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 2, 2025 at 9:00 a.m.
(hybrid meeting may be attended remotely or in-person)

Attend Meeting by Internet: **https://us02web.zoom.us/j/84543003276**
(Password 452077)

Attend Meeting by Conference Call: **Dial 1-669-900-6833 or 1-253-215-8782**
(Webinar ID: 845 4300 3276)

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 5, 2025 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. **"Lockewood Lane / Graham Hill Road Parcel Annexation"**
   The Commission will consider a single parcel annexation, totaling 1.28 acres, into the San Lorenzo Valley Water District.

   Recommended Action: Adopt the draft resolution (No. 2025-03) approving the single parcel annexation and concurrent sphere amendment to the San Lorenzo Valley Water District.

   b. **Draft Budget for Fiscal Year 2025-26**
   The Commission will consider the adoption of a draft budget for the upcoming year.

   Recommended Action: Adopt the draft resolution (No. 2025-04) approving the draft budget for Fiscal Year 2025-26, 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 2025-26 no later than June 4, 2025.

6. OTHER BUSINESS

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

a. Special Districts Regular & Alternate Member Seats – 2025 Election Results

The Commission will consider ratifying the election results for the special district regular and alternate seats on LAFCO.

Recommended Action: Adopt the draft resolution (No. 2025-05) ratifying the voting results and directing staff to conduct a run-off election for both seats.

b. LAFCO Meeting Conflicts

The Commission will consider relocating two future LAFCO meetings due to a scheduled remodeling project in the County Board of Supervisors Chambers in August and September.

Recommended Action: Relocate LAFCO's August and September Meetings to Watsonville's City Council Chambers.

c. CSA 48 Update

The Commission will receive a verbal update on ongoing efforts in reviewing the possible reorganization of CSA 48 into an independent fire protection district.

Recommended Action: No action required; Informational item only.

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.

a. CALAFCO Letter - Strengthening CALAFCO's Future

The Commission received a letter from CALAFCO regarding their efforts to address member concerns and plans to strengthen CALAFCO's future.

Recommended Action: No action required; Informational item only.

8. PRESS ARTICLES

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

a. Press Articles during the Months of 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 a Commission majority. The public may address the Commission on these informational matters.

10. ADJOURNMENT

LAFCO's next regular meeting is scheduled for Wednesday, May 7, 2025 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 5, 2025
Start Time - 9:00 a.m.

1. ROLL CALL

Chair Manu Koenig called the meeting of the Local Agency Formation Commission of Santa Cruz County (LAFCO) to order at 9:06 a.m. and welcomed everyone in attendance. He asked the staff to conduct the roll call.

The following Commissioners were present:

- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Justin Cummings
- Commissioner Manu Koenig *(Chair)*
- Commissioner Rachél Lather (Vice *Chair*)
- Commissioner Eduardo Montesino
- Alternate Commissioner Ed Banks
- Alternate Commissioner John Hunt (*arrived at 9:12 a.m.)*

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 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.

Chair Manu Koenig moved on to the next agenda item.

3. ADOPTION OF MINUTES

Chair Manu Koenig requested public comments on the draft minutes. **Executive Officer Joe Serrano** noted no public comment on the item. **Chair Manu Koenig** closed public comments.

Chair Manu Koenig called for a motion. **Commissioner Roger Anderson** motioned for approval of the February 5th Meeting Minutes and **Commissioner Jim Anderson** seconded the motion.

Chair Manu Koenig 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, Manu Koenig, Rachél Lather, and Eduardo Montesino.
AGAINST: None
ABSTAIN: None

MOTION PASSES: 6-0

4. ORAL COMMUNICATIONS

Chair Manu Koenig requested public comments on any non-agenda items. **Executive Officer Joe Serrano** indicated that there was a request to address the Commission on the item.

Mike Weatherford, Foreperson of the Civil Grand Jury, expressed his appreciation to LAFCO staff for their work on the County Service Area 9 Service & Sphere Review. Additionally, Mr. Weatherford invited the public to join the Civil Grand Jury.

Chair Manu Koenig closed public comments and moved on to the next agenda item.

5. PUBLIC HEARINGS

5a. Fiscal Year End Audit Report (FY 2023-24)

Chair Manu Koenig requested staff to provide a presentation on the audited financial statements drafted by Davis Farr, LLP.

Executive Officer Joe Serrano explained to the Commission that Santa Cruz LAFCO joined with other LAFCOs in 2024 to search for an auditing firm and ultimately hired Davis Farr, LLP as Santa Cruz LAFCO's new auditor. Mr. Serrano then introduced **Shannon Ayala**, auditor for Davis Farr, LLP, who summarized the key findings from LAFCO's first independent audit. Ms. Ayala shared with the Commission the responsibilities of the auditor and stated that their findings are meant to provide reasonable assurances to the Commission, not absolute. Ms. Ayala went on to explain the process and timeline for the standard auditing process, spoke about areas of audit focus, and how their team performed a review of recently implemented governmental accounting standards. The culmination of their work is the independent auditor's report and the internal control letter, which is meant to address any material deficiencies, which there were none for Santa

Cruz LAFCO. Lastly, Ms. Ayala discussed the governance letter and end of audit letter issued to indicate any journal entry considered material, where one was noted.

Chair Manu Koenig opened the floor to Commissioner questions or comments. **Commissioner Rachél Lather** inquired about the beginning fund balance. **Shannon Ayala** responded that there was an issue with a journal entry that needed to be rectified as it was cash that was received for the previous fiscal year fund balance, an uncommon entry for a first-year audit.

Commissioner Roger Anderson mentioned that moving forward, LAFCO will need a sound reserve fund policy to balance agency allocations and cover expenses. **Chair Manu Koenig** commented that the issue will be considered when reviewing the proposed new budget.

Chair Manu Koenig requested public comments on the item. **Executive Officer Joe Serrano** indicated that there was a request to address the Commission.

Becky Steinbruner, a member of the public, inquired about the fund balance, spoke on the use of LAFCO consultants, and mentioned that member agencies should increase their allocations to LAFCO.

Chair Manu Koenig closed public comments and requested a motion approving staff recommendation. **Commissioner Jim Anderson** motioned for approval of staff recommendation and **Commissioner Eduardo Montesino** seconded the motion.

Chair Manu Koenig called for a voice vote on the motion: **Adopt the audit for Fiscal Year 2023-24.**

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

MOTION PASSES: 6-0

5b. CSA 9 Service & Sphere Review

Chair Manu Koenig requested staff to provide a presentation on the service and sphere of influence review for County Service Area 9 (CSA 9).

Executive Officer Joe Serrano explained the CSA was originally formed to provide highway lights and traffic signals services throughout the county but has since evolved to deliver additional services. Today, the district has six zones providing services in different areas in the county, from landfill services to public parking and landscaping maintenance services. Financially, the District has experienced deficits in 4 of the last 5 years, including the zones themselves. This is primarily due to the lack of benefit assessment increases to offset the rise in annual expenses. Mr. Serrano recommended the Commission approve the draft resolution with its identified conditions. Finally, Mr. Serrano stated that the report fulfills the request made by the Civil Grand Jury in 2024.

Chair Manu Koenig opened the floor to Commissioner questions or comments. **Commissioner Jim Anderson** asked about the fees associated with the use of the landfill and about past ballot measures. **Steve Wiesner**, Assistant Director of Community Development & Infrastructure Public Works (CDI), stated that fees for CSA 9 Zone C have been raised through the franchise agreement. He also added that CSA 9 Zone D fees have not been raised since the early 1990s, and these zones do not interact with independent funding collected from past ballot measures. **Beau Hawksford**, CDI Analyst, added that fees at the landfill have been increased to account for inflation and unanticipated rising costs associated with the services they provide.

Commissioner Rachél Lather inquired about outreach and future plans moving forward. **Steve Wiesner**, CDI Assistant Director, explained the challenges presented by Proposition 218 to raise adequate funding, but he noted that public works has explored different strategies and mechanisms to raise funds such as a parcel tax or adding zones within a zone.

Commissioner Justin Cummings asked about publicly accessible information available online and if there is a need for legislative action from the state on this matter. **Executive Officer Joe Serrano** responded that the expectation by the public is to have access to information online on the services they receive and fees they pay, and in 2018 a law was introduced requiring independent special districts to have websites that are transparent and easy to access for the public.

Commissioner Justin Cummings followed up with a question about the next steps. Mr. Serrano indicated that staff will send out the final version of the CSA 9 report to the county public works department for consideration of LAFCO's recommendations. LAFCO staff is also available to make a presentation to the Board of Supervisors on this matter if requested. Mr. Cummings agreed that the Board of Supervisors should be informed about this issue.

Commissioner Roger Anderson had questions regarding the cumulative revenue shortfall and capital improvement funding for the CSA. **Executive Officer Joe Serrano** stated that staff will create the requested graph of cumulative shortfalls and noted that an update on the CSA is scheduled for the Commission in 2026.

Chair Manu Koenig requested clarification on the funding source for capital improvement projects for the CSA. **Steve Wiesner**, CDI Assistant Director, stated that CSA 9 does not use funding from other sources to cover project expenses and that annual deficits are right sized for the following fiscal year. **Executive Officer Joe Serrano** noted that the graph on page 13 of the staff report covers all revenues and expenditure but noted that each zone has its own individual budget.

Chair Manu Koenig requested public comments on the item. **Executive Officer Joe Serrano** noted a request to address the Commission on the item.

