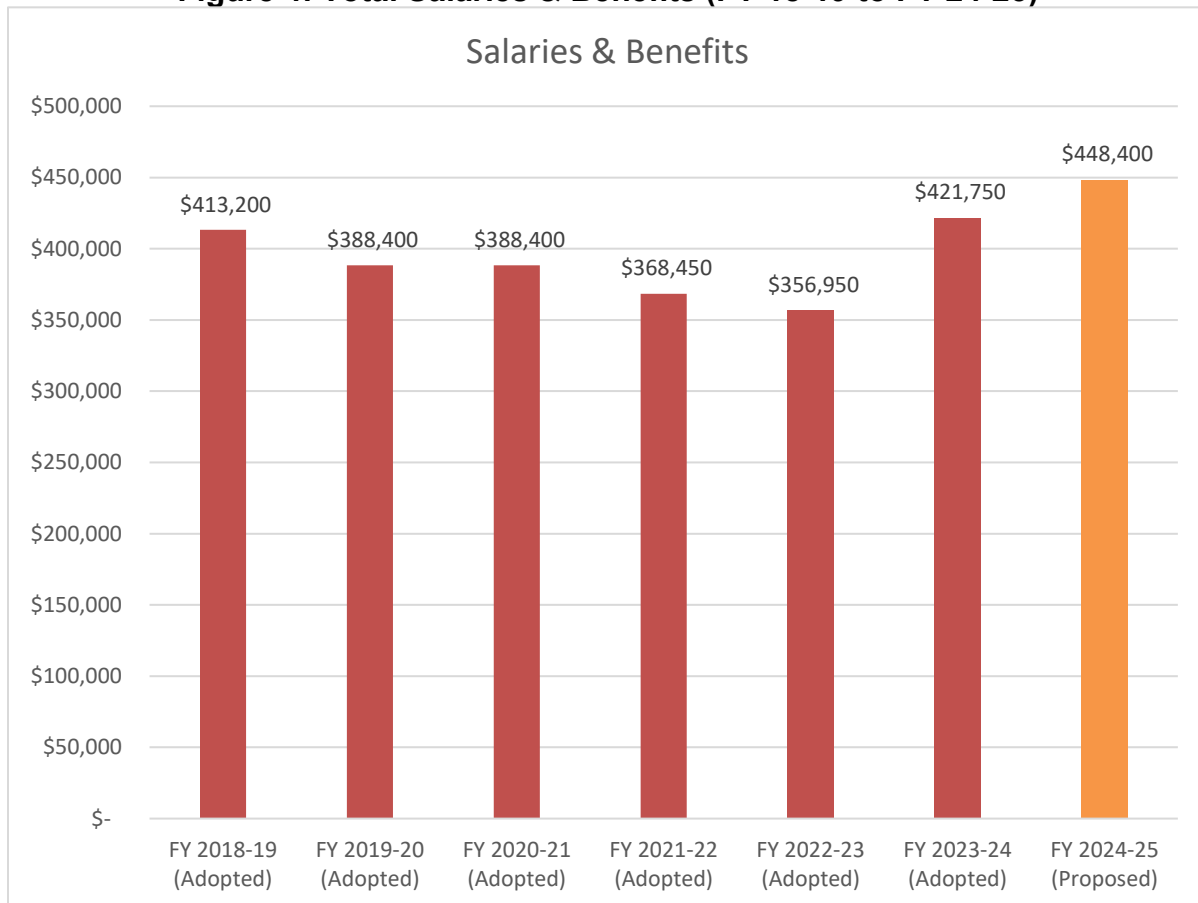
	FY 20-21 (Adopted)	FY 21-22 (Adopted)	FY 22-23 (Adopted)	FY 23-24 (Adopted)	FY 24-25 (Proposed)
Executive Officer	\$144,204	\$151,414	\$158,982	\$163,738	\$176,509
Commission Clerk	\$77,064	\$50,000	-	-	-
LAFCO Analyst	=	=	=	80,000	\$83,000
Salary Reserve	<u>\$24,132</u>	<u>\$18,586</u>	<u>\$41,018</u>	<u>\$1,262</u>	<u>\$491</u>
Total Salary Amount	\$245,400	\$220,000	\$200,000	\$245,000	\$260,000

Historically, the Commission has maintained a salary reserve balance to ensure that LAFCO has enough funds to cover salaries. Staff expects to have around \$500 in salary reserve for FY 2024-25. As the Commission is aware, Santa Cruz LAFCO has several professional service agreements, including a contract with Best, Best & Krieger for legal services and Fire Reorganization Consulting, LLC for assistance in fire-related projects. These consultants have helped reduce any further staffing requirements. Additionally, the proposed budget has discontinued Overtime Pay and Extra Help budgetary expenses because these items have not been utilized in over eight years and LAFCO staff does not anticipate exhausting such expenses this upcoming fiscal year.

Benefits

The assumptions for the employee benefits (health, dental, life, and insurance) are typically based on information shared by the County of Santa Cruz, which provides the benefits to LAFCO staff through a contractual agreement. The benefits for LAFCO staff mirror the benefits provided by the County to its employees. The proposed budget contains assumptions for retirement costs that are based on budgetary trends and figures provided by the California Public Employees' Retirement System (CalPERS). Based on the latest CalPERS actuarial report, as shown in **Attachment 4**, staff is expecting the retirement expenses to be \$113,000 in the proposed budget (FY 2024-25). **Figure 4** shows the total Salary & Benefits from FY 2018-19 to FY 2022-23.

Figure 4: Total Salaries & Benefits (FY 18-19 to FY 24-25)



As **Figure 4** shows, Salaries & Benefits have declined for the last few fiscal years. The proposed budget for FY 2024-25 will be approximately 6% or \$26,650 more than the current budget (FY 2023-24). It is important to note that for the first time the proposed budget will reflect the inclusion of a full-time Analyst for an entire fiscal year.

Supplies & Services

Overall, the Commission's operation demonstrates prudent management of agency expenses. Most of the identified expenditures in the draft budget for FY 2024-25 are the same amount or slightly lower than the current budget, with a few exceptions. The following overview provides a brief discussion of the key areas that incorporate proposed changes in the draft budget. **Figure 5** on page 7 also shows the total Supplies & Services from FY 2018-19 to FY 2024-25.

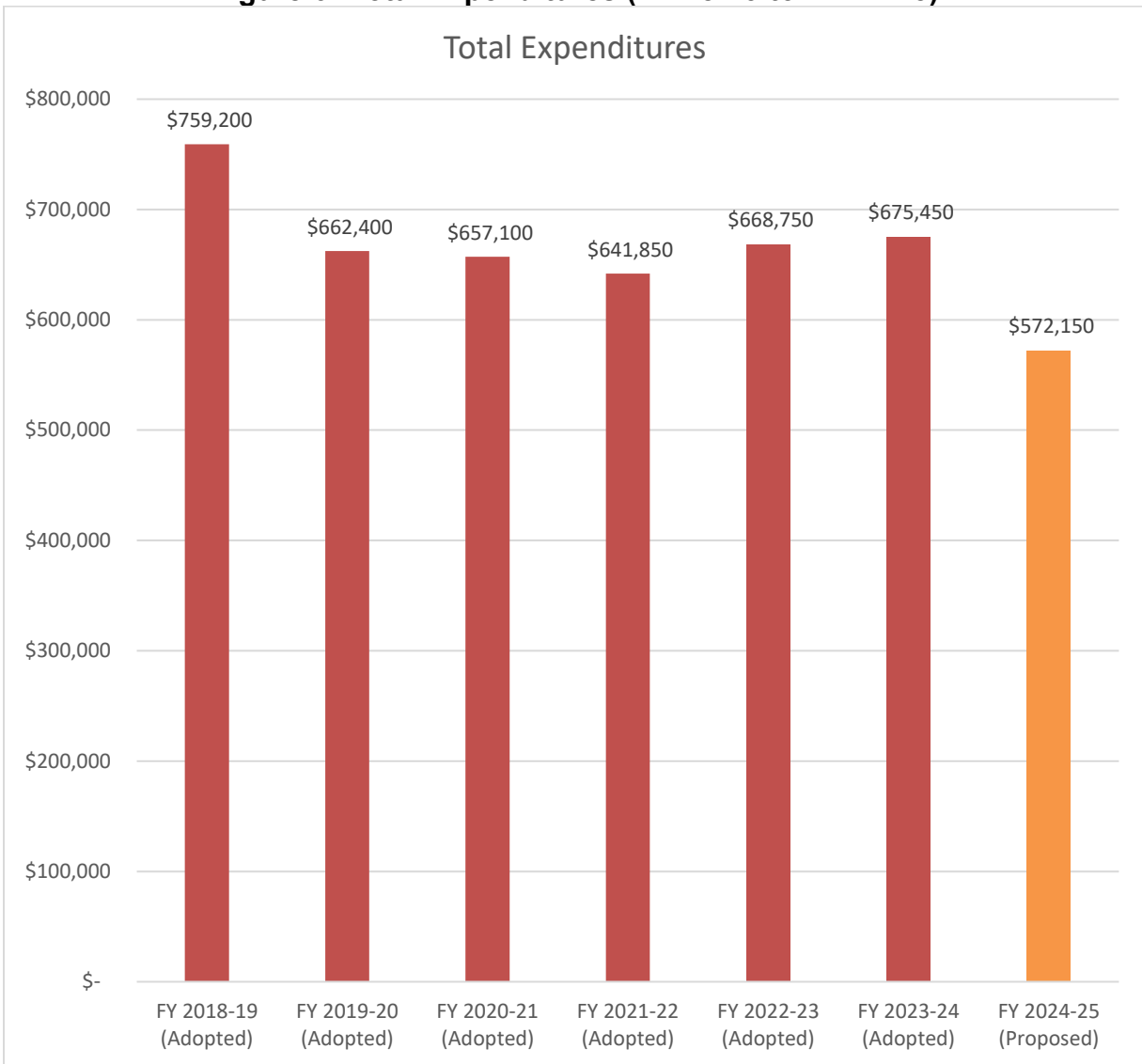
- **Accounting:** This item typically covers the cost for annual accounting services completed by the County. The proposed increase of \$10,000 (now totaling \$11,500) will earmark funds to complete an audit now and going forward under the multi-LAFCO joint effort to hire an outside auditing firm.
- **Professional Services:** This item contains the costs for services from outside consultants. The proposed decrease of \$5,000 (now totaling \$40,000) reflects the historical trends with the existing consultants and the hiring of a LAFCO Analyst, resulting in the limited use of outside assistance.

Figure 5: Total Supplies & Services (FY 18-19 to FY 24-25)



As **Figure 5** shows, Supplies & Services will decrease in the proposed budget by 51% or \$129,950. This is primarily due to the reduction in “Attorney Expenses” of \$135,000 and the transfer of funds to the Litigation Reserves. **Figure 6** on page 8 also depicts how Total Expenditures has decreased over the years.

Figure 6: Total Expenditures (FY 18-19 to FY 24-25)

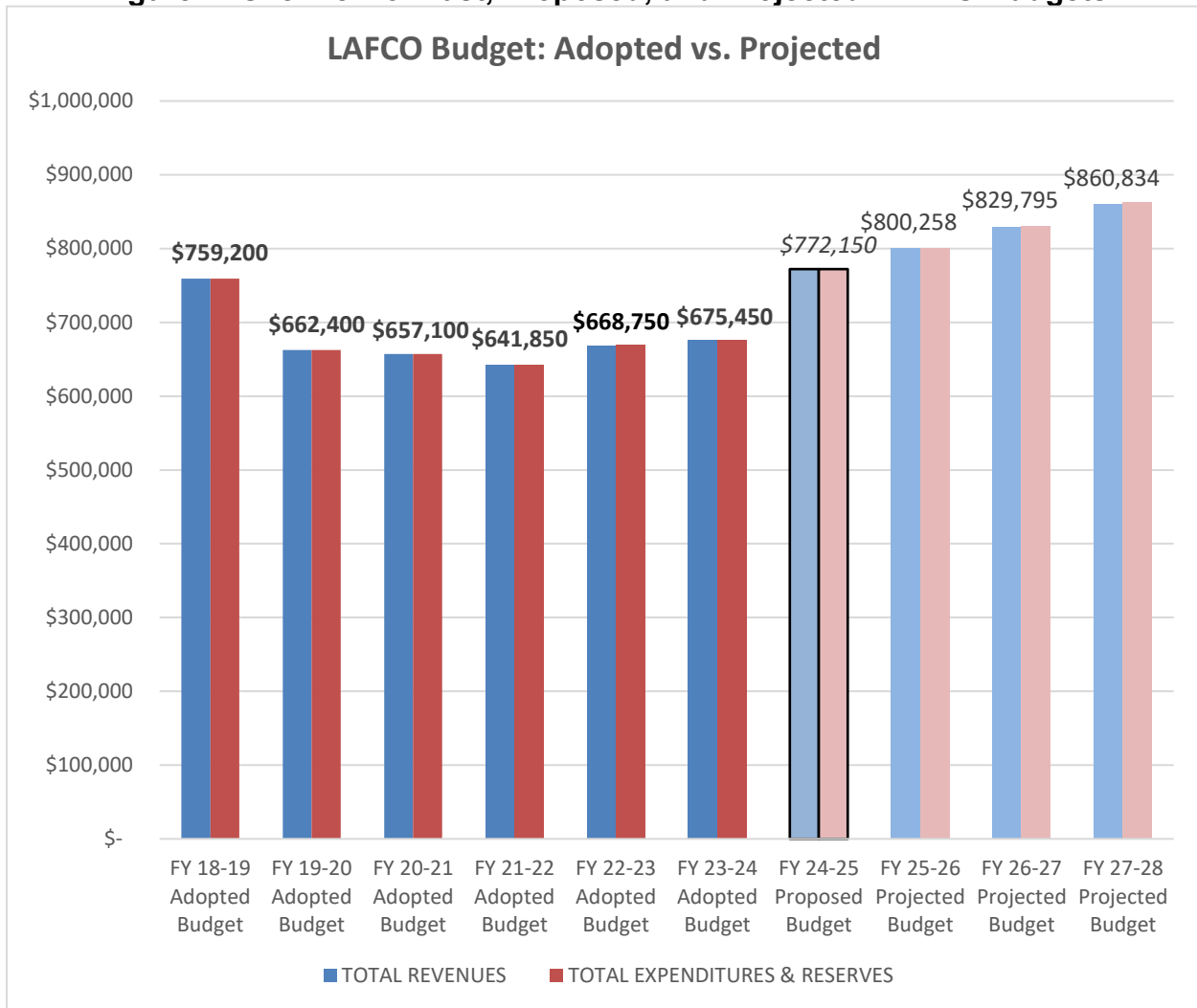


LAFCO BUDGET: PAST AND FUTURE PERSPECTIVE

This Commission strives to maximize funding and resources while maintaining an effective level of productivity. **Figure 7** on page 9 shows how prudent management, coupled with staff changes, has resulted in significant decreases in overall expenses for the current budget (FY 2023-24) and a slight increase in the proposed budget (FY 2024-25). Projections can also help anticipate future changes to the LAFCO budget. In addition to **Figure 7**, **Attachment 5** offers a three-year budgetary outlook.

The projections are meant to be an informational tool for our funding agencies in preparation for potential increases in apportionments. For purposes of the three-year budget projection, expenditures were increased by 5% each year. This percentage is based on the latest Consumer Price Index. Please note that the projections shown are subject to change and should be used for discussion purposes only. That said, staff believes that increases to the funding agencies’ apportionments may be needed to cover inflation and rising costs outside the control of LAFCO.

Figure 7: Overview of Past, Proposed, and Projected LAFCO Budgets



Based on staff’s projections, LAFCO’s next three budgets may be subject to increases in overall expenditure. If that occurs, the funding agencies may see an increase in future apportionments. LAFCO staff will continue to find appropriate methods to keep annual expenses down as much as possible to minimize allocation increases. The draft budget for FY 2024-25 reflects the Commission’s effort to maximize existing revenues and keep operating costs low.

PUBLICATION / TRANSPARENCY

A public notice was published in the Sentinel Newspaper and posted on LAFCO’s website on March 12, 2024 for public awareness. **Attachment 6** provides a copy of the public notice. Additionally, copies of the draft budget and all the supporting documents were shared with all the funding agencies on March 28, 2024.

STAFF RECOMMENDATION

The draft budget for FY 2024-25 is higher than the current budget by 14% or \$96,700. However, the increase is due to staff’s effort to accurately reflect LAFCO’s total fund balance. In fact, this proposed budget shows a dramatic decrease under Services & Supplies of 51% and an overall decrease in total expenditures by 15%. Conservative budgetary management and staff changes are the primary reasons why the proposed budget is more transparent than ever before. Additionally, the funding agencies will again

not see an increase in the total apportionment amount. In conclusion, staff believes that the adopted work program, current level of operations, and any other activities can be accomplished with the proposed budget. Therefore, staff recommends that the Commission adopt the resolution (refer to **Attachment 7**) approving the draft budget for FY 2024-25. A final budget will be presented to the Commission no later than Wednesday, June 5, 2024.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. FY 2024-25 Draft Budget
2. FY 2024-25 Apportionments for Funding Agencies
3. Narrative of Budget Line Items (Expenditures)
4. CalPERS Actuarial Report (dated July 2023)
5. Three-year Budget Projections
6. Public Notice
7. Draft Resolution (LAFCO No. 2024-09)

cc: County of Santa Cruz (Board of Supervisors, Auditor-Controller, and CAO)
Cities (Capitola, Santa Cruz, Scotts Valley, and Watsonville)
Independent Special Districts (20 in total)

FISCAL YEAR 2023-24	FY 23-24 Adopted Budget	FY 24-25 Proposed Budget	Budget Variance (\$)	Budget Variance (%)
REVENUE DESCRIPTION				
Interest	\$ 1,500	\$ 1,500	\$ -	0%
Funding Agencies' Apportionments	\$ 419,265	\$ 419,265	\$ -	0%
LAFCO Processing Fees	\$ -	\$ -	\$ -	-
Medical Charges-Employee	\$ -	\$ -	\$ -	-
Reserves / Fund Balance	\$ 254,685	\$ 351,385	\$ 96,700	38%
TOTAL REVENUES	\$ 675,450	\$ 772,150	\$ 96,700	14%
EXPENDITURE DESCRIPTION				
Regular Pay	\$ 245,000	\$ 260,000	\$ 15,000	6%
Holiday Pay	\$ 10,000	\$ 10,300	\$ 300	3%
Social Security	\$ 18,000	\$ 18,000	\$ -	0%
PERS	\$ 103,000	\$ 113,000	\$ 10,000	10%
Insurances	\$ 45,000	\$ 45,000	\$ -	0%
Unemployment	\$ 250	\$ 600	\$ 350	140%
Workers Comp	\$ 500	\$ 1,500	\$ 1,000	200%
Total Salaries & Benefits	\$ 421,750	\$ 448,400	\$ 26,650	6%
Telecom	\$ 1,200	\$ 1,600	\$ 400	33%
Office Equipment	\$ 200	\$ 200	\$ -	0%
Memberships	\$ 7,500	\$ 7,500	\$ -	0%
Hardware	\$ 150	\$ -	\$ (150)	-100%
Duplicating	\$ 500	\$ 500	\$ -	0%
PC Software	\$ 600	\$ 700	\$ 100	17%
Postage	\$ 1,000	\$ 800	\$ (200)	-20%
Subscriptions	\$ 1,800	\$ 3,300	\$ 1,500	83%
Supplies	\$ 800	\$ 500	\$ (300)	-38%
Accounting	\$ 1,500	\$ 11,500	\$ 10,000	667%
Attorney	\$ 150,000	\$ 15,000	\$ (135,000)	-90%
Data Service	\$ 12,000	\$ 11,000	\$ (1,000)	-8%
Director Fees	\$ 5,000	\$ 5,000	\$ -	0%
Prof. Services	\$ 45,000	\$ 40,000	\$ (5,000)	-11%
Legal Notices	\$ 3,500	\$ 4,000	\$ 500	14%
Rents	\$ 9,400	\$ 10,000	\$ 600	6%
Misc. Expenses	\$ 5,000	\$ 5,000	\$ -	0%
Air Fare	\$ 1,500	\$ 600	\$ (900)	-60%
Auto Rental	\$ -	\$ -	\$ -	-
Training	\$ 1,000	\$ 500	\$ (500)	-50%
Lodging	\$ 2,000	\$ 2,000	\$ -	0%
Meals	\$ -	\$ -	\$ -	-
Mileage	\$ 800	\$ 800	\$ -	0%
Travel-Other	\$ 250	\$ 250	\$ -	0%
Registrations	\$ 3,000	\$ 3,000	\$ -	0%
Total Services & Supplies	\$ 253,700	\$ 123,750	\$ (129,950)	-51%
TOTAL EXPENDITURES	\$ 675,450	\$ 572,150	\$ (103,300)	-15%
RESERVE DESCRIPTION				
Contingency Reserves	\$ -	\$ 100,000	\$ 100,000	-
Litigation Reserves	\$ -	\$ 100,000	\$ 100,000	-
Total Reserve Balance	\$ -	\$ 200,000	\$ 200,000	-
TOTAL EXPENDITURES & RESERVES	\$ 675,450	\$ 772,150	\$ 96,700	14%

FISCAL YEAR 2023-24	FY 24-25 Proposed Budget
REVENUE DESCRIPTION	
Interest	\$ 1,500
Funding Agencies' Apportionments	\$ 419,265
Reserves / Fund Balance	\$ 351,385
TOTAL REVENUES	\$ 772,150
EXPENDITURE DESCRIPTION	
Regular Pay	\$ 260,000
<i>Francisco Estrada</i>	<i>\$176,509</i>
<i>Joe Serrano</i>	<i>\$83,000</i>
Holiday Pay	\$ 10,300
Social Security	\$ 18,000
PERS	\$ 113,000
<i>Unfunded Liability Payment</i>	<i>\$72,000.00</i>
<i>Estimated Normal Costs</i>	<i>\$19,189.00</i>
<i>Other PERS Expenses</i>	<i>\$21,811.00</i>
Insurances	\$ 45,000
Unemployment	\$ 600
Workers Comp	\$ 1,500
Total Salaries & Benefits	\$ 448,400
Telecom	\$ 1,600
Office Equipment	\$ 200
Memberships	\$ 7,500
<i>CALAFCO</i>	<i>\$5,541.00</i>
<i>CSDA</i>	<i>\$1,634.00</i>
<i>Other Possible Memberships</i>	<i>\$325.00</i>
Duplicating	\$ 500
PC Software	\$ 700
Postage	\$ 800
Subscriptions	\$ 3,300
<i>AccessiBe (ADA)</i>	<i>\$1,490.00</i>
<i>Prezi</i>	<i>\$180.00</i>
<i>WP Engine</i>	<i>\$300.00</i>
<i>Zoom</i>	<i>\$1,248.00</i>
Supplies	\$ 800
Accounting	\$ 11,500
Attorney	\$ 15,000
Data Service	\$ 11,000
Director Fees	\$ 5,000
Prof. Services	\$ 40,000
<i>Piret Harmon</i>	<i>\$12,000.00</i>
<i>Don Jarvis</i>	<i>\$12,000.00</i>
<i>Other Professional Services</i>	<i>\$16,000.00</i>
Legal Notices	\$ 4,000
Rents	\$ 10,000
Misc. Expenses	\$ 5,000
Air Fare	\$ 600
Training	\$ 500
Lodging	\$ 2,000
Mileage	\$ 800
Travel-Other	\$ 250
Registrations	\$ 3,000
Total Services & Supplies	\$ 123,750
TOTAL EXPENDITURES	\$ 572,150
EXPENDITURE DESCRIPTION	
Contingency Reserves	\$ 100,000
Litigation Reserves	\$ 100,000
Total Reserve Balance	\$ 200,000
TOTAL EXPENDITURES & RESERVES	\$ 772,150