Becky Steinbruner, a member of the public, commented on the following: Developer fees, past Proposition 218 elections, other funding sources for road maintenance and use of the county general fund, her experience as a member of a road CSA, and urged the Commission not to abandon rural county roads.

Chair Manu Koenig closed public comments. **Commissioner Rachél Lather** requested clarification on the Proposition 218 process for road CSAs. **Joshua Nelson**, LAFCO Legal Counsel, stated that Proposition 218 procedures for water, sewer, and wastewater are less onerous compared to road CSAs, and that Proposition 218 does include limitations on what can be charged to constituents.

Chair Manu Koenig requested a motion approving staff recommendation. **Commissioner Jim Anderson** motioned for approval of staff recommendation and **Commissioner Justin Cummings** seconded the motion.

Chair Manu Koenig called for a voice vote on the motion: **Adopt the draft LAFCO Resolution (No. 2025-01) approving the 2025 Service and Sphere of Influence Review for County Service Area 9 and its corresponding conditions.**

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

MOTION PASSES: 6-0

6. OTHER BUSINESS

6a. Shared Services Agreement – Monterey LAFCO

Chair Manu Koenig requested staff to provide a presentation on the proposal to provide temporary assistance to Monterey LAFCO on an as-needed basis.

Executive Officer Joe Serrano explained to the Commission that Santa Cruz LAFCO received a request from Monterey LAFCO for temporary staff and administrative support. The request specifies two areas of help, which include assistance for their regular commission meetings and to help improve their file inventory. Mr. Serrano added that this is a great opportunity for local collaboration and to further the LAFCO learning process for the Santa Cruz LAFCO Analyst. Finally, Mr. Serrano stated that Santa Cruz LAFCO will be compensated appropriately for the time the Analyst spends at Monterey LAFCO.

Chair Manu Koenig opened the floor to Commissioner questions or comments. **Commissioner Roger Anderson** asked about reimbursing Santa Cruz LAFCO staff for the time it will take to become familiar with Monterey LAFCO**. Executive Officer Joe Serrano** made it clear that Santa Cruz LAFCO will keep track of the amount of time invested in assisting Monterey LAFCO and the rate identified in the draft contract is meant to reflect the Analyst's time, salary and benefits.

Commissioner Jim Anderson asked about scheduling and the potential to work remotely. **Executive Officer Joe Serrano** noted that there will be opportunities for both remote and in-person working to assist Monterey LAFCO.

Commissioner Justin Cummings inquired about Monterey LAFCO's expectations. **Executive Officer Joe Serano** responded that Monterey LAFCO is actively searching for a clerk replacement, and they are still determining how they will move forward to address their long-term staffing needs.

Chair Manu Koenig requested public comments on the item. **Executive Officer Joe Serrano** noted a request to address the Commission on the item.

Becky Steinbruner, a member of the public, expressed support for cross-training opportunities and asked about the bandwidth by Santa Cruz LAFCO staff to fulfill the request made by Monterey LAFCO. **LAFCO Analyst Francisco Estrada** stated that he has grown significantly in his role during the past two years and noted that he will maintain active communication with the Executive Officer and the Commission to keep them appraised on his workload throughout this partnership. **Executive Officer Joe Serrano** emphasized that Santa Cruz LAFCO projects will always be staff's main priority.

Commissioner Jim Anderson asked about the time commitment. **Executive Officer Joe Serrano** stated that Santa Cruz LAFCO staff is expected to help a few hours per month.

Chair Manu Koenig requested a motion approving staff recommendation. **Commissioner Eduardo Montesino** motioned for approval of staff recommendation and **Commissioner Jim Anderson** seconded the motion.

Chair Manu Koenig called for a voice vote on the motion: **Adopt the draft contract approving the temporary assistance to Monterey LAFCO.**

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

MOTION PASSES: 6-0

6b. Employee Performance Evaluation

Chair Manu Koenig requested staff to provide a presentation on adjusting staff's salary based on their annual performance evaluation.

Executive Officer Joe Serrano indicated that the proposed resolution reflects the comments and requests made by the Commission during their last closed session meeting on staff's performance evaluation for the 2024 calendar year.

Chair Manu Koenig opened the floor to Commissioner questions or comments. There were no requests for comments or clarifications.

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

Chair Manu Koenig requested a motion approving staff recommendation. **Commissioner Rachél Lather** motioned for approval of staff recommendation and **Commissioner Jim Anderson** seconded the motion.

Chair Manu Koenig called for a voice vote on the motion: **Adopt the LAFCO Draft Resolution (No. 2025-02) approving the salary adjustment for LAFCO's Executive Officer and Analyst.**

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

MOTION PASSES: 6-0

6c. Legislative Update

Chair Manu Koenig requested staff to provide a presentation on the new legislative session and legislative-related activities of LAFCO interest.

LAFCO Analyst Francisco Estrada shared with the Commission that moving forward, they will receive two updates a year regarding the legislative session in Sacramento. With CALAFCO in transition, staff will provide updates to the Commission in May and November, and staff is currently tracking four bills that are of LAFCO interest.

Chair Manu Koenig opened the floor to Commissioner questions or comments. **Commissioner Roger Anderson** requested an allocation of time needed to consider a position on specific state bills related to LAFCO. **Executive Officer Joe Serrano** assured the Commissioners that they will have the necessary time needed to consider supporting proposed bills that are of LAFCO interest.

Chair Manu Koenig requested public comments on the item. **Executive Officer Joe Serrano** noted a request to address the Commission on the item.

Becky Steinbruner, a member of the public, commented that the Commission should have the liberty to make recommendations or add input to proposed legislative bills that affect Santa Cruz LAFCO.

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

6d. CALAFCO Update

Chair Manu Koenig requested staff to provide an update on the status of the California Association of Local Agency Formation Commission (CALAFCO).

Executive Officer Joe Serrano reported that CALAFCO is in rebuilding mode after the decision by five LAFCOs to not renew their memberships, coupled with the departure of the Executive Director and the appointment of an interim Executive Director, and the ongoing disagreements within the CALAFCO Board. There is a transition team in place that is currently leading the agency and during the upcoming 2-day retreat in March, member concerns will be discussed and addressed. Finally, Mr. Serrano noted that the CALAFCO Regional Officers have been active in updating the bylaws and supporting the statewide organization during this transition.

Chair Manu Koenig opened the floor to Commissioner questions or comments. There were no requests for comments or clarifications.

Chair Manu Koenig moved to the next item since no Commission action was required.

7. WRITTEN CORRESPONDENCE

Chair Manu Koenig inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** indicated that no written correspondence had been submitted.

Chair Manu Koenig moved to the next item since no Commission action was required.

8. PRESS ARTICLES

Chair Manu Koenig 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 Manu Koenig moved to the next item since no Commission action was required.

9. COMMISSIONERS' BUSINESS

Chair Manu Koenig inquired whether any Commissioner would like to share any information. **Executive Officer Joe Serrano** indicated that there were no requests to share information.

Chair Manu Koenig moved to the next item since no Commission action was required.

10. ADJOURNMENT

Chair Manu Koenig adjourned the Regular Commission Meeting at 10:13 a.m. for the next regular LAFCO meeting scheduled for Wednesday, April 2, 2025 at 9:00 a.m.

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MANU KOENIG, CHAIRPERSON

Attest:

____

FRANCISCO ESTRADA, LAFCO ANALYST

Santa Cruz Local Agency Formation Commission

Date: April 2, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: "Lockewood Lane / Graham Hill Road Annexation" to the San Lorenzo Valley Water District (LAFCO Project No. DA 24-12)

SUMMARY OF RECOMMENDATION

This application proposes an annexation involving the San Lorenzo Valley Water District ("SLVWD"). If approved, the subject area (totaling 1 parcel; 1.28 acres) will receive water services from a nearby public agency. The subject area is immediately adjacent to SLVWD's service and sphere boundaries, and the proposal is supported by the affected landowner and successor agency.

It is recommended that the Commission adopt the draft resolution (LAFCO No. 2025-03) approving the single parcel annexation and concurrent sphere amendment to the San Lorenzo Valley Water District.

EXECUTIVE OFFICER'S REPORT:

The proposed annexation was initiated by landowner petition. The subject area includes one parcel, totaling approximately one acre (APN: 061-441-01). The proposed annexation was initiated by petition and has 100% consent from the affected landowner (Michael Formico). The purpose of the application is for the provision of water services to a future housing project site from a nearby public agency. The subject area is located within unincorporated county territory. In general, the subject area is located north of Spreading Oak Drive and Rolling Woods Drive, east of Graham Hill Road, south of Lockewood Lane, and west of Hidden Glen Drive. **Attachment 1** is a vicinity map of the subject area.

General Plan/Zoning Designation

The subject area is uninhabited (less than 12 registered voters) and currently designated as R-1 (Single Family Residential – 20,000 square feet lot minimum) under the County's General Plan. The application does not propose any changes to the existing land use designation. The subject parcel is also within the County's Urban Services Lines, which determines whether future developments may occur in unincorporated territory.

Other Municipal Services

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

Affected/Interested Agency Comments

A referral letter, which summarized the proposal, was distributed to all the affected and interested agencies within or near the subject area. This was an opportunity for an agency to provide comments regarding the proposed boundary change. LAFCO did not receive any opposition during the comment period. Representatives from SLVWD did provide a Will-Serve Letter to LAFCO dated May 31, 2024, as shown in **Attachment 2**.