Ref Page #	Description	Operating Revenue	Non-Operating Revenue	Apportionment Basis Revenue latest Published State Controller's Report	Deduct Intergovernmental	Total less Intergovernmental	Calculate Proportionate Share	Fee Percentage Projection	Auditor Administration Costs	Total
	LAFCO Total 2024-2025 Working Budget			416,765					2,500.00	419,265.00
	Allocate 1/3 fee to County of Santa Cruz County of Santa Cruz			138,921.66			138,921.66	33.333%	833.33	139,754.99
	Allocate 1/3 fee to all Cities Revenue Factor 20-21 Cities Annual Report			138,921.67						
	City of Capitola			21,780,269	(2,707,450)	19,072,819	6,106.29	1.465%	36.63	6,142.92
	City of Santa Cruz			282,955,449	(35,160,793)	247,794,656	79,333.10	19.035%	475.89	79,808.99
	City of Scotts Valley			25,969,549	(2,187,693)	23,781,856	7,613.92	1.827%	45.67	7,659.59
	City of Watsonville			150,145,607	(6,877,072)	143,268,535	45,868.36	11.006%	275.15	46,143.51
				480,850,874	(46,933,008)	433,917,866	138,921.67	33.333%	833.34	139,755.01
	Allocate 1/3 fee to Independent Districts - Revenue Factor 2021-22 Special Districts Annual Report			138,921.67						
	Non-Enterprise									
105	Alba Park & Rec			80	0	80	0.08	0.000%	0.00	0.08
	Ben Lomond Fire Protection			1,114,731	(4,986)	1,109,745	1,138.39	0.273%	6.83	1,145.22
	Boulder Creek Fire Protection			2,539,179	(1,226,164)	1,313,015	1,346.91	0.323%	8.08	1,354.99
	Boulder Creek Park & Rec			765,749	(231,878)	533,871	547.65	0.131%	3.29	550.94
	Branciforte Fire Protection: dissolved for FY25			0	0	0	0.00	0.000%	0.00	0.00
	Central Fire District (1)			42,278,961	(2,280,593)	39,998,368	41,030.95	9.845%	246.13	41,277.08
	Felton Fire Protection			1,094,104	(114,247)	979,857	1,005.15	0.241%	6.03	1,011.18
	La Selva Beach Park & Rec			287,483	(32,616)	254,867	261.45	0.063%	1.57	263.02
	Opal Cliffs Park & Rec: dissolved			0	0	0	0.00	0.000%	0.00	0.00
	Pajaro Valley Health Care District: new in FY26			0	0	0	0.00	0.000%	0.00	0.00
	Pajaro Valley Fire Protection			2,380,607	(9,929)	2,370,678	2,431.88	0.584%	14.59	2,446.47
106	Pajaro Valley Public Cemetery			1,638,615	(4,355)	1,634,260	1,676.45	0.402%	10.06	1,686.51
	Pajaro Valley Water Management Agency			14,786,379	(165,588)	14,620,791	14,998.24	3.599%	89.97	15,088.21
	Reclamation District 2049: dissolved			0	0	0	0.00	0.000%	0.00	0.00
	Santa Cruz County Resource Conserv.			3,813,463	(2,031,897)	1,781,566	1,827.56	0.439%	10.96	1,838.52
	Scotts Valley Fire Protection			11,132,200	(1,240,459)	9,891,741	10,147.10	2.435%	60.87	10,207.97
	Zayante Fire Protection			696,235	(2,240)	693,995	711.91	0.171%	4.24	716.15
	Non-Enterprise Subtotal			82,527,786	(7,344,952)	75,182,834	77,123.72	18.505%	462.62	77,586.34
	Enterprise - Operating plus Non-Operating Revenue	Operating Revenue	Non-Operating Revenue	Total Revenue						
105	Central Santa Cruz County Water	1,119,347	122,112	1,241,459	(685)	1,240,774	1,272.81	0.305%	7.64	1,280.45
106	Salsipuedes Sanitary	406,029	33,853	439,882	(122)	439,760	451.11	0.108%	2.71	453.82
	San Lorenzo Valley County Water (2)	12,232,071	1,581,075	13,813,146	(155,386)	13,657,760	14,010.34	3.362%	84.04	14,094.38
	Santa Cruz Port District	10,887,938	1,468,863	12,356,801	(1,344,190)	11,012,611	11,296.91	2.711%	67.77	11,364.68
	Scotts Valley County Water	7,454,898	954,911	8,409,809	(5,077)	8,404,732	8,621.71	2.069%	51.72	8,673.43
	Soquel Creek Water District	25,484,888	2,202	25,487,090	0	25,487,090	26,145.07	6.273%	156.83	26,301.90
	Enterprise Subtotal	61,748,187	(1,505,460)	60,242,727		61,797.95	14.828%	370.71	62,168.66	
	Special District Total	144,275,973	(8,850,412)	135,425,561		138,921.67	33.333%	833.33	139,755.00	
	Grand total					416,765.00	100.000%	2,500.00	419,265.00	

Footnotes:

(1) Total revenue used to calculate the apportionment for CFD is based on the data provided by CFD directly as the financial information was not available in the SCO's FY21-22 report due to 2021 consolidation

(2) Includes SLV Water, SLV Waste, and Lompico Water

(3) Scotts Valley Fire includes Branciforte Fire for FY24 due to a merger.

Local Agency Formation Commission of Santa Cruz County
Budget Line Item Narrative FY 2024-25

Budget Line Item (Object Code)	Description
Salaries & Benefits	
51000 Regular Pay \$260,000 <u>Executive Officer</u> Current Salary: \$84.86 hourly rate <u>LAFCO Analyst</u> Current Salary: \$39.54 hourly rate	Total Salary Breakdown: Executive Officer \$176,509 LAFCO Analyst \$ 83,000 Salary Reserve* \$ 491 Total Salary \$260,000 *Salary Reserve: Allows for possible adjustments to staff salaries, cash out of administrative leave, and payment of unused leave upon termination of employment.
51005 Overtime Pay \$0	LAFCO staff may work overtime during periods of major projects and night meetings.
51010 Extra Help \$0	These funds may be used for temporary clerical assistance.
51015 Sick Leave \$0	This amount is based on historical trends.
51035 Holiday Pay \$10,300	Holiday pay is budgeted as a lump sum.
52010 Social Security \$18,000	This amount is based on a percentage of total salaries and historical trends.
52015 PERS \$113,000	This amount covers the Commission's contributions to the Public Employees Retirement System (PERS). Effective July 1, 2023, the employer's share of the normal costs will increase from 12.47% of salaries to 12.52% and the employer's lump sum payment of unfunded liability will be around \$109,000.
53010 Employee Insurance \$45,000	This amount provides for health insurance through PERS and for dental, eye care, life insurance, and limited disability insurance through the County's program. The employees pay a portion of the costs. The employees' contributions are budgeted as revenue, and reduce the net cost of this benefit to the Commission.
53015 Unemployment \$600	This amount is based on a percentage of total salaries and historical trends.
54010 Workers' Compensation \$1,500	The Commission obtains this coverage from the Special District Risk Management Authority (SDRMA).
Total Salaries & Benefits	\$448,400

Budget Line Item (Object Code)	Description
Services & Supplies	
61220 Telecom \$1,600	This amount covers the costs towards LAFCO's telephone system and annual usage.
61725 Maintenance of Office Equipment \$200	This amount covers the costs towards maintenance of LAFCO's copier and other office equipment.
62020 Memberships \$7,500	This amount provides for membership with the California Association of LAFCOs (CALAFCO), California Special Districts Association (CSDA), and any other relative group.
62111 Computer Hardware \$0	This amount covers any hardware needed to conduct administrative/operational projects.
62214 Duplicating \$500	This amount covers the costs to copy reports, maps or other relative material by the County or at a local printing shop.
62219 Software \$700	This amount covers any web-based software needed to conduct administrative/operational projects.
62221 Postage \$800	This amount covers the costs of mailing public notices and regular correspondence.
62222 Subscriptions \$3,300	This amount covers annual subscriptions including but not limited to LAFCO's web-based presentation platform (Prezi).
62223 Supplies \$500	This amount covers office-related supplies.
62310 Accounting \$11,500	This amount includes the cost of accounting services from the County Auditor (i.e. payroll, vendor payments, and auditing). This amount will also cover the first official audit.
62304 Attorney \$15,000	This amount covers legal services from Best, Best & Krieger as LAFCO's general counsel.
62325 Data Services \$11,000	This amount covers the charges from the County I.T. Department regarding LAFCO's computers, printers, mapping system, and other database services.
62327 Director Fees \$5,000	This amount is calculated upon all 11 Commissioners being paid a \$50 stipend for their attendance to 10 meetings. Stipends will now be paid at the end of each fiscal year.
62330 Surveyor \$0	This amount covers map checking by the County Surveyor and map prints from the County Public Works Department.
62381 Professional Services \$40,000	This amount covers outside assistance when preparing service and sphere reviews or other special studies.
62420 Legal Notices \$4,000	This amount is used to pay for public hearing notices and other legal advertisement.

62610 Rent \$10,000	This amount covers the County's charges for LAFCO to rent its office on the third floor of the governmental center. The annual rent is \$9,843. Additionally, the County charges the Commission to store and retrieve LAFCO's old records in the County warehouse.
62856 Miscellaneous Expenses \$5,000	This amount is used for paying web-hosting costs, and filing fees including but not limited to the State Department of Tax & Fee Administration and the State Department of Fish and Wildlife.
62890 Books \$0	This amount is used to purchase LAFCO-related books and other written material.
62910 Airfare \$600	This amount is used to attend meetings that are in distant locations in California.
62912 Auto Rental \$0	This amount is based on historical trends.
62914 Education & Training \$500	This amount represents staff development courses and seminars.
62922 Lodging \$2,000	This amount covers overnight stays for Commissioners and staff attending training sessions, workshops, and annual conferences.
62924 Meals \$0	This amount is based on historical trends.
62926 Mileage \$800	This amount include mileage for LAFCO-related errands, and allowance for Commissioners and staff to attend conferences, seminars, CALAFCO board meetings, and other meetings.
62928 Travel \$250	This amount covers miscellaneous travel costs such as train fares, bus fares, parking, and bridge tolls.
62930 Registrations \$3,000	This amount covers workshop and conference registrations for Commissioners and staff when attending educational courses.
Total Services & Supplies	\$123,750

FY 2024-25 Budget Recap (Expenditure)

Salaries & Benefits	\$ 448,400
Services & Supplies	\$ <u>123,750</u>
Total Expenditure	\$ 572,150



**California Public Employees' Retirement System
Actuarial Office**

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

July 2023

**Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission (CalPERS ID: 5405887055)
Annual Valuation Report as of June 30, 2022**

Dear Employer,

Attached to this letter is the June 30, 2022 actuarial valuation report for the rate plan noted above. **Provided in this report is the determination of the minimum required employer contributions for fiscal year (FY) 2024-25.** In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

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

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2022.

Section 2 can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to "Forms & Publications" and select "View All". In the search box, enter "Risk Pool" and from the results list download the Miscellaneous Risk Pool Actuarial Valuation Report for June 30, 2022.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration (board) adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution requirements as needed. This valuation is based on an investment return assumption of 6.8%, which was adopted by the board in November 2021. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021.

Required Contributions

The table below shows the minimum required employer contributions for FY 2024-25 along with estimates of the required contributions for FY 2025-26. Employee contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2024-25	12.52%	\$66,267
<i>Projected Results</i>		
2025-26	12.5%	\$69,000

The actual investment return for FY 2022-23 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 6.8%. **To the extent the actual investment return for FY 2022-23 differs from 6.8%, the actual contribution requirements for FY 2025-26 will differ from those shown above.** For additional details regarding the assumptions and methods used for these projections, please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through FY 2029-30.

Changes from Previous Year's Valuations

There are no significant changes in actuarial assumptions or policies in the 2022 actuarial valuation. There may be changes specific to the plan such as contract amendments and funding changes.

Further descriptions of general changes are included in "Highlights and Executive Summary" and in Appendix A of the Section 2 report in "Actuarial Methods and Assumptions." The effects of any changes on the required contributions are included in "Reconciliation of Required Employer Contributions," also in the Section 2 report.

Questions

A CalPERS actuary is available to answer questions about this report. Other questions may be directed to the Customer Contact Center at (888)-CalPERS or (888-225-7377).

Sincerely,

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

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**Actuarial Valuation
as of June 30, 2022**

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

**Required Contributions
for Fiscal Year
July 1, 2024 - June 30, 2025**

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Section 1 – Plan Specific Information

Section 2 – Risk Pool Actuarial Valuation Information

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

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

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Actuarial Certification

To the best of our knowledge, this report, comprised of Sections 1 and 2, is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation is based on the member and financial data as of June 30, 2022 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Santa Cruz Local Agency Formation Commission, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

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

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the rate plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2022 and employer contribution as of July 1, 2024 have been properly and accurately determined in accordance with the principles and standards stated above.

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

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

Highlights and Executive Summary

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

Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this rate plan as of June 30, 2022;
- Determine the minimum required employer contributions for this rate plan for FY July 1, 2024 through June 30, 2025;
- Determine the required member contribution rate for FY July 1, 2024 through June 30, 2025 for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2022 to the CalPERS Board of Administration (board) and other interested parties.

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

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

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

Assessment and Disclosure of Risk

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

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 5.8% and 7.8%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current post-retirement mortality assumptions adopted in 2021.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Contributions

	Fiscal Year 2024-25
Required Employer Contributions	
Employer Normal Cost Rate	12.52%
<i>Plus</i>	
Required Payment on Amortization Bases¹	\$66,267
<i>Paid either as</i>	
1) Monthly Payment	\$5,522.25
<i>Or</i>	
2) Annual Prepayment Option*	\$64,123
<i>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).</i>	
<i>* Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31).</i>	

	Fiscal Year 2023-24	Fiscal Year 2024-25
Development of Normal Cost as a Percentage of Payroll		
Base Total Normal Cost for Formula	18.76%	18.81%
Surcharge for Class 1 Benefits ²		
a) FAC 1	0.63%	0.64%
Phase out of Normal Cost Difference ³	0.00%	0.00%
Plan's Total Normal Cost	19.39%	19.45%
Offset Due to Employee Contributions	6.92%	6.93%
Employer Normal Cost Rate	12.47%	12.52%

¹ The required payment on amortization bases does not take into account any additional discretionary payment made after April 28, 2023.

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

³ When a rate plan joins the pool, the difference in normal cost between the pool and the rate plan is phased out over a five-year period in accordance with the CalPERS contribution allocation policy.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is \$66,267. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during FY 2024-25 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

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

Minimum Required Employer Contribution for Fiscal Year 2024-25

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
\$19,189	\$66,267	\$0	\$66,267	\$85,456

Alternative Fiscal Year 2024-25 Employer Contributions for Greater UAL Reduction

Funding Horizon	Estimated Normal Cost	Minimum UAL Payment	ADP ¹	Total UAL Contribution	Estimated Total Contribution
15 years	\$19,189	\$66,267	\$2,058	\$68,325	\$87,514
10 years	\$19,189	\$66,267	\$22,636	\$88,903	\$108,092
5 years	\$19,189	\$66,267	\$86,619	\$152,886	\$172,075

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

Note that the calculations above are based on the projected UAL as of June 30, 2024 as determined in the June 30, 2022 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions, and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability (UAL)** equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **funded ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	\$2,607,267	\$2,657,460
2. Entry Age Accrued Liability	2,260,230	2,300,530
3. Market Value of Assets (MVA)	1,827,391	1,614,667
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	\$432,839	\$685,863
5. Funded Ratio [(3) / (2)]	80.8%	70.2%

A funded ratio of 100% (UAL of \$0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	\$2,541,147	\$2,300,530	\$2,095,827
2. Market Value of Assets (MVA)	1,614,667	1,614,667	1,614,667
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	\$926,480	\$685,863	\$481,160
4. Funded Ratio [(2) / (1)]	63.5%	70.2%	77.0%

The "Risk Analysis" section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 2022-23 is assumed to be 6.80% per year, net of investment and administrative expenses. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)				
Fiscal Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Rate Plan 992 Results					
Normal Cost %	12.52%	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Payment	\$66,267	\$69,000	\$72,000	\$74,000	\$80,000	\$80,000

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the ramp up period could result in contributions that are less than interest on the UAL (i.e. negative amortization) while the contribution impact of the increase in the UAL is phased in.

For projected contributions under alternate investment return scenarios, please see the "Future Investment Return Scenarios" in the "Risk Analysis" section. Our online pension plan projection tool, Pension Outlook, is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 992. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated contribution amounts and rates for all of the employer's rate plans in the Miscellaneous Risk Pool are shown below and assume that the total employer payroll within the Miscellaneous Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

	Fiscal Year	Fiscal Year
	2023-24	2024-25
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans		
Projected Payroll for the Contribution Year	\$213,597	\$167,237
Estimated Employer Normal Cost	\$24,034	\$20,289
Required Payment on Amortization Bases	\$60,501	\$66,608
Estimated Total Employer Contributions	\$84,535	\$86,897
Estimated Total Employer Contribution Rate (illustrative only)	39.58%	51.96%

Cost

Actuarial Determination of Plan Cost

Contributions to fund the plan are comprised of two components:

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

For fiscal years prior to 2015-16, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with FY 2015-16, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There is an option to prepay this amount during July of each fiscal year.

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

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

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

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 6.9% over the 20 years ending June 30, 2022, yet individual fiscal year returns have ranged from -23.6% to +21.3%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2021.

Changes Since the Prior Year's Valuation

Benefits

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

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

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. For pooled plans this is a Class 3 benefit and there is no normal cost surcharge. The impact on the unfunded liability is included in the pool's (gain)/loss.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2022 actuarial valuation.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2022 and statutory/regulatory changes and board actions through January 2023.

During the time period between the valuation date and the publication of this report, inflation has been significantly higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists. At this time, we continue to believe the long-term inflation assumption of 2.3% is appropriate.

To the best of our knowledge, there have been no other subsequent events that could materially affect current or future certifications rendered in this report.

Assets and Liabilities

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

Breakdown of Entry Age Accrued Liability

Active Members	\$101,003
Transferred Members	0
Separated Members	0
Members and Beneficiaries Receiving Payments	<u>2,199,527</u>
Total	<u>\$2,300,530</u>

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

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

1. Plan's Accrued Liability	\$2,300,530
2. Projected UAL Balance at 6/30/2022	399,583
3. Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4. Adjusted UAL Balance at 6/30/2022 for Asset Share	399,583
5. Pool's Accrued Liability ¹	22,021,735,002
6. Sum of Pool's Individual Plan UAL Balances at 6/30/2022 ¹	2,453,954,297
7. Pool's 2021-22 Investment (Gain)/Loss ¹	2,614,071,182
8. Pool's 2021-22 Non-Investment (Gain)/Loss ¹	309,490,972
9. Plan's Share of Pool's Investment (Gain)/Loss: $[(1) - (4)] \div [(5) - (6)] \times (7)$	253,949
10. Plan's Share of Pool's Non-Investment (Gain)/Loss: $(1) \div (5) \times (8)$	32,331
11. Plan's New (Gain)/Loss as of 6/30/2022: $(9) + (10)$	286,280
12. Increase in Pool's Accrued Liability due to Change in Assumptions ¹	0
13. Plan's Share of Pool's Change in Assumptions: $(1) \div (5) \times (12)$	0
14. Increase in Pool's Accrued Liability due to Funding Risk Mitigation ¹	0
15. Plan's Share of Pool's Change due to Funding Risk Mitigation: $(1) \div (5) \times (14)$	0
16. Offset due to Funding Risk Mitigation	0
17. Plan's Investment (Gain)/Loss: $(9) - (16)$	253,949

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

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

18. Plan's UAL: $(2) + (3) + (11) + (13) + (15)$	\$685,863
19. Plan's Share of Pool's MVA: $(1) - (18)$	\$1,614,667

Schedule of Amortization Bases

Below is the schedule of the plan's amortization bases. Note that there is a two-year lag between the valuation date and the start of the contribution year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2022.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2024-25.

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

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

Reason for Base	Date Est.	Ramp Level 2024-25	Ramp Shape	Escalation Rate	Amort. Period	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Minimum Required Payment 2024-25
Fresh Start	6/30/19	No Ramp		0.00%	11	542,758	62,906	514,656	62,033	485,545	62,033
Investment (Gain)/Loss	6/30/20	60%	Up Only	0.00%	18	44,710	979	46,739	1,921	47,932	2,882
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	18	8,166	747	7,949	733	7,732	733
Assumption Change	6/30/21	No Ramp		0.00%	19	8,163	(1,144)	9,900	890	9,653	890
Net Investment (Gain)	6/30/21	40%	Up Only	0.00%	19	(193,329)	0	(206,475)	(4,438)	(215,929)	(8,876)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	19	(9,760)	0	(10,424)	(937)	(10,164)	(937)
Risk Mitigation	6/30/21	No Ramp		0.00%	0	58,651	(1,163)	63,841	65,976	0	0
Risk Mitigation Offset	6/30/21	No Ramp		0.00%	0	(59,776)	0	(63,841)	(65,976)	0	0
Investment (Gain)/Loss	6/30/22	20%	Up Only	0.00%	20	253,949	0	271,218	0	289,661	6,226
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	20	32,331	0	34,530	0	36,878	3,316
Total						685,863	62,325	668,093	60,202	651,308	66,267

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

Amortization Schedule and Alternatives

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

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

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

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

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

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

Amortization Schedule and Alternatives (continued)

Date	<u>Current Amortization Schedule</u>		<u>Alternate Schedules</u>			
	Balance	Payment	10 Year Amortization		5 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2024	651,308	66,267	651,308	88,903	651,308	152,886
6/30/2025	627,115	69,016	603,721	88,903	537,598	152,885
6/30/2026	598,434	71,764	552,898	88,903	416,157	152,886
6/30/2027	564,965	73,551	498,619	88,903	286,457	152,885
6/30/2028	527,372	79,778	440,649	88,903	147,938	152,885
6/30/2029	480,787	79,778	378,737	88,903		
6/30/2030	431,034	79,778	312,615	88,903		
6/30/2031	377,898	79,777	241,997	88,904		
6/30/2032	321,150	79,781	166,576	88,903		
6/30/2033	260,539	79,778	86,027	88,904		
6/30/2034	195,808	79,777				
6/30/2035	126,677	17,744				
6/30/2036	116,954	17,748				
6/30/2037	106,566	17,747				
6/30/2038	95,472	17,745				
6/30/2039	83,626	17,747				
6/30/2040	70,971	17,746				
6/30/2041	57,458	17,747				
6/30/2042	43,025	12,210				
6/30/2043	33,333	34,447				
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		1,009,926		889,032		764,427
Interest Paid		358,618		237,724		113,119
Estimated Savings				120,894		245,499

Employer Contribution History

The table below provides a recent history of the required and discretionary employer contributions for the plan. The required amounts are based on the actuarial valuation from two years prior without subsequent adjustments, if any. Additional discretionary payments before July 1, 2019 or after April 28, 2023 are not included.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment (\$)	Additional Discretionary Payments
2016 - 17	8.880%	\$22,662	N/A
2017 - 18	8.921%	24,727	N/A
2018 - 19	9.409%	29,911	N/A
2019 - 20	10.221%	35,565	20,000
2020 - 21	11.031%	52,786	0
2021 - 22	10.88%	64,090	0
2022 - 23	10.87%	64,632	0
2023 - 24	12.47%	60,202	
2024 - 25	12.52%	66,267	

Funding History

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

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2013	\$1,408,608	\$1,041,199	\$367,409	73.9%	\$172,245
06/30/2014	1,546,267	1,199,884	346,383	77.6%	176,550
06/30/2015	1,553,337	1,139,411	413,926	73.4%	176,550
06/30/2016	1,628,548	1,129,342	499,206	69.3%	182,410
06/30/2017	1,727,049	1,228,262	498,787	71.1%	192,897
06/30/2018	1,870,733	1,302,843	567,890	69.6%	203,965
06/30/2019	2,182,496	1,586,457	596,039	72.7%	184,716
06/30/2020	2,284,043	1,655,830	628,213	72.5%	217,096
06/30/2021	2,260,230	1,827,391	432,839	80.8%	146,612
06/30/2022	2,300,530	1,614,667	685,863	70.2%	153,941

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Funded Status – Termination Basis**

Future Investment Return Scenarios

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

The first table shows projected contribution requirements if the fund were to earn either 3.0% or 10.8% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2042.

Assumed Annual Return FY 2022-23 through 2041-42	Projected Employer Contributions				
	2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)					
Normal Cost Rate	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Contribution	\$71,000	\$76,000	\$83,000	\$95,000	\$103,000
10.8% (95th percentile)					
Normal Cost Rate	12.8%	13.0%	13.3%	13.5%	13.8%
UAL Contribution	\$68,000	\$68,000	\$65,000	\$65,000	\$57,000

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 2022-23 on the FY 2025-26 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 2025-26.