Property Tax Exchange Agreement

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected local agency before LAFCO can consider a jurisdictional change. The Board of Supervisors (BOS) acts as the authorizing body for SLVWD regarding property tax adjustments. On August 27, 2024, the BOS adopted the property tax exchange agreement for this proposal (refer to **Attachment 3**).

Sphere of Influence Amendment

LAFCO originally adopted a sphere of influence for SLVWD on October 16, 1985. The District has seen several sphere amendments over the years, including a sphere expansion on November 4, 2020 to reflect the District's current service area and designate SLVWD as the most logical service provider for areas near its jurisdictional boundary. More recently, the sphere boundary was reaffirmed on August 3, 2022 as part of the Countywide Water Service & Sphere Review. The subject area is currently outside the District's sphere boundary but immediately adjacent to the District's service area; therefore, a sphere amendment is required as part of this proposal.

Environmental Review

The proposal is subject to an environmental review. Santa Cruz LAFCO served as the lead agency for assessing impacts under CEQA. Based on staff's analysis, the underlying action qualifies as a project under CEQA. As the lead agency, LAFCO staff determined that the proposal was exempt pursuant to CEQA Guidelines Section 15319, Class 19(a):

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

The purpose of the application is for the provision of water services by allowing the landowners to connect to a nearby water line, and therefore, aligns with the categorical exemption identified above. A Notice of Exemption, as shown in **Attachment 4**, will be recorded following the Commission's approval.

Notice of Public Hearing

A hearing notice for this proposal was published in the March 11th issue of the Santa Cruz Sentinel (refer to **Attachment 5**) pursuant to Government Code Section 56153. A digital copy was also distributed to SLVWD and the affected landowners for their records. Advertising this notice in a newspaper and notifying the affected parties fulfills the legal requirement under LAFCO law.

Protest Proceedings

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

1. The territory is uninhabited;

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

3. A subject agency has not submitted written opposition to a waiver of protest proceedings.

The subject area is uninhabited (only one registered voter), and the affected landowner within the subject parcel submitted signed consent petitions supporting the proposal. Additionally, no subject agency has submitted a written opposition to the proposed waiver of protest proceedings. LAFCO staff is recommending that the protest proceedings be waived based on the statutory criteria.

Additional Information

The original landowner (Mike Formico) recently sold the subject parcel to a development company (SBI Builders Inc.) on March 4, 2025. The new owner supports the proposed annexation and is continuing the proposed single family home development on the subject parcel. The affected agency (SLVWD) is aware of the change in ownership and still supports the proposed annexation. Mr. Formico is also associated with another larger development nearby known as the Haven Project. This development of 161 units is not associated with this proposed annexation. Additionally, if the Haven Project were to move forward, then that would require a separate annexation process for water and sewer services.

STAFF RECOMMENDATION

SLVWD currently serves 60 square miles to approximately 20,000 people. At present, it has 8,000 connections through 170 miles of pipeline. In a recent service review, LAFCO indicated that the District is financially sound, is operating efficiently, and should consider annexation of areas within its sphere boundary. The proposed annexation area is immediately adjacent to the District's jurisdictional and sphere boundaries. Additionally, the proposal meets the criteria outlined in LAFCO law and the Commission's Proposal Evaluation Policy. San Lorenzo Valley Water District representatives have also indicated that there is sufficient capacity and ability to provide water service to the subject area.

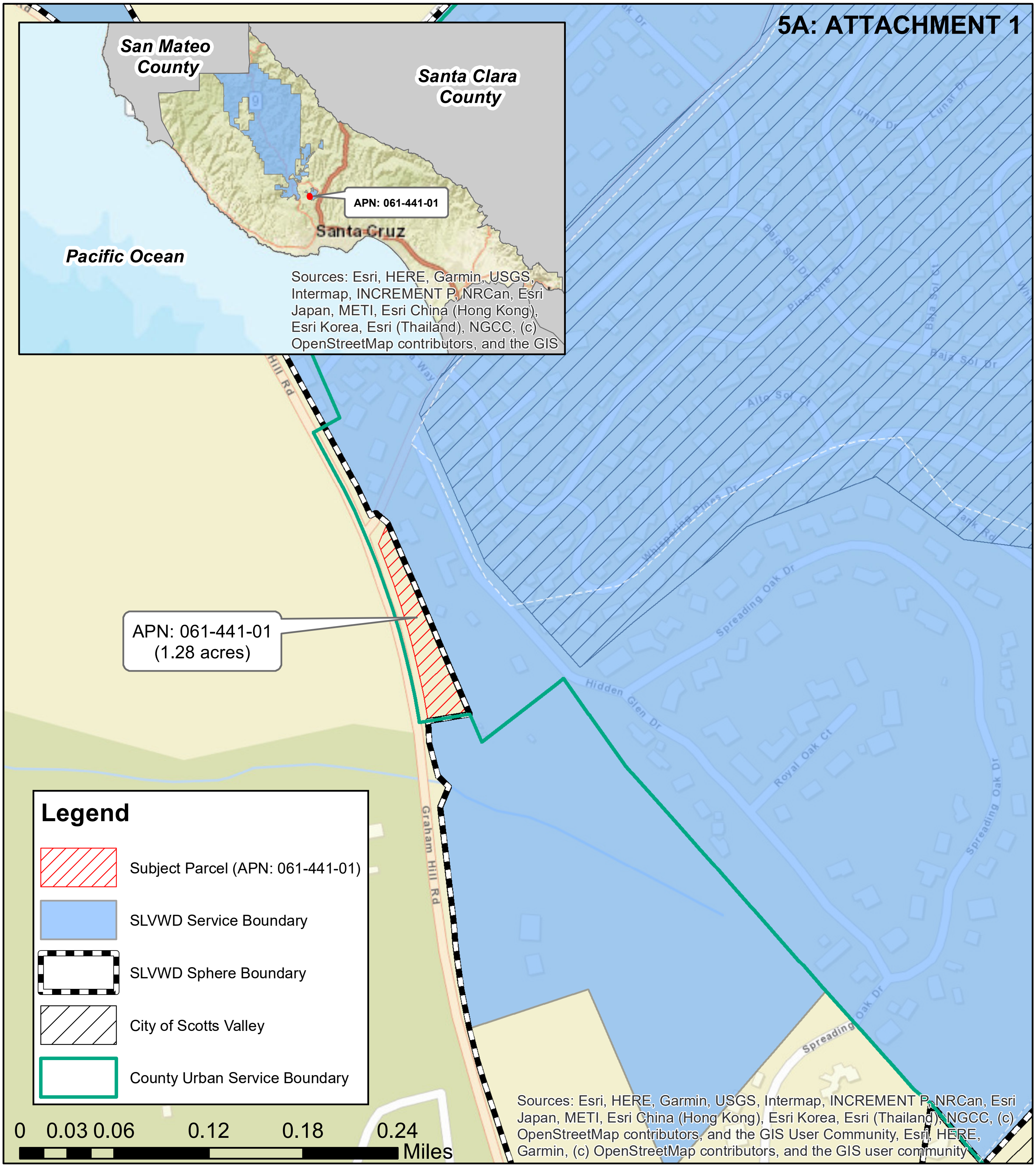
In summary, this proposal accomplishes three key objectives: (1) it will allow the affected residents the opportunity to connect to a more sustainable public infrastructure, (2) it identifies SLVWD as the most logical service provider for the area, and (3) it reinforces the County's Urban Service Line which determines where future development may occur. Therefore, staff is recommending that the Commission adopt the draft resolution approving the proposed annexation (see **Attachment 6**).

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. Vicinity Map
2. Will-Serve Letter
3. Property Tax Exchange Agreement
4. Notice of Exemption
5. Notice of Public Hearing
6. Draft Resolution (LAFCO No. 2025-03)

cc: John Kunkel, SLVWD General Manager



"Lockewood Lane/Graham Hill Road Parcel Annexation" to the San Lorenzo Valley Water District (LAFCO Project No. DA 24-12)

N

S

LAFCO

Map created on 7-24-24

The subject parcel is currently outside the District's service and sphere boundaries. Amendments to these boundaries may occur under one application.

13060 Highway 9
Boulder Creek, CA 95006
(831) 338-2153

May 31, 2024

Mike Formico

Subject: Meter Review
APN: 061-441-01,-02,-03

Dear property owner/interested party,

The District has reviewed the information provided regarding your property and considered our ability to serve this location and need. The following conclusion has been reached.

Your request has been:

☐ Approved. Please contact the District to pay your connection charges totaling $____.

☒ Approved. Please provide the information below to the District to determine the cost of the water connection.

☒ Conditions. Please read and adhere to the conditions listed below, making necessary arrangements where applicable.

☐ Denied. Please see reasoning provided below.

Next steps:

- The District has adequate flow and pressure to meet the demand of three new single family homes along Graham Hill Road.
- These parcels are not currently within SLVWD's LAFCO Boundary. Applicant will be required to submit a LAFCO Boundary Change Application, which must be approved prior to start of service.
- Two of these parcels do not currently have frontage along a District water main, and as such a main extension will be required. This main extension must include:
    - 8" DIP (the minimum allowable size) along Graham Hill Road from the furthest parcel to the intersection with Lockewood Lane.
    - 10" DIP along Lockewood Lane from the intersection, connecting to the existing 6" main near Lockewood Lane x Hidden Glen Drive
    - A 10" Tee fitting at the Lockewood Lane x Graham Hill Road intersection, with a valve and blind flange facing Northbound Graham Hill Road.
- An exhibit noting the above work has been included. Further assistance including field locating of existing mains is available upon request.
- The above work will be the responsibility of the applicant, who is to hire a capable contractor to construct the main extension per SLVWD Standard Details.
- In order to size the required meters, SLVWD will need fixture counts for each of the proposed homes, and fireflow calculations if relevant.