Assumed Annual Return for Fiscal Year 2022-23	Required Employer Contributions	Projected Employer Contributions
	2024-25	2025-26
(17.2)% (2 standard deviation loss)		
Normal Cost Rate	12.52%	12.5%
UAL Contribution	\$66,267	\$78,000
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	12.52%	12.5%
UAL Contribution	\$66,267	\$74,000

- Without investment gains (returns higher than 6.8%) in FY 2023-24 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 2022-23.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2025-26 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, 2022 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2022	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	5.8%	6.8%	7.8%
Price Inflation	2.3%	2.3%	2.3%
Real Rate of Return	3.5%	4.5%	5.5%
a) Total Normal Cost	24.48%	19.45%	15.62%
b) Accrued Liability	\$2,541,147	\$2,300,530	\$2,095,827
c) Market Value of Assets	\$1,614,667	\$1,614,667	\$1,614,667
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$926,480	\$685,863	\$481,160
e) Funded Ratio	63.5%	70.2%	77.0%

Sensitivity to the Price Inflation Assumption

As of June 30, 2022	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	5.8%	6.8%	7.8%
Price Inflation	1.3%	2.3%	3.3%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	20.42%	19.45%	17.74%
b) Accrued Liability	\$2,364,176	\$2,300,530	\$2,126,984
c) Market Value of Assets	\$1,614,667	\$1,614,667	\$1,614,667
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$749,509	\$685,863	\$512,317
e) Funded Ratio	68.3%	70.2%	75.9%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2022 plan costs and funded status under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of a change in the mortality assumption.

As of June 30, 2022	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	19.78%	19.45%	19.14%
b) Accrued Liability	\$2,350,896	\$2,300,530	\$2,254,142
c) Market Value of Assets	\$1,614,667	\$1,614,667	\$1,614,667
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$736,229	\$685,863	\$639,475
e) Funded Ratio	68.7%	70.2%	71.6%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan sponsor to tolerate risk is important in understanding how the pension plan is impacted by investment return volatility, other economic variables, and changes in longevity or other demographic assumptions.

Since it is the employer that bears the risk, it is appropriate to perform this analysis on a pension plan level considering all rate plans. The following measures are for one rate plan only. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2021	June 30, 2022
1. Retired Accrued Liability	\$2,194,877	\$2,199,527
2. Total Accrued Liability	2,260,230	2,300,530
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.97	0.96

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

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, maybe less informative than the ratio of retiree liability to total accrued liability above.

For comparison, the support ratio for all CalPERS public agency plans as of June 30, 2021, was 0.78 and was calculated consistently with how it is for the individual rate plan. Note that to calculate the support ratio for all public agency plans, a retiree with service from more than one CalPERS agency is counted as a retiree more than once.

Support Ratio	June 30, 2021	June 30, 2022
1. Number of Actives	1	1
2. Number of Retirees	3	3
3. Support Ratio [(1) / (2)]	0.33	0.33

Maturity Measures (continued)

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

Asset Volatility Ratio

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

Liability Volatility Ratio

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, a plan with LVR of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2021	June 30, 2022
1. Market Value of Assets	\$1,827,391	\$1,614,667
2. Payroll	146,612	153,941
3. Asset Volatility Ratio (AVR) [(1) / (2)]	12.5	10.5
4. Accrued Liability	\$2,260,230	\$2,300,530
5. Liability Volatility Ratio (LVR) [(4) / (2)]	15.4	14.9

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.11	1.00	6.4	9.0
06/30/2018	0.10	1.00	6.4	9.2
06/30/2019	0.82	0.67	8.6	11.8
06/30/2020	0.78	0.67	7.6	10.5
06/30/2021	0.97	0.33	12.5	15.4
06/30/2022	0.96	0.33	10.5	14.9

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2022. The accrued liability on a termination basis (termination liability) is calculated differently compared to the plan’s ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

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

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

Market Value of Assets (MVA)	Discount Rate: 1.75% Price Inflation: 2.50%		Discount Rate: 4.50% Price Inflation: 2.75%			
	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability
\$1,614,667	\$4,134,723	39.1%	\$2,520,056	\$2,963,414	54.5%	\$1,348,747

¹ The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

² The discount rate used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 3.38% on June 30, 2022, the valuation date.

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

Participant Data

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

	June 30, 2021	June 30, 2022
Active Members		
Counts	1	1
Average Attained Age	35.3	36.3
Average Entry Age to Rate Plan	33.0	33.0
Average Years of Credited Service	2.4	3.4
Average Annual Covered Pay	\$146,612	\$153,941
Annual Covered Payroll	\$146,612	\$153,941
Present Value of Future Payroll	\$1,899,061	\$1,952,308
Transferred Members	0	0
Separated Members	0	0
Retired Members and Beneficiaries*		
Counts	3	3
Average Annual Benefits	\$53,940	\$55,094
Total Annual Benefits	\$161,820	\$165,282

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

* Values include community property settlements.

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

Plan's Major Benefit Options

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

Member Category	Benefit Group	
	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	No	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2% @ 55	
Social Security Coverage	Yes	
Full/Modified	Full	
Employee Contribution Rate	7.00%	
Final Average Compensation Period	One Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	No	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	\$2000	
Survivor Allowance (PRSA)	No	
COLA	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

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

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Proposed Budget	Projected Budget	Projected Budget	Projected Budget
REVENUE DESCRIPTION										
Interest	\$ 6,000	\$ 6,000	\$ 6,000	\$ 3,000	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,575	\$ 1,654	\$ 1,736
Funding Agencies' Apportionments	\$ 383,900	\$ 399,300	\$ 399,300	\$ 399,300	\$ 419,265	\$ 419,265	\$ 419,265	\$ 464,867	\$ 511,017	\$ 557,828
LAFCO Processing Fees	\$ 6,500	\$ 6,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medical Charges-Employee	\$ 9,500	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Copy Charges	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves / Fund Balance	\$ 353,300	\$ 249,500	\$ 251,800	\$ 239,550	\$ 247,985	\$ 254,685	\$ 351,385	\$ 333,816	\$ 317,125	\$ 301,269
TOTAL REVENUES	\$ 759,200	\$ 662,400	\$ 657,100	\$ 641,850	\$ 668,750	\$ 675,450	\$ 772,150	\$ 800,258	\$ 829,795	\$ 860,834
EXPENDITURE DESCRIPTION										
Regular Pay	\$ 269,700	\$ 245,400	\$ 245,400	\$ 220,000	\$ 200,000	\$ 245,000	\$ 260,000	\$ 273,000	\$ 286,650	\$ 300,983
Overtime Pay	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Extra Help	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sick Leave	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Holiday Pay	\$ 9,800	\$ 10,100	\$ 10,100	\$ 10,000	\$ 10,300	\$ 10,000	\$ 10,300	\$ 10,815	\$ 11,356	\$ 11,924
Social Security	\$ 20,700	\$ 18,200	\$ 18,200	\$ 18,000	\$ 15,000	\$ 18,000	\$ 18,000	\$ 18,900	\$ 19,845	\$ 20,837
PERS	\$ 65,300	\$ 59,800	\$ 59,800	\$ 68,000	\$ 91,000	\$ 103,000	\$ 113,000	\$ 118,650	\$ 124,583	\$ 130,812
Insurances	\$ 43,300	\$ 50,500	\$ 50,500	\$ 50,000	\$ 40,000	\$ 45,000	\$ 45,000	\$ 47,250	\$ 49,613	\$ 52,093
Unemployment	\$ 400	\$ 400	\$ 400	\$ 450	\$ 450	\$ 250	\$ 600	\$ 630	\$ 662	\$ 695
Workers Comp	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,500	\$ 500	\$ 1,500	\$ 1,575	\$ 1,654	\$ 1,736
Total Salaries & Benefits	\$ 413,200	\$ 388,400	\$ 388,400	\$ 368,450	\$ 358,250	\$ 421,750	\$ 448,400	\$ 470,820	\$ 494,361	\$ 519,079
Telecom	\$ 2,100	\$ 2,000	\$ 2,000	\$ 2,000	\$ 1,600	\$ 1,200	\$ 1,600	\$ 1,680	\$ 1,764	\$ 1,852
Office Equipment	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 210	\$ 221	\$ 232
Memberships	\$ 4,400	\$ 4,500	\$ 6,400	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,875	\$ 8,269	\$ 8,682
Hardware	\$ -	\$ 300	\$ 300	\$ 300	\$ 200	\$ 150	\$ -	\$ -	\$ -	\$ -
Duplicating	\$ 1,200	\$ 1,200	\$ 1,600	\$ 1,000	\$ 800	\$ 500	\$ 500	\$ 525	\$ 551	\$ 579
PC Software	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 700	\$ 735	\$ 772	\$ 810
Postage	\$ 1,400	\$ 1,400	\$ 1,000	\$ 800	\$ 1,000	\$ 1,000	\$ 800	\$ 840	\$ 882	\$ 926
Subscriptions	\$ 800	\$ 500	\$ 500	\$ 500	\$ 500	\$ 1,800	\$ 3,300	\$ 3,465	\$ 3,638	\$ 3,820
Supplies	\$ 1,700	\$ 1,500	\$ 1,000	\$ 1,000	\$ 800	\$ 800	\$ 500	\$ 525	\$ 551	\$ 579
Accounting	\$ 1,200	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 11,500	\$ 12,075	\$ 12,679	\$ 13,313
Attorney	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 15,000	\$ 15,750	\$ 16,538	\$ 17,364
Data Service	\$ 16,700	\$ 16,700	\$ 10,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 11,000	\$ 11,550	\$ 12,128	\$ 12,734
Director Fees	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 5,000	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788
Surveyor	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prof. Services	\$ 125,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ 45,000	\$ 40,000	\$ 42,000	\$ 44,100	\$ 46,305
Legal Notices	\$ 1,700	\$ 1,700	\$ 1,700	\$ 7,000	\$ 6,000	\$ 3,500	\$ 4,000	\$ 4,200	\$ 4,410	\$ 4,631
Rents	\$ 8,400	\$ 8,500	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,400	\$ 10,000	\$ 10,500	\$ 11,025	\$ 11,576
Misc. Expenses	\$ 5,900	\$ 6,500	\$ 6,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788
Books	\$ 300	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Air Fare	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 600	\$ 1,500	\$ 600	\$ 630	\$ 662	\$ 695
Auto Rental	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -
Training	\$ 900	\$ 1,800	\$ 1,800	\$ 1,800	\$ 500	\$ 1,000	\$ 500	\$ 525	\$ 551	\$ 579
Lodging	\$ 5,200	\$ 5,200	\$ 5,200	\$ 5,200	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,100	\$ 2,205	\$ 2,315
Meals	\$ 600	\$ 600	\$ 600	\$ 500	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -
Mileage	\$ 1,600	\$ 3,000	\$ 3,000	\$ 3,000	\$ 1,000	\$ 800	\$ 800	\$ 840	\$ 882	\$ 926
Travel-Other	\$ 500	\$ 500	\$ 500	\$ 300	\$ 300	\$ 250	\$ 250	\$ 263	\$ 276	\$ 289
Registrations	\$ 5,400	\$ 5,400	\$ 5,400	\$ 5,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,150	\$ 3,308	\$ 3,473
Total Services & Supplies	\$ 346,000	\$ 274,000	\$ 268,700	\$ 273,400	\$ 310,800	\$ 253,700	\$ 123,750	\$ 129,938	\$ 136,434	\$ 143,256
RESERVE DESCRIPTION										
Contingency Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Litigation Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total Reserve Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
TOTAL EXPENDITURES & RESERVES	\$ 759,200	\$ 662,400	\$ 657,100	\$ 641,850	\$ 669,050	\$ 675,450	\$ 772,150	\$ 800,758	\$ 830,795	\$ 862,335

Footnotes:
 1) 5% increase based on March 2023 Consumer Price Index (CPI)
 2) Reserves to Balance Budget reduced by CPI (5%)



**NOTICE OF PUBLIC HEARING
LOCAL AGENCY FORMATION COMMISSION**

NOTICE IS HEREBY GIVEN that at 9:00 a.m., Wednesday, April 3, 2024, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following items:

- **Service and Sphere of Influence Review for County Service Area 3:** Consideration of a service and sphere review for CSA 3 (Aptos Seascaple). CSA 3 was formed in 1965 and provides multiple services to the Seascaple community. A full analysis will be conducted for this dependent special district.
- **Draft Budget for Fiscal Year 2024-25:** Adoption of a draft budget for the upcoming fiscal year. The final budget will be considered on May 1, 2024. The review, approval, and notice of this budget will be consistent with Government Code Section 56381.

In compliance with the California Environmental Quality Act (CEQA), LAFCO staff is scheduled to prepare a Categorical Exemption for the proposals listed above. Instructions for members of the public to participate in-person or remotely are available in the Agenda and Agenda Packet: <https://santacruzlafco.org/meetings/>. During the meeting, the Commission will consider oral or written comments from any interested person. Maps, written reports, environmental review documents and further information can be obtained by contacting LAFCO's staff at (831) 454-2055 or from LAFCO's website at www.santacruzlafco.org. LAFCO does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. If you wish to attend this meeting and require special assistance in order to participate, please contact the LAFCO office at least 24 hours in advance of the meeting to make arrangements.