Also note that:

- Approval can be withdrawn at any time.
- Water service is never guaranteed until service has been approved, sized and all fees paid.

If you have any questions regarding this matter, please contact our office.

Sincerely,

Joel Scianna
Assistant Engineer

DS

Adopted 08/27/2024
Board of Supervisors
DOC-2024-645 24.c

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

RESOLUTION NO. 198-2024
On the motion of Supervisor: Hernandez
Duly seconded by Supervisor: Friend
The following resolution is adopted:

RESOLUTION ACCEPTING NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUES PURSUANT TO CALIFORNIA REVENUE AND TAXATION CODE SECTION 99

LAFCO #DA 24-12– Lockewood Lane/Graham Hill Road Parcel Annexation to the San Lorenzo Valley Water District

WHEREAS, California Revenue and Taxation Code Section 99 requires that each city or county (or the county on behalf of special districts) included in a governmental reorganization or jurisdictional change accept a negotiated exchange of property tax revenues; and

WHEREAS, the governing bodies of all agencies whose service areas would be altered by the jurisdictional change referred to in Exhibit "A" have met to determine the allocation of property tax revenues; and

WHEREAS, the County of Santa Cruz agrees to accept the negotiated exchange of property tax revenue as provided for in Exhibit "A";

NOW, THEREFORE, BE IT RESOLVED that the County of Santa Cruz hereby accepts the negotiated exchange of property tax revenues as provided for in Exhibit "A" as required by California Revenue and Taxation Code Section 99; and

BE IT FURTHER RESOLVED AND ORDERED that the Clerk of the Board shall forward a copy of this Resolution to the Santa Cruz County Auditor-Controller-Treasurer-Tax Collector; and

BE IT FURTHER RESOLVED AND ORDERED that the Santa Cruz County Auditor-Controller-Treasurer-Tax Collector is directed to disperse property tax revenues as provided for in Exhibit "A" upon receipt of a copy of this Resolution and a concurring resolution of any affected cities, if any, and following recordation of a Certificate of Completion.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 27th day of August 2024, by the following vote:

AYES:	Supervisors: Koenig, Friend, Hernandez, McPherson and Cummings
NOES:	None
ABSENT:	None

DocuSigned by:
Justin Cummings
C15905D366C8451...
8/29/2024

Justin Cummings
Chair of Said Board

ATTEST:

DocuSigned by:
Juliette Rezzato
466B074F3141450...
8/29/2024

Juliette Rezzato
Clerk of Said Board

APPROVED AS TO FORM:

Signed by:
Jason M. Heath
AF757CF913B5419...
8/14/2024

County Counsel (8/14/2024, AMS 16442)

cc: Local Agency Formation Commission of Santa Cruz County
Assessor-Recorder
Auditor-Controller-Treasurer-Tax Collector
San Lorenzo Valley Water District

Exhibit A
Agenda: August 27, 2024
LAFCO #DA 24-12 – Lockewood Lane/Graham Hill Road Parcel Annexation to the San Lorenzo Valley Water District

1. Description

   LAFCO # DA 24-12 – Lockewood Lane/Graham Hill Road Parcel Annexation to the San Lorenzo Valley Water District, Assessor's Parcel Number 061-441-01

2. Property Tax Exchange

   A. Base Year Full Cash Value: No Exchange

   B. Incremental Full Cash Value: No Exchange

The exchange of property taxes for both Base Year and Incremental Values are based on property tax revenues after the shift to the Education Revenue Augmentation Fund (ERAF).

DocuSign

Certificate Of Completion

Envelope Id: 3A5A90E6BAF44DCB8C79BD4DACC6F248
Subject: Complete with Docusign: DA 24-12 Resolution.doc
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Document Pages: 3	Signatures: 1	Envelope Originator:
Certificate Pages: 5	Initials: 0	Melodye Serino
AutoNav: Enabled		701 Ocean Street
EnvelopeId Stamping: Enabled		Santa Cruz, CA 95060
Time Zone: (UTC-08:00) Pacific Time (US & Canada)		Melodye.Serino@santacruzcountyca.gov
		IP Address: 63.194.190.100

Status: Completed

Record Tracking

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Storage Appliance Status: Connected	Pool: County of Santa Cruz	Location: DocuSign

Signer Events	Signature	Timestamp
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Agent Delivery Events	Status	Timestamp

Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp
Melodye Serino melodye.serino@santacruzcountyca.gov Deputy CAO County of Santa Cruz Security Level: Email, Account Authentication (None)	COPIED	Sent: 8/14/2024 12:32:25 PM

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Notary Events	Signature	Timestamp

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Envelope Summary Events	Status	Timestamps
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Completed	Security Checked	8/14/2024 12:32:25 PM

Payment Events	Status	Timestamps

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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a $0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

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Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

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You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:
To contact us by email send messages to: nada.algharib@santacruzcounty.us

To advise County of Santa Cruz of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at nada.algharib@santacruzcounty.us and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

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ii. send us an email to nada.algharib@santacruzcounty.us and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

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Certificate Of Completion

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AutoNav: Enabled	Stamps: 1	701 Ocean Street
EnvelopeId Stamping: Enabled		Santa Cruz, CA 95060
Time Zone: (UTC-08:00) Pacific Time (US & Canada)		cbd.esignature@santacruzcountyca.gov
		IP Address: 63.194.190.100

Record Tracking

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Agent Delivery Events	Status	Timestamp

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Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp
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Notary Events	Signature	Timestamp

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Completed	Security Checked	8/30/2024 4:12:18 PM

Payment Events	Status	Timestamps

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To advise County of Santa Cruz of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at nada.algharib@santacruzcounty.us and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

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ii. send us an email to nada.algharib@santacruzcounty.us and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

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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: "Lockewood Lane/Graham Hill Road Parcel Annexation"

Project Location: The subject area is located within unincorporated county territory. In general, the subject area is located north of Spreading Oak Drive and Rolling Woods Drive, east of Graham Hill Road, south of Lockewood Lane, and west of Hidden Glen Drive. Attached is a vicinity map of the subject area (refer to **Attachment A**).

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

Description of Nature, Purpose, and Beneficiaries of Project: The proposal was initiated by landowner petition. The subject area includes a single parcel totaling 1.28 acres. The purpose of the application is for the provision of water services to a future housing project. The subject area is also immediately adjacent to the District's jurisdictional boundary. However, the subject parcel is outside the District's sphere and will require a concurrent sphere amendment if the annexation is approved.

Name of Public Agency Approving Project: Local Agency Formation Commission of Santa Cruz County ("Santa Cruz LAFCO"). A public hearing on this proposal is scheduled for 9:00 a.m. on April 2, 2025. Additional information on the upcoming meeting is available on the LAFCO website (https://www.santacruzlafco.org).

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

Exempt Status: (check one)

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

Reason Why Project is Exempt: Pursuant to CEQA Guidelines Section 15319, Class 9(b): Annexations of individual small parcels of the minimum size for facilities exempted by Section 15303, New Construction or Conversion of Small Structures.

Lead Agency Contact Person: Joe A. Serrano

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

Signature:__________________________________ **Date:** April 3, 2025
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 2, 2025, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following items:

- **"Lockewood Lane/Graham Hill Road Parcel Annexation" (Project No. DA 24-12):** Consideration of a single parcel annexation (totaling 1.28 acres) to the San Lorenzo Valley Water District (SLVWD). The subject area is located north of Spreading Oak Drive and Rolling Woods Drive, east of Graham Hill Road, south of Lockewood Lane, and west of Hidden Glen Drive. SLVWD is willing and capable of providing water service to the subject parcel, if annexed.

- **Draft Budget for Fiscal Year 2025-26:** Adoption of a draft budget for the upcoming fiscal year. The final budget is scheduled to be considered on May 7, 2025. 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.

Joe A. Serrano
Executive Officer
Date: March 11, 2025

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2025-03

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
MAKING DETERMINATIONS AND ORDERING THE
"LOCKEWOOD LANE/GRAHAM HILL ROAD PARCEL ANNEXATION"
TO THE SAN LORENZO VALLEY WATER DISTRICT
(LAFCO PROJECT NO. DA 24-12)

****

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

WHEREAS, the proposal was initiated by landowner petition. The subject area includes one parcel totaling 1.28 acres. The landowner supports the proposal and has signed a consent form as part of the application. The purpose of the proposal is for the provision of water services from a nearby public agency to a future housing project site; and

WHEREAS, the proposal was assigned the short-term designation of "Lockewood Lane / Graham Hill Road Parcel Annexation"; and

WHEREAS, the proposal consists of the following changes of organization: (1) annexation to the San Lorenzo Valley Water District and (2) concurrent sphere boundary amendment to reflect the proposed annexation; and

WHEREAS, the subject area is in unincorporated county territory and is generally located north of Spreading Oak Drive and Rolling Woods Drive, east of Graham Hill Road, south of Lockewood Lane, and west of Hidden Glen Drive; and

WHEREAS, correspondence summarizing the proposal was sent to all affected and interested agencies requesting comments on July 30, 2024. LAFCO did not receive any opposition following the conclusion of the comment period; and

WHEREAS, California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected local agency before LAFCO can consider a jurisdictional change. The Board of Supervisors acting as the authorizing body for the San Lorenzo Valley Water District regarding property tax adjustments adopted a property tax exchange agreement on August 27, 2024; and

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

WHEREAS, a public hearing by the Commission was held on April 2, 2025; and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented.

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

Section 1. The foregoing recitals are true and correct.

Section 2. Compliance with the California Environmental Quality Act (CEQA) has been met by a categorical exemption pursuant to State CEQA Guidelines Section 15319, Class 19(a): Annexations to a city or special district of areas containing existing or private structures developed to the density allowed by the current zoning or pre-zoning, of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the extension of utility services to the existing facilities would have a capacity to serve only the existing facilities.

Section 3. The Commission considered the requirements set forth for annexation in the Cortese-Knox-Hertzberg Act, Government Code Section 56668, and found the proposal to be consistent with those requirements as outlined below:

a) District Annexation: Government Code Section 56668.3(a) requires the Commission to analyze several factors as part of the change of organization. These factors include:

    a. The case of district annexation, whether the proposed annexation will be for the interest of landowners or present or future inhabitants within the district and within the territory proposed to be annexed to the district;

    b. Any factors which may be considered by the Commission as provided in Government Code Section 56668;

    c. Any resolution raising objections to the action that may be filed by an affected agency; and

    d. Any other matters which the Commission deems material.

   LAFCO analyzed these and other factors as part of the April 2, 2025 staff report.

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

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

a) Agency Endorsement: The Executive Officer shall not file the application unless the affected public agency has submitted a written endorsement indicating its willingness to provide the service if the Commission approves the request. The San Lorenzo Valley Water District provided a Will-Serve Letter to the applicant on May 31, 2024, and has continued to express support throughout the LAFCO process.

b) Fee Deposit: The applicant shall pay the costs of processing the application as specified in the Commission's Schedule of Fees and Deposits. The applicant submitted a fee deposit of $2,500 as part of the application packet.

c) Map & Legal Description: A map of any proposed boundary changes shall show the present and proposed boundaries of all affected agencies in the vicinity of the proposal site. The Commission shall ensure that any approved boundary changes are definite and certain. The required metes and bounds were submitted on July 3, 2024, as shown on Exhibit A.

d) Sphere Boundary: LAFCO originally adopted a sphere of influence for the San Lorenzo Valley Water District on October 16, 1985. The sphere boundary was expanded in June 2006 and November 2020. The current sphere boundary was reaffirmed on August 3, 2022. The "Lockewood Lane / Graham Hill Road Parcel Annexation" does require a sphere amendment if the annexation is approved by the Commission, as shown in Exhibit B.

e) Commission Hearing: The Commission shall consider the request after it has been placed on an agenda of a Commission meeting. After deeming the proposal complete, the Executive Officer advertised the proposal in the Santa Cruz Sentinel newspaper on March 11, 2025, and scheduled the proposal for Commission consideration on April 2, 2025.

Section 5. The applicant shall agree, as a condition of the approval of the application for annexation, to be bound by the LAFCO Indemnification and Defense Form signed by both affected parcels: June 19, 2024 by the applicant and March 4, 2025 by LAFCO.

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

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

b) District Fees & Charges: The San Lorenzo Valley Water District shall levy and collect within the territory being annexed any previously established and collected benefit assessment of property-related fees or charges that are collected within all or part of the district at the time of annexation. The applicant shall be responsible for all fees and costs associated with the connection of water service with the San Lorenzo Valley Water District.

c) LAFCO Processing Fees: The applicant shall pay any remaining processing fees as set in this Commission's Schedule of Fees and Deposits.

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

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

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

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

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

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 2nd day of April 2025.

AYES:

NOES:

ABSTAIN:

____
MANU KOENIG, CHAIRPERSON

Attest: Approved as to form:

__________________________ __________________________

Joe A. Serrano
Executive Officer

Joshua Nelson
LAFCO Counsel

Exhibit A: Map & Legal Description

Exhibit A
LAFCO NO. ________
ANNEXATION TO SAN LORENZO VALLEY WATER DISTRICT

GEOGRAPHIC DESCRIPTION

All that certain real property, situate in the unincorporated territory of the County of Santa Cruz, State of California, and being a portion of Rancho Canada Del Rincon, described as follows:

Beginning at a point on the boundary line of the San Lorenzo Valley Water District, said point lying North 37°49'15" East 91.23 feet, more or less, from the intersection of the centerlines of Graham Hill Road and Lockewood Lane;

Thence (1), from said Point of Beginning, along said boundary line, South 24°16'40" East 680.36 feet;

Thence (2), South 80°39'00" West 120.00 feet, more or less to a point on the eastern line of Graham Hill Road;

Thence (3), Leaving said boundary line, along said eastern line of Graham Hill Road, along a non-tangent curve to the left with
Radius 2,430.00 feet
Delta 14°17'29"
Arc Length 606.11 feet
Chord Length 604.54 feet
Chord Bearing North 18°03'52" West
Radial Rearing South 79°04'53" West;

Thence (4), Leaving said eastern line of Graham Hill Road, along the southwestern line of Lockewood Lane, North 21°55'00" East 70.00 feet to said Point of Beginning.

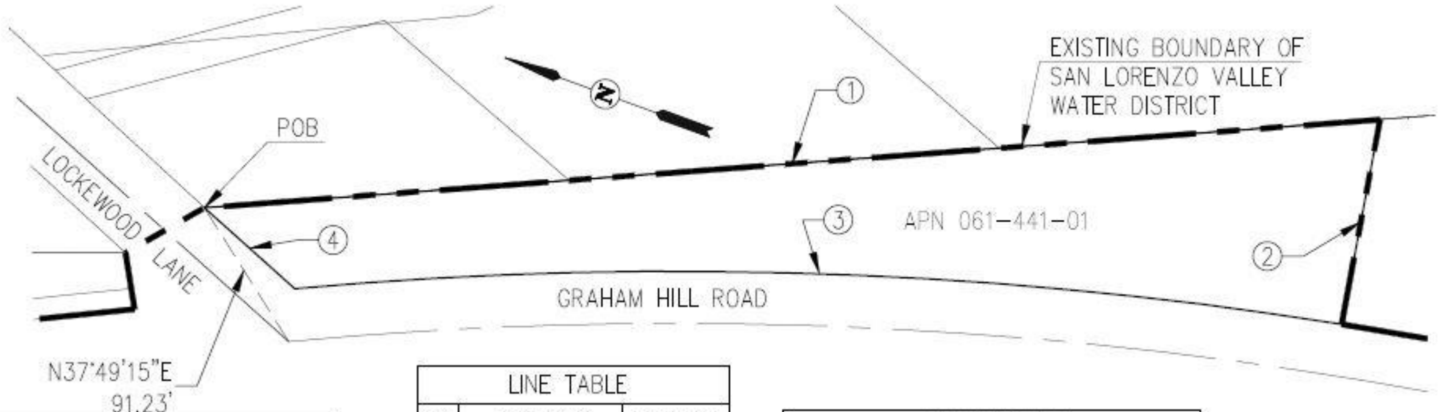
Containing 1.0 acres of land more or less.

For assessment purposes only. This description of land is not a legal property description as defined in the Subdivision Map Act and may not be used as the basis for an offer of sale of the land described.

END OF DESCRIPTION

PRELIMINARY

Mark H. Wehber, P.L.S.
L.S. No. 7960



LINE TABLE		
NO	BEARING	LENGTH
1	S24°16'40"E	680.36'
2	S80°39'00"W	120.00'
4	N21°55'00"E	70.00'

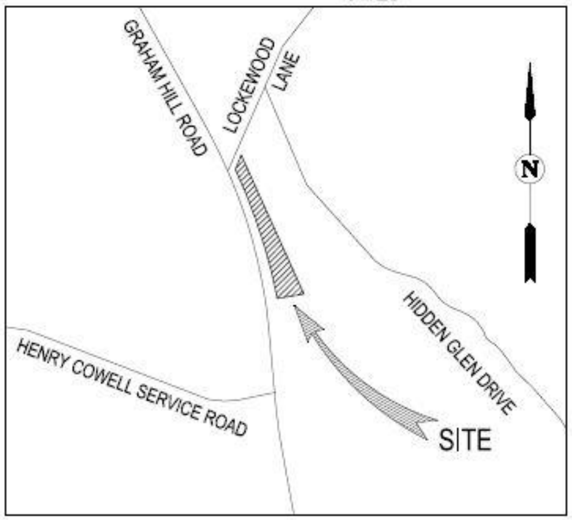
CURVE TABLE			
NO	RADIUS	DELTA	LENGTH
3	2430.00'	14°17'29"	606.11'

LEGEND

= EXISTING DISTRICT BOUNDARY
= PROPOSED ANNEXATION
= CENTER LINE
POB = POINT OF BEGINNING

BEING A PORTION OF RANCHO CANADA DEL RINCON.
CONTAINING 1.0 ACRES, MORE OR LESS.