A handwritten signature in blue ink, appearing to read 'Joe A. Serrano', written over a horizontal line.

Joe A. Serrano
Executive Officer
Date: March 12, 2024

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2024-09

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
ADOPTING A DRAFT BUDGET FOR FISCAL YEAR 2024-25

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

WHEREAS, the Commission’s Executive Officer prepared a written report outlining recommendations with respect to anticipated work activities and budgetary needs in Fiscal Year 2024-25; and

WHEREAS, the proposed budget was advertised in the Santa Cruz Sentinel Newspaper on March 12, 2024 for consideration at the April 3rd LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a draft budget during a public hearing held on April 3, 2024; and

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

WHEREAS, the Commission will consider adoption of a final budget for Fiscal Year 2024-25 during a public hearing no later than June 5, 2024.

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby adopts a draft budget for the fiscal year beginning July 1, 2024 in the amount of \$772,150 with the budget to be funded by the participating agencies of \$419,265 (\$416,765 apportionment basis + \$2,500 for the County Auditor-Controller’s fee to calculate and collect the participating agencies’ apportionments).

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 3rd day of April 2024.

AYES:

NOES:

ABSTAIN:

JOHN HUNT, CHAIRPERSON

Attest:

Approved as to form:

Joe A. Serrano, Executive Officer

Joshua Nelson, LAFCO Counsel



Date: April 3, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Public Member Selection Process – Candidate Interviews**

SUMMARY OF RECOMMENDATION

Santa Cruz LAFCO has representatives from the county, cities, independent special districts, and the general public as members of its Commission. The terms for both public member seats are set to expire in May 2024. The Commission scheduled an interview of all the qualified candidates to take place on April 3, 2024.

It is recommended that the Commission select the Regular and Alternate Public Members in accordance with the Cortese-Knox-Hertzberg Act and the Commission’s Policies.

EXECUTIVE OFFICER’S REPORT:

Between January 16 and February 23, 2024, the Commission received a total of nine applications for the regular and alternate public member seats. During LAFCO’s March 6th Regular Meeting, the Commission reviewed and discussed the nine applications during an open session¹. The Commission concluded that an interview of each qualified candidate was warranted. Since then, two candidates withdrew their applications and will not participate in the interview process. The remaining seven candidates will be interviewed during LAFCO’s April 3rd Regular Meeting. The following section outlines the interview process.

Interview Process

Staff has developed a detailed step-by-step description of the interview process for the Commission’s consideration, as shown in the table below. The Commission may implement modifications to the steps after deliberation and a voice vote, if warranted.

Table A: Interview Process

Interview Steps	Description
1. Begin Interview Process	The Chair will defer leadership duties to the Vice-Chair for the completion of Agenda Item No. 6a.
2. Candidates’ Waiting Room (Redwood Conference Room)	The identified candidates will be asked to wait in the Redwood Conference Room down the hall.
3. Conduct Individual Interviews (County BOS Chambers)	Each candidate will be asked to return from the waiting room and answer the same five designated questions. After their interview is over, they will be escorted back to the waiting room.
4. Conclude Interview Process (Commission Discussion)	After all interviews have been completed, the candidates will return to the chambers and the Commission will deliberate and select the most qualified candidates to become the regular and alternate public member for a term ending in May 2028.
5. Continuation of LAFCO Meeting	After Commission action, the Vice-Chair will defer the leadership role back to the Chair to conclude the remainder of the LAFCO Meeting.

¹ 3/6/24 LAFCO Staff Report: https://santacruzlafco.org/wp-content/uploads/2024/02/6b.0-Public-Member-Seats-Staff-Report_Hyperlinked.pdf

Next Steps

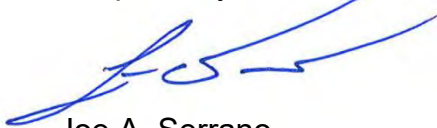
Since the terms for both seats are set to expire next month (May 2024), staff is recommending that the Commission make a selection during today's open session. If the Commission takes action today, the selected candidates will begin their terms during the May 1st, 2024 LAFCO Meeting.

Commission Representation

This LAFCO has a total of 11 commissioners with three representatives from the cities, three representatives from the County, three representatives from the independent special districts, and two members of the public. The selection of these representatives is in compliance with the statutory requirements under state law as well as the guidelines outlined in the Commission's adopted policies. During LAFCO's March 6th Meeting, the Commission discussed the board's representation in relation to their physical representation throughout the county. As a result, the Commission requested staff to provide a map depicting the general location of each Commissioner based on their primary agency. **Attachment A** is a vicinity map depicting their associated locations.

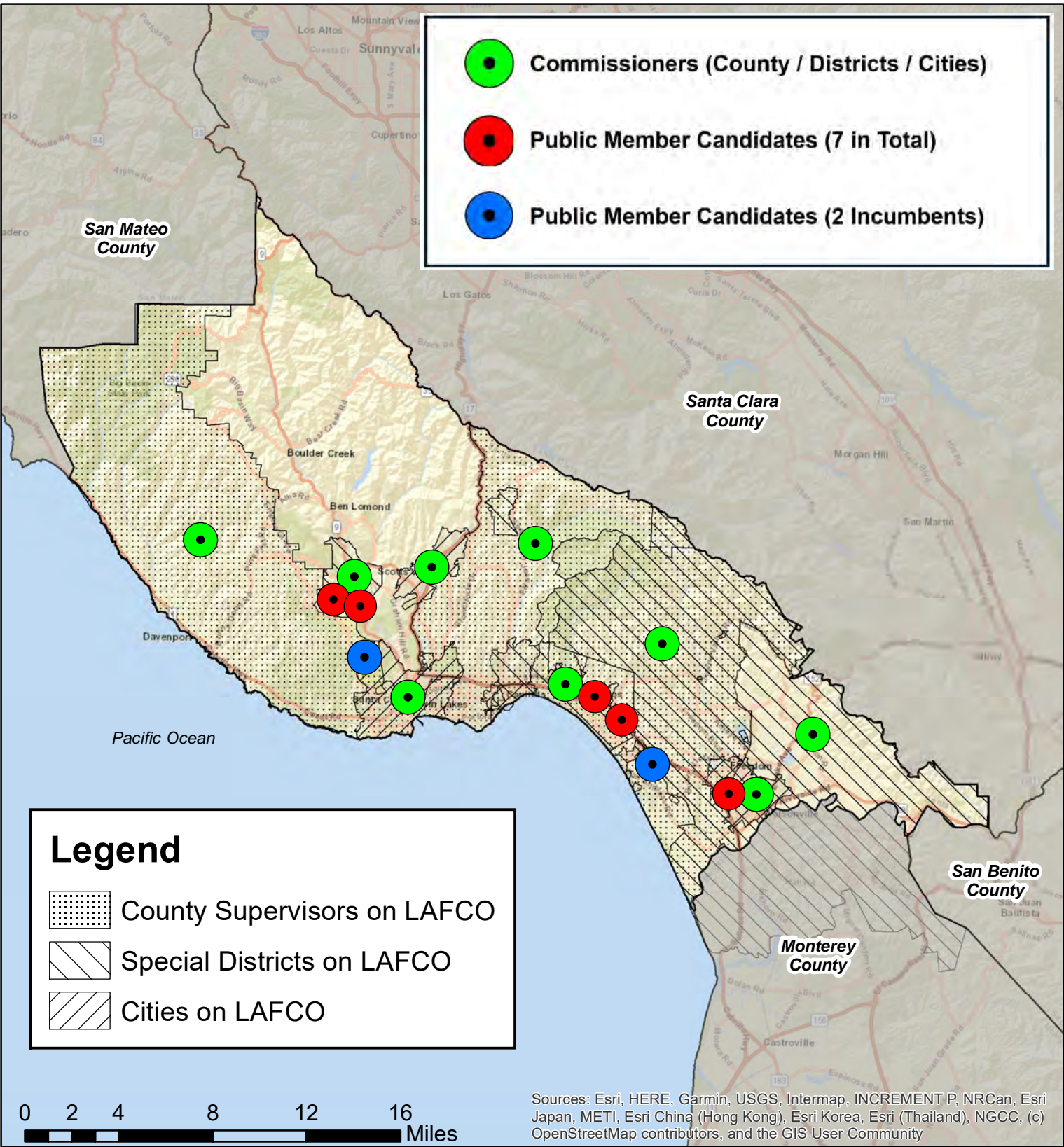
The map also shows the general location of the seven candidates, including the two incumbents. Based on staff's analysis, two candidates are both located in Felton, three candidates are located in the Aptos area (including one incumbent), one candidate is located in the City of Watsonville, and the last candidate is located in the City of Santa Cruz (second incumbent). It is important to note that this map is for discussion purposes only and does not show the exact residency of the candidates or commissioners.

Respectfully Submitted,






Joe A. Serrano
Executive Officer

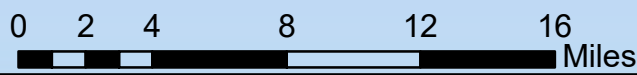
Attachment: Commission Representation Map



Legend

-  County Supervisors on LAFCO
-  Special Districts on LAFCO
-  Cities on LAFCO

-  Commissioners (County / Districts / Cities)
-  Public Member Candidates (7 in Total)
-  Public Member Candidates (2 Incumbents)



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community

Santa Cruz County Representation on LAFCO (General Location of Commissioners & Public Member Candidates)

The intent of this map is to show the general location of the candidates of the public member seats and the existing Commissioners based on their agency's boundary.

It is important to note that this map does not show the actual residency of the candidates or the commissioners.



Vicinity map created on 3/19/24



Santa Cruz Local Agency Formation Commission

Date: April 3, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Press Articles during the Months of February and March**

SUMMARY OF RECOMMENDATION

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

EXECUTIVE OFFICER’S REPORT

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

Article #1: “California American Water Files Motion to Dismiss Monterey Peninsula Water Management District’s Condemnation Suit”: The article, dated February 27, notes the Cal AM’s effort to dismiss a lawsuit seeking the transfer of ownership from the private water company to an established water district. The for-profit company argues that the Monterey Peninsula Water Management District lacks the legal authority to become the retail water service provider in the Monterey Peninsula area.

Article #2: “Pajaro Valley Water secures federal loan to complete construction of College Lake project”: The article, dated February 29, explains how the Pajaro Valley Water Management Agency was able to obtain two loans through the United States Environmental Protection Agency to help compete the construction of a new water supply system at the College Lake area in Watsonville in order to rebalance water levels in the Pajaro Valley Groundwater Basin. The two loans provide the water agency with a total of \$74 million.

Article #3: “One year after Pajaro levee breached, many residents remain in dire need”: The article, dated March 10, focuses on how the levee breached in 2023 impacted hundreds of unincorporated residents at the county borders of Santa Cruz and Monterey. The levee breach required the evacuation of thousands of people and flooded over 200 homes.

Article #4: “Santa Cruz Metro appoints new CEO”: The article, dated March 11, states that after a nationwide search, the Santa Cruz Metro Transit District has selected Corey Aldridge to be their next Chief Executive Officer. Mr. Aldridge is a transit professional with more than 10 years of experience as a general manager of a public agency. He is scheduled to begin his new position in late April 2024.

Article #5: “Watsonville hospital bond measure hold its lead as more ballots are counted”: The article, dated March 11, indicates that Measure N currently stands with a 68.2% approval rating from voters. Measure N would provide the Watsonville Community Hospital with a \$116 million bond to help purchase the building and land where the hospital is currently located. The funds would also help towards renovations to specific hospital rooms and infrastructure as well as purchasing new equipment.

Article #6: “Soquel Creek Water General Manager Ron Duncan to retire”: The article, dated March 11, states that Ron Duncan will retire after 20 years of dedicated service with the Soquel Creek Water District. Mr. Duncan’s last day with the district will be September 30, 2024. LAFCO staff appreciates his devotion to local government and acknowledges his achievements and impact over the years.

Article #7: “Watsonville City Manager Rene Mendez departing for Salinas”: The article, dated March 15, notes that Rene Mendez will become the new city manager for Salinas in Monterey County. Mr. Mendez was previously the city manager for Gonzales in Monterey County for almost 20 years before becoming Watsonville’s city manager in 2022. His last day with the city will be May 15, 2024.