0 100 300
FEET



VICINITY MAP

NOT TO SCALE

SHEET 1 OF 1

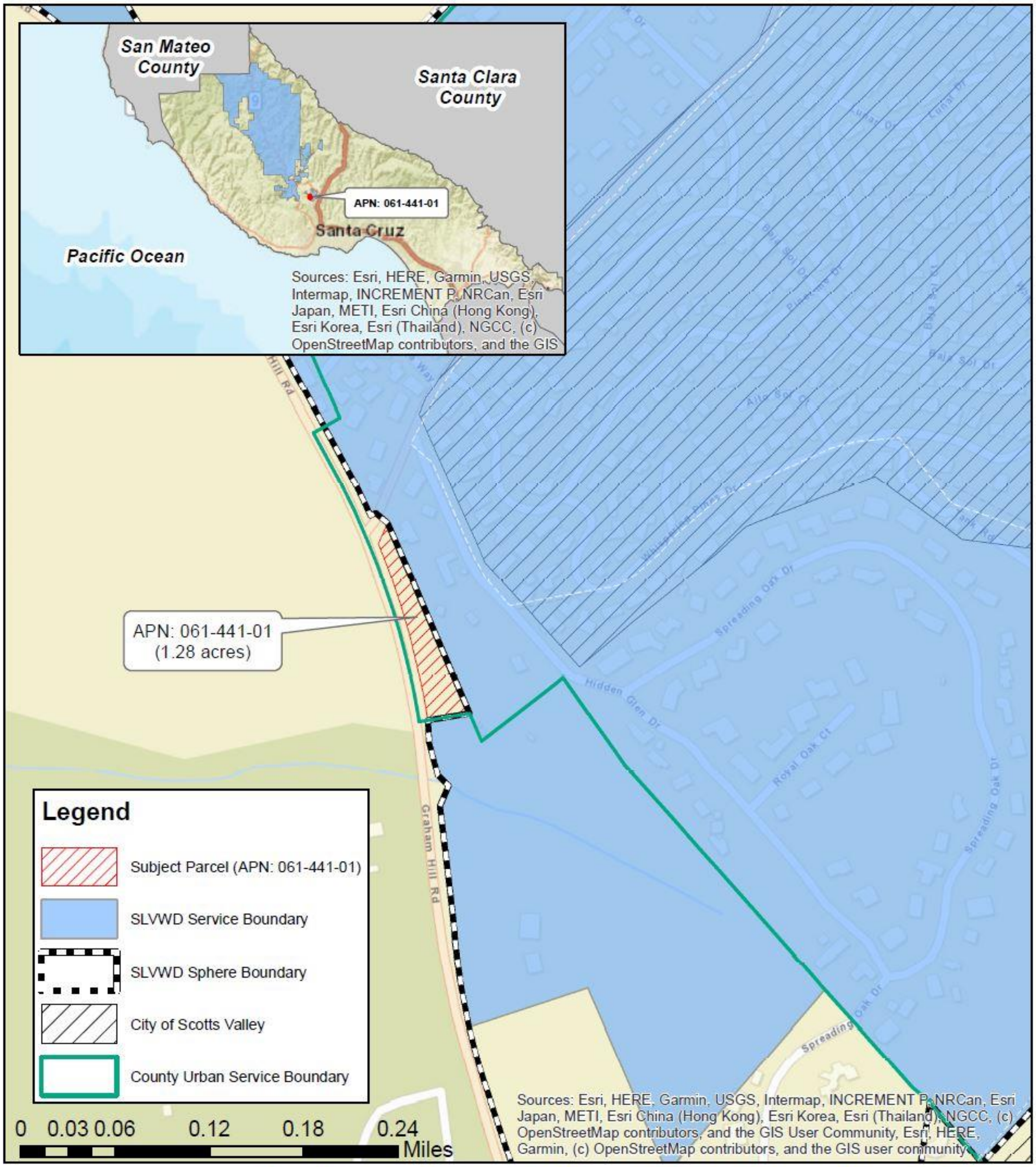
EXHIBIT B
LAFCO NO. ________
LOCKEWOOD LANE/GRAHAM HILL ROAD PARCEL
ANNEXATION TO SAN LORENZO VALLEY WATER DISTRICT
SANTA CRUZ COUNTY, CALIFORNIA
NOVEMBER 8, 2024

cbg
SAN RAMON (925) 866-0322
ROSEVILLE (916)788-4456
WWW.CBANDG.COM
CIVIL ENGINEERS ▪ SURVEYORS ▪ PLANNERS

JOB NO. 4068-000

H:\4068-000\ACAD\SURVEY\PLC\ANNEX\4068-000_LAFCO PLAT.DWG

Exhibit B: Vicinity Map



"Lockewood Lane/Graham Hill Road Parcel Annexation" to the San Lorenzo Valley Water District (LAFCO Project No. DA 24-12)

N
S

LAFCO

Map created on 7-24-24

The subject parcel is currently outside the District's service and sphere boundaries. Amendments to these boundaries may occur under one application.

Agenda Item No. 5b

Santa Cruz Local Agency Formation Commission

Date: April 2, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Draft Budget for Fiscal Year 2025-26

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 11, 2025, 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. 2024-04) approving the draft budget for Fiscal Year 2025-26, 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 2025-26 no later than June 4, 2025.

EXECUTIVE OFFICER'S REPORT:

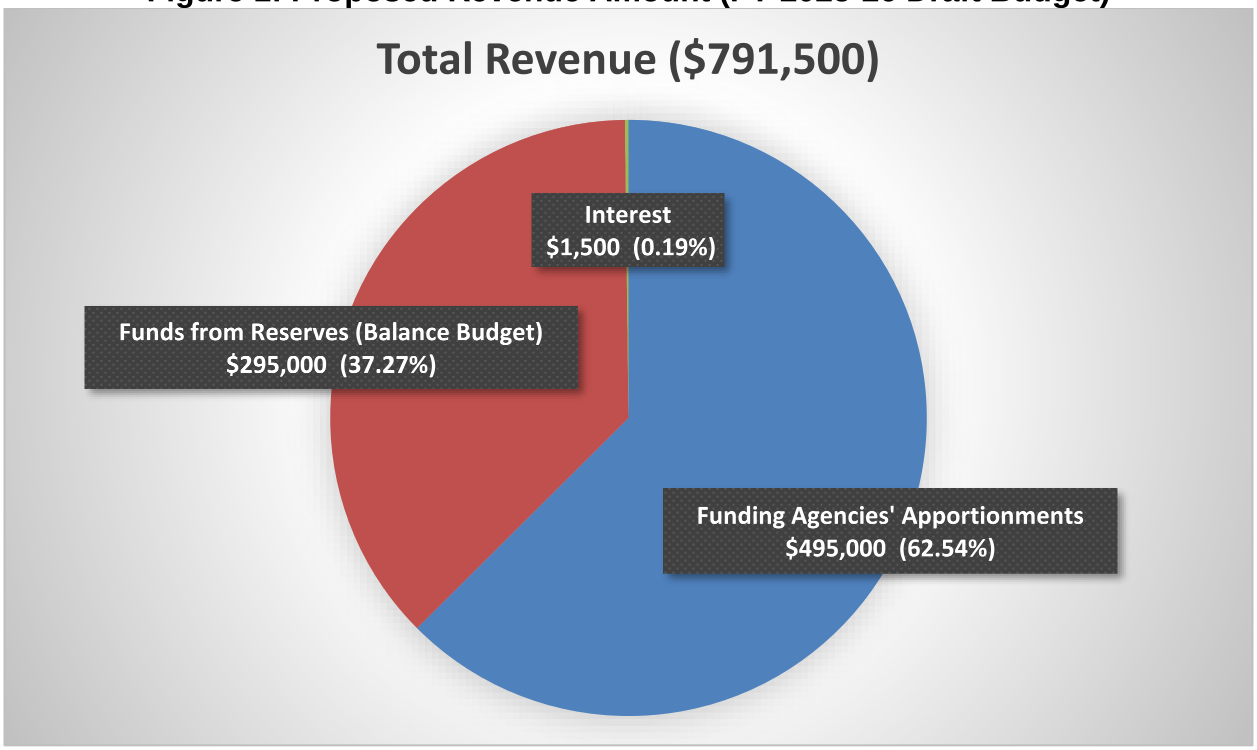
Government Code Section 56381(a) requires the Commission to hold a public hearing to adopt a draft and final budget each year. The proposed FY 2025-26 draft budget is presented in line-item detail for the Commission's review and consideration (refer to **Attachment 1**). If the draft budget is approved 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 4, 2025 Regular LAFCO Meeting.

The proposed FY 2025-26 draft budget is balanced. Total expenses are projected to be $591,500, representing a 3% increase from the current budget (FY 24-25 = $572,150). 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 $791,500 which represents an increase of 3% from the current budget (FY 24-25 = $772,150). 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 2025-26 draft budget.

REVENUES

The revenues in the proposed draft budget total $791,500. 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 62.5% of total revenues. The remaining revenue source derives from LAFCO's fund balance (37.3%) and interest (less than 1%).