Article #8: “Soquel Creek Water appoints new general manager”: The article, dated March 22, announces the hiring of Melanie Mow Schumacher as the new general manager for the Soquel Creek Water District. Ms. Schumacher has been with the water district since 1995. She will begin her new leadership role on October 1, 2024.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. “California American Water Files Motion to Dismiss MPWMD’s Condemnation Suit”
2. “PV Water secures federal loan to complete construction of College Lake project”
3. “One year after Pajaro levee breached, many residents remain in dire need”
4. “Santa Cruz Metro appoints new CEO”
5. “Watsonville hospital bond measure holds its lead as more ballots are counted”
6. “Soquel Creek Water General Manager Ron Duncan to retire”
7. “Watsonville City Manager Rene Mendez departing for Salinas”
8. “Soquel Creek Water appoints new general manager”

markets.ft.com

California American Water Files Motion to Dismiss Monterey Peninsula Water Management District's Condemnation Suit – Company Announcement

5–6 minutes

PACIFIC GROVE, Calif.--(BUSINESS WIRE)--Feb. 26, 2024--
Today, California American Water filed a motion asking the Monterey County Superior Court to dismiss the Monterey Peninsula Water Management District's (District) lawsuit seeking a government takeover of the company's Monterey Peninsula water system through eminent domain. The motion argues that the District's lawsuit fails to meet fundamental legal requirements necessary to proceed with such a significant action and should be dismissed. The motion is scheduled for a hearing by the court on April 26, 2024.

"We remain committed to serving the Monterey Peninsula community with safe, reliable water service, and we will continue to do so," said Evan Jacobs, Senior Director of External Affairs for California American Water. "The condemnation suit is going to waste millions of dollars in legal fees negatively impacting our residents, and we believe the District has neither the legal standing nor technical expertise to provide retail water service on the Monterey Peninsula."

California American Water's motion asserts that the District lacks legal authorization from both the California Legislature and the Monterey County Local Agency Formation Commission (LAFCO) to become the retail water service provider on the Monterey Peninsula. In addition, California American Water asserts that the

District's lawsuit improperly seeks to take property outside the boundaries of the District's territory.

"The residents who must pay the taxes and fees to support the District deserve sustainable water supplies, not more litigation and an unnecessary waste of District resources," added Jacobs.

California American Water and its predecessor companies have operated the Monterey Peninsula's water system for more than 60 years. The system currently serves roughly 100,000 people with a network of over 680 miles of pipeline and over 100 storage tanks. It is one of the most complex water systems in California.

About American Water

American Water (NYSE: AWK) is the largest regulated water and wastewater utility company in the United States. With a history dating back to 1886, We Keep Life Flowing® by providing safe, clean, reliable and affordable drinking water and wastewater services to more than 14 million people with regulated operations in 14 states and on 18 military installations. American Water's 6,500 talented professionals leverage their significant expertise and the company's national size and scale to achieve excellent outcomes for the benefit of customers, employees, investors and other stakeholders.

For more information, visit [amwater.com](https://www.amwater.com) and join American Water on [LinkedIn](#), [Facebook](#), [X](#) and [Instagram](#).

About California American Water

California American Water, a subsidiary of American Water, provides high-quality and reliable water and wastewater services to approximately 700,000 people.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking

statements relate to, among other things, the outcome, timing and results of the District's condemnation efforts with respect to California American Water's Monterey peninsula water system. These statements are based on the current expectations of management of California American Water. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements, including with respect to (1) the outcome of the eminent domain litigation filed by the District, and the timing of its resolution; (2) the continued success by California American Water of challenges to the District's authority to own and operate the Monterey peninsula water system; (3) the result of California American Water's efforts to dismiss the District's eminent domain litigation; (4) unexpected costs, liabilities or delays that may be incurred by California American Water, and the amount of litigation costs to be borne by residents of the District, in connection with the defense of this eminent domain litigation and other associated proceedings and actions; (5) other regulatory, legislative, local, municipal or other actions adversely affecting California American Water specifically or the water and wastewater industries generally, including with respect to the ongoing Monterey Peninsula Water Supply Project; and (6) other economic, business and other factors.

View source version on [businesswire.com](https://www.businesswire.com/news/home/20240226710309/en/): <https://www.businesswire.com/news/home/20240226710309/en/>

Media

Josh Stratton

External Affairs

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Email: josh.stratton@amwater.com

Source: California American Water

[santacruzsentinel.com](https://www.santacruzsentinel.com)

Pajaro Valley Water secures federal loan to complete construction of College Lake project

Nick Sestanovich

3–4 minutes

WATSONVILLE — For nearly a year, the Pajaro Valley Water Management Agency has been preoccupied with the construction of a new water supply system at College Lake to rebalance water levels in the Pajaro Valley Groundwater Basin.

Recently, the agency announced it has secured two Water Infrastructure Finance and Innovation Act loans through the U.S. Environmental Protection Agency which will push the construction of the Watsonville Slough System closer to fruition.

The two loans will provide PV Water with \$74 million at an average rate of 4.465% over 35 years, according to a news release. Officials say it would save the agency \$24 million over the life of the loans and eliminate the need for issuing public bonds.

“PV Water’s success in acquiring grant funding has saved the Pajaro Valley millions of dollars,” said PV Water General Manager Brian Lockwood in a statement. “PV Water has acquired over \$80 million in grant funding that does not need to be repaid. The grant funding, complemented by loans with favorable terms, has helped to keep rates as low as possible while constructing critical water supply facilities.”

Amy Newell, chair of the PV Water Board of Directors, was also thrilled with the loans.

“The closing of these two WIFIA loans provides PV Water with the funding necessary to complete the College Lake Project and partially fund the Watsonville Slough System Project, two important water supply projects that will help PV Water achieve sustainable groundwater resources,” she said in a statement.

The College Lake Project, located on a former apple orchard along Holohan Road, aims to connect a pipeline to deliver treated water from the Watsonville Wastewater Treatment Plant to more than 5,500 acres of farmland through Pajaro Valley Water’s Coastal Distribution System in an effort to reduce groundwater extraction. The project will serve the area along the Monterey Bay from La Selva Beach to Moss Landing and will allow treated water to travel from College Lake to more than 5,500 acres of farmland throughout the region.

The three main components of the project are a pump station near College Lake with an adjustable flap and step pool to allow fish and other marine life to pass through unharmed, a water treatment plant with a decanting structure, pump station and solids handling lagoons to allow for dirt and algae to be removed and a pipeline from 76 Holohan Road to Highway 1 to connect to the existing Coastal Water Distribution System.

The project also received a \$7.6 million grant through the California Department of Water Resources Sustainable Groundwater Management Act in 2022 and an allocation of \$2.3 million through the California Department of Conservation Multibenefit Land Repurposing Grant in 2023. Ground was broken on the project last June.

Progress on construction of the project can be viewed at [Pwwater.org/construction](https://pwwater.org/construction).

[santacruzsentinel.com](https://www.santacruzsentinel.com)

One year after Pajaro levee breached, many residents remain in dire need

Luis Melecio-Zambrano

9–11 minutes

When Francisca Lopez woke up to sirens and speakers outside her home loudly blaring for her to evacuate, she had no idea what to expect. She feared a war or some natural disaster had struck, so she grabbed a few jackets, dressed her 10-year-old son, and left immediately. Within hours, the overflowing waters from the Pajaro River levee poured into her neighborhood, flooding her home and ruining much of what she owned.

One year later, Lopez stood in front of the Pajaro home where she rented a room for three years, which was left uninhabitable after the 2023 flood. “We lost everything,” said Lopez, who now lives in Watsonville, in Spanish. “It’s so hard to start over. I was just starting to build something. We had the warmth of a home.”

Like Lopez, hundreds of other Pajaro residents are still recovering from the March 11 breach of the Pajaro levee, which forced the evacuation of thousands of people and flooded over 200 homes. More than \$10 million were distributed in federal, state and local aid to help survivors of the flood, according to Monterey County Communications Director Nicholas Pasculli. But many Pajaro residents such as Lopez received little to no aid because they lacked or lost the documentation that most required.



Maria Urbieta, right, along with fellow Pajaro residents gather during a community meeting at Casa de la Cultura in Pajaro, Calif., on Friday, March 1, 2024. Urbieta's home was completely flooded by the floodwaters from the Pajaro levee breach on March 11, 2023. Since then She with her husband and two children has been staying in a hotel. (Ray Chavez/Bay Area News Group)

Monterey County still plans to dole out more than \$5 million in state funds directly to the residents of Pajaro, with millions more going to businesses and disaster readiness efforts throughout the area. While officials promise the new aid will be offered to as many survivors as legally possible, some worry that the money is too little, too late.

In the initial aftermath of the flooding, Monterey County gave \$750,000 in aid, and while FEMA offered aid, it was restricted to U.S. citizens and qualified immigrants, with stringent requirements that often resulted in claims being denied or only partially funded.

Pajaro resident Maria Urbieta experienced that firsthand when her home in Pajaro was completely flooded by the breach last year.

When she applied for help from FEMA, the agency only gave her assistance to repair her heating system. Even after she found multiple quotes for the repair, it only paid for half, she said.

For the past year, Urbietta has been staying in a hotel with her husband and two children. She had worked running a day care out of her home, but after the flooding, she lost her main source of income. The economic pressure has been so extreme, that she once went to the hospital because she thought she was getting a heart attack. “I couldn’t stop crying,” she recalled in Spanish. The doctors told her she was suffering from acute anxiety.

The administrative hurdles and lack of aid left many to rely on nonprofits for help. Urbietta, for example, receives funds from the community group Casa de la Cultura to help pay for her hotel costs, and Lopez said that for nearly a month after the flooding, she lived off of \$500 she received from Campesina Womb Justice.



Pajaro residents gather during a community meeting at Casa de la Cultura in Pajaro, Calif., on Friday, March 1, 2024. (Ray Chavez/

Bay Area News Group)

To make matters worse, farmworkers like Lopez lost months of income to flooded fields that lay fallow.

“We are like ghosts here,” said Lopez in Spanish, referring to those who, like her, lacked the documentation to get most aid. “We need to fight day and night to survive.”

“FEMA, they’re the sticklers of all sticklers. They want to see documentation with everything. They will deny you from three to four times before they give you anything like what you deserve,” said Tony Nuñez, marketing and communications manager at the Watsonville nonprofit Community Bridges.

FEMA did not respond to requests for comment for this story.

Acknowledging the vast unmet need in Pajaro, several local leaders lobbied for state aid, and in June 2023, the state Legislature passed a budget bill offering \$20 million to help Pajaro recover from the disaster. While the majority of the money was initially set aside for emergency preparedness, many community members fought for a larger share to go directly to individuals, and in December 2023, the county decided to set aside half of those funds for local businesses and residents.

In late February, the county approved a plan to give \$5.4 million of that aid directly to the community, regardless of citizenship status. Of that, \$1 million will go to any household that was evacuated as “food spoilage assistance” in gift cards of \$200 to \$600, since most of those who evacuated lost power and all their food went to waste.

The remaining \$4.4 million will go to any of those households who suffered physical damage from the flooding, and includes housing assistance, help to repair homes and to repair or replace vehicles and belongings.



Flood waters cover most of Pájaro Valley, Calif., on Sunday, March 12, 2023. An atmospheric river storm broke through a levee along the Pájaro river inundating homes and businesses and leaving thousands of people without shelter. (Shae Hammond/Bay Area News Group)

Applications are slated to open in person in late March at Pajaro Park and be available until late April. Catholic Charities of Monterey County and Community Bridges of Watsonville are set to distribute the funds.

“The community of Pajaro is not just numbers. They’re people, and they’re names and they’re experiences. And they have experienced a federal ... process that removes that humanity and dignity,” said Kelsey Scanlon, Monterey County’s Director of the Department of Emergency Management. “One of our priorities was to focus on bringing back dignity to government services.”

Still, many members of the Pajaro community carry the compound scars of the levee breach followed by the experience of applying in vain for assistance.

After the levee break flooded Leonardo Torres-Gonzalez’s street,

the moisture from the rain and stagnant water led to the black mold plaguing his apartment. When he tried to apply for help from FEMA, the agency asked him for a half-dozen documents. He provided proof of evacuation, hotel receipts, a note from his apartment complex about the mold, and a doctor's note that highlighted the negative health effects because Torres-Gonzalez is disabled and his wife has asthma.

After everything, FEMA denied Torres-Gonzalez's application for aid. He says he does not expect much more from the coming assistance. "There are too many requirements. ... They are so hard with giving out help," he said in Spanish.