Figure 1: Proposed Revenue Amount (FY 2025-26 Draft Budget)



County, Cities, and Special Districts Apportionments

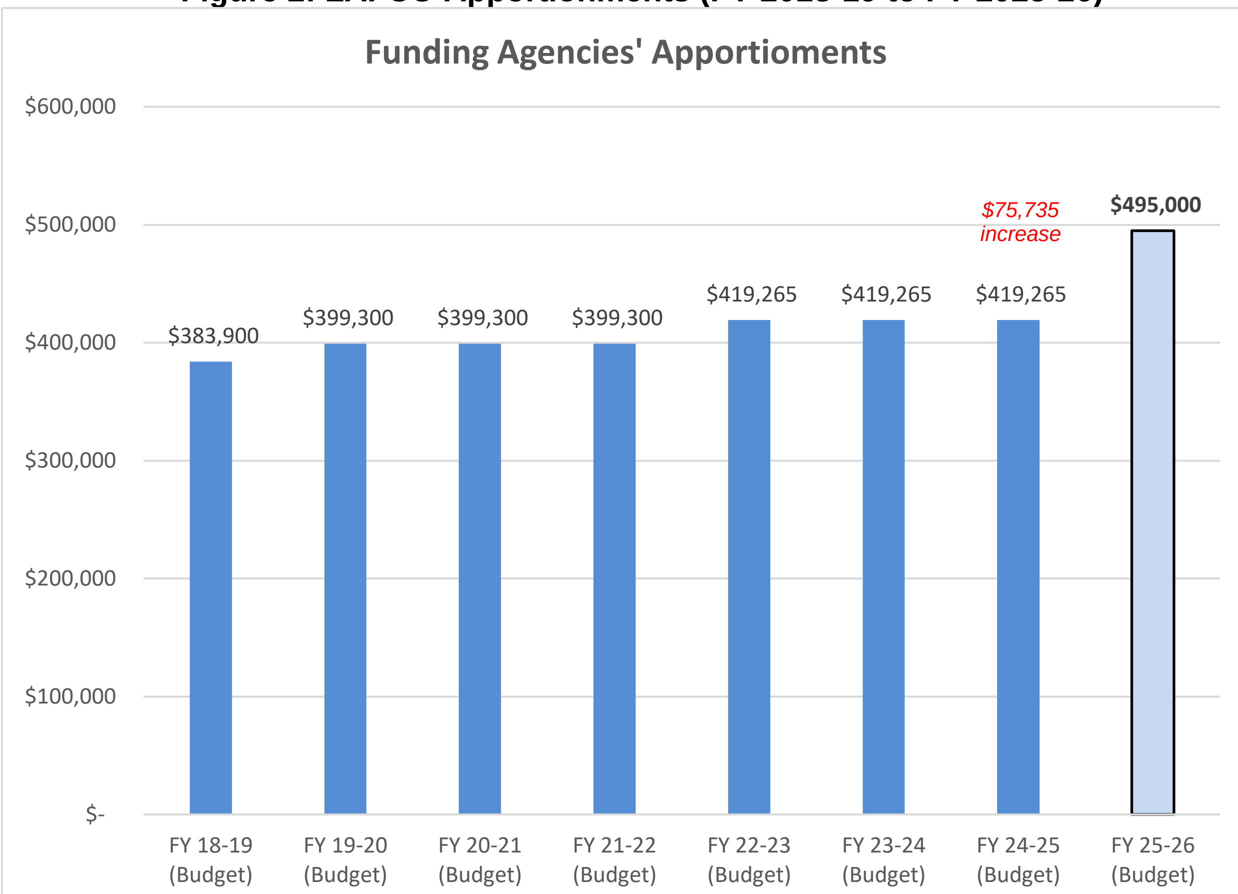
The apportionments from the funding agencies are LAFCO's primary source of revenue. The total apportionment for FY 2025-26 is $495,000 which represents an 18% increase from the current budget (FY 2024-25 LAFCO Dues = $419,265). This also represents the first increase in total apportionments since 2022. **Figure 2** on page 3 compares the proposed apportionment amount during 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 $495,000 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 2025-26)



Footnote: Allocations were increased by 5% ($19,965) in FY 22-23 and remained unchanged until FY 25-26. The proposed increase is appx 18% or $75,735.

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 2025-26 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 24-25)

	FY 19-20 (Actual)	FY 20-21 (Actual)	FY 21-22 (Actual)	FY 22-23 (Actual)	FY 23-24 (Actual)	FY 24-25 (Projected)
Fund Balance Amount (Year-End)	**$337,820**	**$306,494**	**$363,085**	**$352,673**	**$293,627**	**$310,535**
Funds earmarked for Contingency Reserves	-	-	-		-	$100,000
Funds earmarked for Litigation Reserves	-	-	-		-	$100,000
Unrestricted Funds	-	-	-		-	$110,535
Total Funds used to Balance FY 25-26 Budget	-	-	-		-	**$295,000**
Unrestricted Funds Left (Unused / Remaining)	-	-	-		-	$15,535
Fund Balance Amount (Projected Year-End)						**$310,535**

Reserve Policy

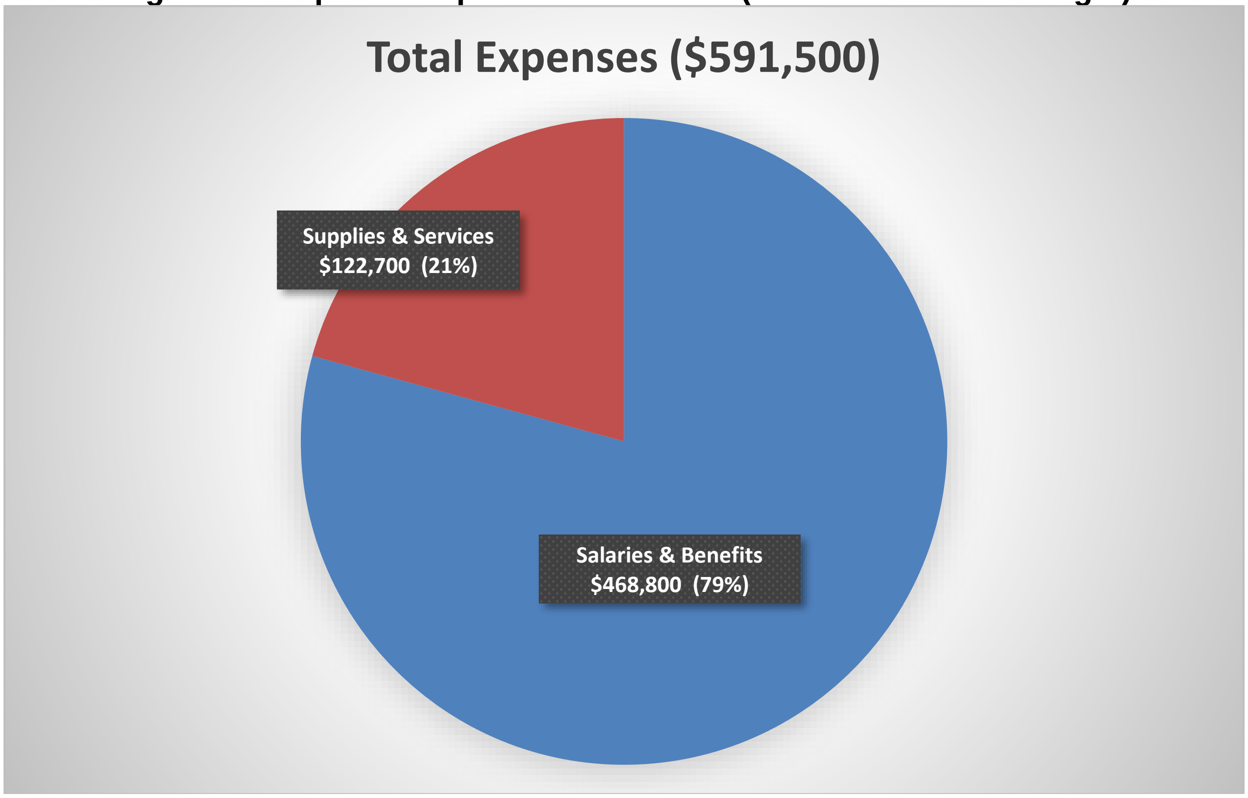
The Commission updated its Financial Policy in September 2023 to include guidance on maintaining two reserve funds: Litigation and Contingency Reserves[1]. The policy indicates that as of July 1, 2024, LAFCO will have two reserve funds restricted to the agency's account with the County of Santa Cruz. 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://santacruzlafco.org/wp-content/uploads/2024/03/PP-Handbook-Adopted-Version-3-6-24.pdf

Figure 3: Proposed Expenditure Amount (FY 2025-26 Draft Budget)



Salaries
Santa Cruz LAFCO will have two full-time professional staff members for the upcoming fiscal year. Total salaries for FY 2025-26 are expected to be $280,000, which represents an 8% increase from the current budget for FY 2024-25 ($260,000). 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 20-21 to FY 25-26)