In the face of such dire predicaments, Monterey County supervisors in late February asked those distributing the aid to be as flexible as possible with documentation. Current requirements allow those without documents to provide photo evidence of losses or obtain signed letters confirming residence in some cases. However, the county is liable to state audit for the aid, which limits how far they can bend the rules.

Even with the broader scope of the coming assistance, the aid only scratches the surface of the pain felt by the community, says Torres-Gonzalez. He catalogs so many tragedies that befell his community after the flood, people who lost work and food and furniture, and the psychological fallout: people in his apartment complex who began to use drugs, a friend who suffered a heart attack after he lost his job in the fields, a youth who took his own life after his family was displaced.

"We are in an abyss, in a hell that is easy to get into but hard to get out," he said in Spanish. "The people are stressed out. They don't want to know about problems (with aid), they want solutions, they want results."

Scanlon acknowledges the problems in Pajaro go far beyond what the aid can solve, but still holds out hope that it will help as many people as possible. “Twenty million dollars will never be enough. The challenges this community faced were huge far before the disaster,” she said. “What we’re talking about is multigenerational impacts and trauma. And \$20 million can never overcome that. But we can make a dent.”

Agencies helping residents affected by the Pajaro flooding:

[Community Bridges](#) — provides aid and a variety of services to residents of Watsonville and other areas of Santa Cruz County.

[Catholic Charities](#) — provides aid, disaster relief and case management services.

[Community Action Board of Santa Cruz County](#) — provides services to low-income residents of Santa Cruz.

[Casa de la Cultura](#) — provides aid, services, advocacy and a gathering space for farmworkers and community members from Watsonville to Salinas.

[Campesina Womb Justice](#) — a mutual aid project advocating for maternal and infant rights for farmworkers.

[Center for Farmworker Families](#) — a farmworker advocacy organization that distributes aid directly to farmworkers.

[Community Foundation Santa Cruz County](#) — a foundation that provides money for other organizations to assist communities.

[santacruzsentinel.com](https://www.santacruzsentinel.com)

Santa Cruz Metro appoints new CEO

PK Hattis

4–5 minutes

SANTA CRUZ — After a nationwide search attracting dozens of applicants, Santa Cruz Metro has selected its new CEO.

The new CEO, announced at the agency’s board of directors meeting Friday, is Corey Aldridge, a transit professional with more than 10 years of experience as a general manager of a public agency.

Aldridge’s appointment comes almost two months after former Metro CEO/General Manager Michael Tree announced he would retire from the agency Feb. 16, less than two years after he assumed the role.

Aldridge’s tentative start date in Santa Cruz is April 29, according to a Metro release.

“At the heart of every successful transit system is its people — both our employees and the community we serve. As the new CEO of Santa Cruz METRO, I am committed to fostering a work environment where every employee feels valued, supported, and empowered to excel,” said Aldridge in the release. “Moreover, I look forward to being an active part of the Santa Cruz community and continuing the great work already underway at METRO and beyond. Our collective success hinges on our ability to work as a unified team dedicated to serving our community’s mobility needs,

ensuring we not only meet but exceed the expectations placed upon us. Together, we will drive forward to a future where public transportation is not just a service but a pillar of community strength and environmental stewardship.”

According to the release, the Santa Cruz Metro Board collaborated with various stakeholders, union leaders and a Metro advisory committee throughout the hiring process and landed on Aldridge, in large part, because of the way his experience aligns with the agency’s three primary goals: increasing ridership, implementing a zero-emission master plan and incorporating affordable housing into Metro-owned transit centers.

Metro’s downtown transit hub closed in February so crews could demolish the aging facility as part of a two-year effort to remake it into a mixed-use transportation and housing center. The agency, in collaboration with the city of Santa Cruz, simultaneously launched an interim operations plan in the downtown region that re-established bus stops and customer service on nearby streets.

Aldridge is currently serving as CEO of Mountain Line Transit in Missoula, Montana, where he has been since 2015, according to his LinkedIn profile.

In the Metro release, Board Chair Kristen Brown called Aldridge the “ideal candidate” because of how well his background aligned with the numerous and varied efforts, including a comprehensive service transformation known as “Reimagine Metro” that the agency is currently involved in.

“Corey’s experience aligns perfectly with our ongoing initiatives like Reimagine METRO, and his track record in overseeing ballot initiatives, implementing green projects, and fostering ridership growth will be invaluable. We look forward to having Corey’s leadership at METRO,” said Brown in the release.

As CEO of Mountain Line Transit, Aldridge steered a 30% increase in service after a successful ballot initiative and helped secure \$40 million in federal funds that went to new maintenance, administration and operations base improvements, according to the release. The Montana-based agency went on to receive the American Public Transit Association's System of the Year Award for North America in 2021.

Aldridge will take the wheel from Daniel Zaragoza, Metro's operations deputy director who has served as its interim CEO since Tree's departure.

"I'm pleased to hear that Corey Aldridge will be joining METRO as the new CEO," said Zaragoza. "Aldridge's vast experience as a General Manager in public transit will be an asset in furthering METRO's key goals and vision. Additionally, Aldridge's experience in service expansion will be vital in the rollout of Reimagine METRO Phase 2 service improvements slated to begin this summer."

The second phase of improvements includes an estimated 43% increase in overall service and expanded 15-minute, day service across the county.

[montereycountyweekly.com](https://www.montereycountyweekly.com)

Watsonville hospital bond measure holds its lead as more ballots are counted.

Erik Chalhoub

~2 minutes

It's been a nail-biter of a week for supporters of Measure N, the \$116 million Watsonville Community Hospital bond, as [the measure as been hovering about 2 percentage points above its required target](#).

As of Monday, March 11, Measure N stood at 68.2 percent of voters in support, when combining results from both Monterey and Santa Cruz counties, remaining above the 66.7 percent needed to pass.

Funds from the bond would purchase the building and land it sits on near the Watsonville Municipal Airport, saving \$3 million in rent the hospital pays annually to an Alabama property owner.

In addition, funds will go toward renovations, including for the emergency room, HVAC systems and other areas, as well as purchasing new equipment such as CT scanners and MRI machines.

Watsonville Community Hospital is the closest hospital for roughly 6,500 North Monterey County residents, about 15 or so minutes closer to the next facilities in Salinas. [It was saved from closure after last-minute legislation](#) by State Sen. John Laird, D-Santa Cruz, in 2022.

Monterey County's next vote count update is scheduled for Wednesday, March 13, while Santa Cruz County is set for Tuesday, March 12.

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Soquel Creek Water General Manager Ron Duncan to retire

PK Hattis

~3 minutes

SOQUEL — After 20 years at the Soquel Creek Water District — nine of which he served as the agency’s general manager — Ron Duncan announced plans to retire this fall, according to a Soquel Creek release.

His last day is scheduled for Sept. 30.

“This has been my dream job,” wrote Duncan in a letter to the water district’s board. “I believe the organization will continue on its journey of being an exceptional and distinguished agency as it implements Pure Water Soquel and broadens its efforts to help the entire Santa Cruz region.”

A registered California geologist with three master’s degrees in hydrology, business administration and positive leadership and strategy, Duncan joined the district in 2003 as the water conservation coordinator. It wasn’t long before he was promoted to conservation manager and played a key role in implementing a conservation program that resulted in some of the lowest water use levels in the state, according to the release.

More than a decade later, Duncan was appointed general

manager of the local water provider in 2016 and put sustainability of the critically overdrafted Mid-County Groundwater Basin, the district's source of freshwater, front and center.

Among the projects championed by Duncan during his tenure is Pure Water Soquel, slated to open later this year. The multi-year, multi-million dollar endeavor seeks to stave off creeping saltwater intrusion by repurposing millions of gallons of treated wastewater each day from Santa Cruz. The new facility, on the corner of Soquel and Chanticleer avenues, will further purify the treated wastewater before injecting it into underground wells as a way to buffer against overdraft impacts and secure water for the district's more than 40,600 residents.

According to the release, Duncan helped secure almost \$100 million in state and federal grants to get the Pure Water Soquel project off the ground.

“Ron has been instrumental in shaping the District's success, and we wish him a well-deserved retirement,” said Soquel Creek Water District Board President Bruce Jaffe in the release. “His professionalism, leadership, and tremendous abilities have empowered the District, enabled us to meet the water supply challenges of today and the future, and brought us great respect within the water industry.”

Before joining Soquel Creek, Duncan worked at Woodward-Clyde Consultants and for the Santa Cruz Port District. He also serves on the American Water Works Association Water Utility Council and the WaterReuse California Board of Trustees.

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Watsonville City Manager René Mendez departing for Salinas

Nick Sestanovich

2–3 minutes

WATSONVILLE — Watsonville City Manager René Mendez has been hired to serve the same position in Salinas, the city reported on its Facebook page Friday.

Mendez was hired in July 2022 to succeed Matt Huffaker, who was named city manager of Santa Cruz. Mendez had previously served as city manager of Gonzales for 17 years and as county manager of Inyo County from 1997 to 2005. He currently manages a budget of approximately \$248 million and a staff of 432 full-time employees.

Mendez did not return requests for comment, but expressed his appreciation in a press statement.

“Serving this organization and its residents has been a true honor,” he wrote. “As I set out to begin this new chapter, I take with me the lessons learned and the memories shared. I’m confident this community will continue to thrive long after my departure.”

In an emailed statement, Mayor Vanessa Quiroz-Carter expressed gratitude for Mendez’s service.

“René worked tirelessly to continue to steer our City in the right

direction while always keeping in mind the overall well-being of our residents,” she wrote. “The City Council and our City Administration remain committed to keeping that momentum going and serving the needs of our community.”

Quiroz-Carter wrote that she would be meeting with her council colleagues to discuss how to move forward with the recruitment process.

“Transparency is extremely important to us, and residents can expect to receive updates throughout that process,” she wrote. “We wish René the best of luck! ”

Mendez’s final day is May 15.

“While saddened by his departure, we are immensely grateful for René’s dedication and commitment to our City,” the city wrote. “Please join us in wishing him the very best in his future endeavors.”

The Salinas City Council will vote on Mendez’s employment agreement Tuesday. If approved, he will begin his new position May 28 with an annual base salary of \$300,000.

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Soquel Creek Water appoints new general manager

PK Hattis

3–4 minutes

SOQUEL — The Soquel Creek Water District has found new leadership, but it is by no means a new face.

At its Tuesday meeting, the local water provider’s board of directors unanimously selected Melanie Mow Schumacher as its general manager. Schumacher will take the helm Oct. 1 after the district’s current general manager, Ron Duncan, retires in late September.

“Over her many years with the District, Melanie has more than proven herself to the Board, to District staff, to our customers, and to professionals throughout the water industry,” said district Board President Bruce Jaffe in a release. “Her expertise and tireless dedication to the goals of the District — particularly in bringing the Pure Water Soquel project to fruition — have shown us that she is the ideal leader to take the District into the future.”

Schumacher, who is a registered civil engineer and holds a master’s degree in public administration from Golden Gate University in San Francisco, began at the district in 1995 as a junior engineer. Since then, she has continued to assume greater responsibility in different roles and is currently the special projects/communications manager at the district and was appointed assistant general manager in 2022.

“I’m honored and grateful to our Board for their confidence and trust in appointing me as General Manager,” said Schumacher in the

release. “It’s my privilege and passion to be part of the District, and I’m very proud to work alongside so many talented and dedicated colleagues. I look forward to focusing on service, sustainability, and stewardship.”

Schumacher, alongside Duncan, played a key role in the planning, environmental study, funding, design and now ongoing construction for the Pure Water Soquel project, according to the release. The project, located on the corner of Chanticleer and Soquel avenues, will further purify treated wastewater from the Santa Cruz Wastewater Treatment Facility and inject it into underground wells as a means for staving off creeping seawater intrusion at the Mid-County Groundwater Basin due to decades of overdrafting. The state has mandated that the basin be made sustainable by 2040.

The release credited Schumacher for helping secure about \$100 million in grant funding that got the project — expected to launch later this year — off the ground.

“Melanie has been the heart and soul of the Pure Water Soquel program, demonstrating exceptional leadership qualities. She is the best choice to lead the District into the future,” said Duncan, who has been general manager since 2016, in the release.

Schumacher previously served as president of the Monterey Bay Water Works Association and is a founding member of the WaterReuse Communications Collaborative. Last year the California WaterReuse Association recognized Schumacher with the Water Staff Person of the Year award, according to the release.

The Soquel Creek Water District serves more than 40,000 residents in Aptos, La Selva Beach, Opal Cliffs, Rio Del Mar, Seascape, Soquel and a portion of Capitola. Its supply is 100% reliant on groundwater.