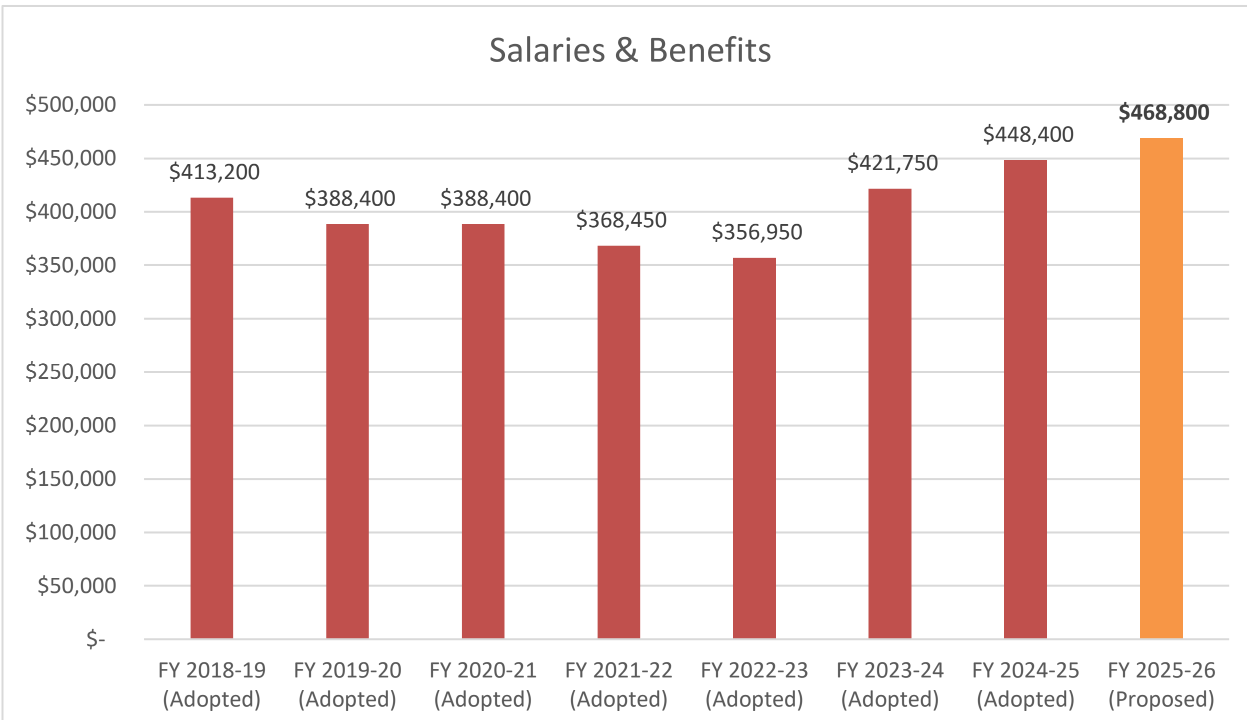
	FY 20-21 (Adopted)	FY 21-22 (Adopted)	FY 22-23 (Adopted)	FY 23-24 (Adopted)	FY 24-25 (Adopted)	FY 25-26 (Proposed)
Executive Officer	$144,204	$151,414	$158,982	$163,738	$176,509	$190,000
Commission Clerk	$77,064	$50,000	-	-	-	-
LAFCO Analyst	-	-	-	80,000	$83,000	$85,000
Salary Reserve	$24,132	$18,586	$41,018	$1,262	$491	$5,000
Total Salary Amount	**$245,400**	**$220,000**	**$200,000**	**$245,000**	**$260,000**	**$280,000**

Historically, the Commission has maintained a salary reserve balance to ensure that LAFCO has enough funds to cover salaries. Staff expects to have around $5,000 in salary reserve for FY 2025-26. 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 2025-26.

Figure 4: Total Salaries & Benefits (FY 18-19 to FY 25-26)



As **Figure 4** shows, Salaries & Benefits have gradually increased for the last few fiscal years. The proposed budget for FY 2025-26 will be approximately 5% or $20,400 more than the current budget (FY 2024-25 = $448,400).

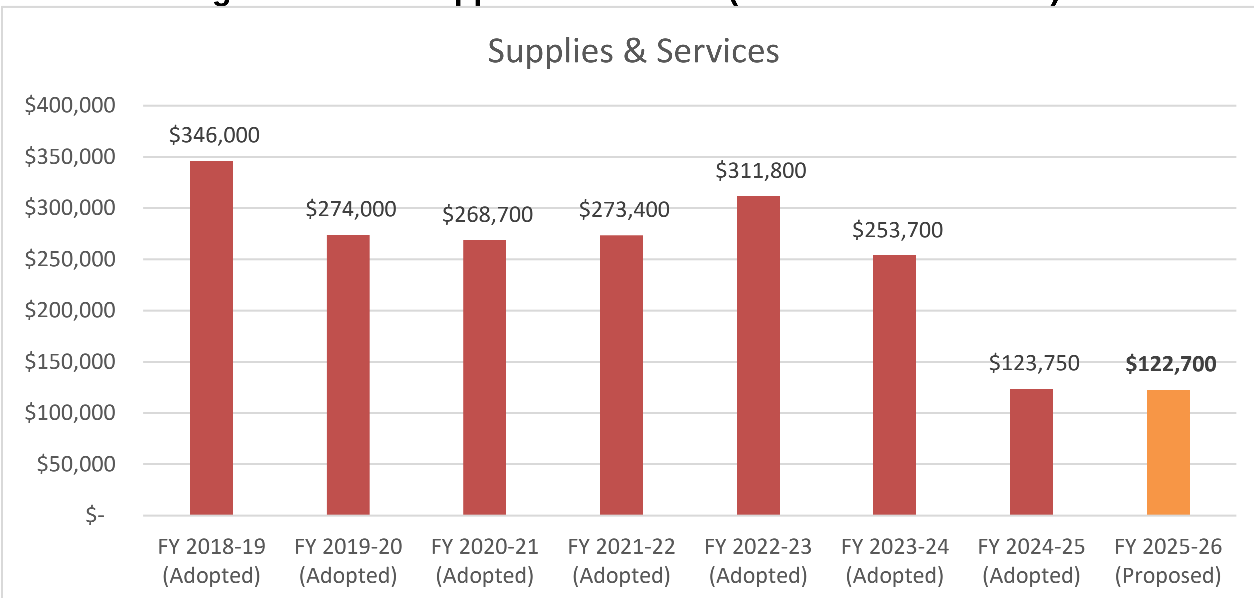
Supplies & Services

Overall, the Commission's operation demonstrates prudent management of agency expenses. Most of the identified expenditures in the draft budget for FY 2025-26 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 covers the cost for auditing services completed by Davis Farr LLC. The proposed decrease of $2,500 (now totaling $11,500) will earmark funds to complete the upcoming audit for Fiscal Year 2024-25.

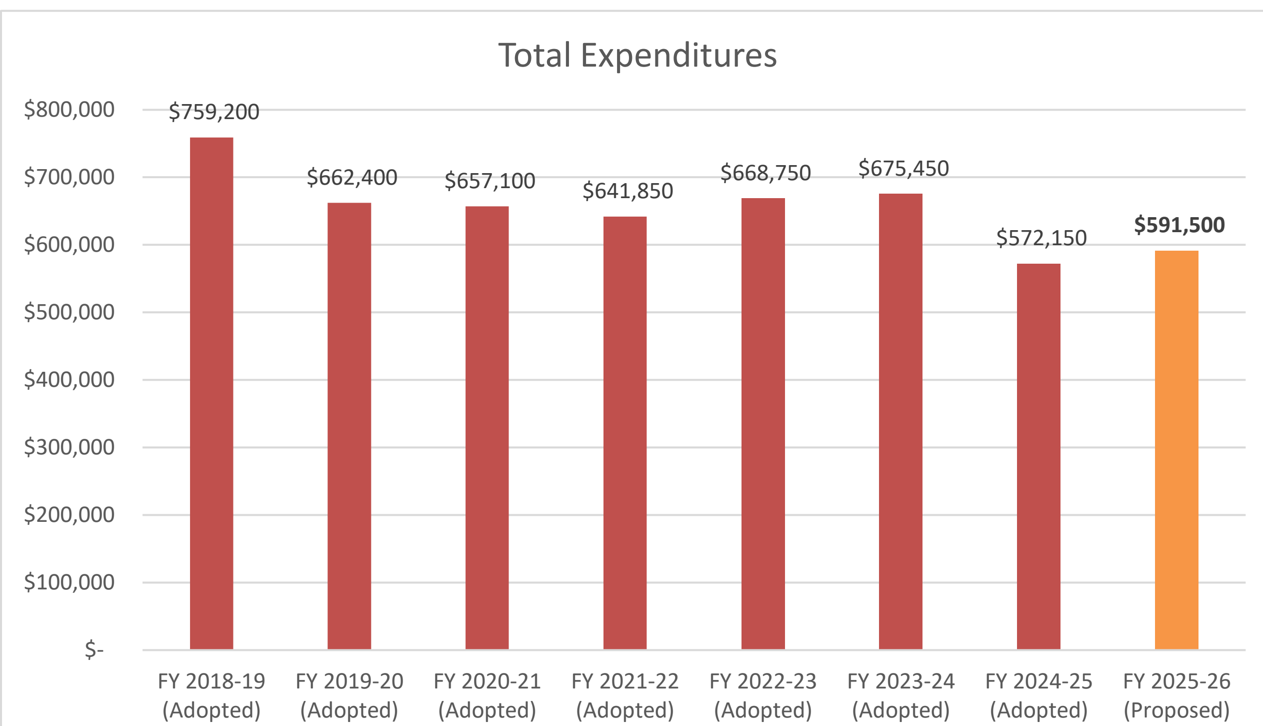
- **Professional Services:** This item contains the costs for services from outside consultants. The proposed decrease of $2,000 (now totaling $38,000) reflects the historical trends with the existing consultants and the hiring of a LAFCO Analyst, resulting in the limited use of outside assistance.

Figure 5: Total Supplies & Services (FY 18-19 to FY 25-26)



As **Figure 5** shows, Supplies & Services will decrease in the proposed budget by 1% or $1,050. This is primarily due to a reduction in several budgetary items based on historical trends and LAFCO staff's ability to complete tasks in-house. **Figure 6** also depicts how Total Expenditures has decreased over the years.

Figure 6: Total Expenditures (FY 18-19 to FY 25-26)

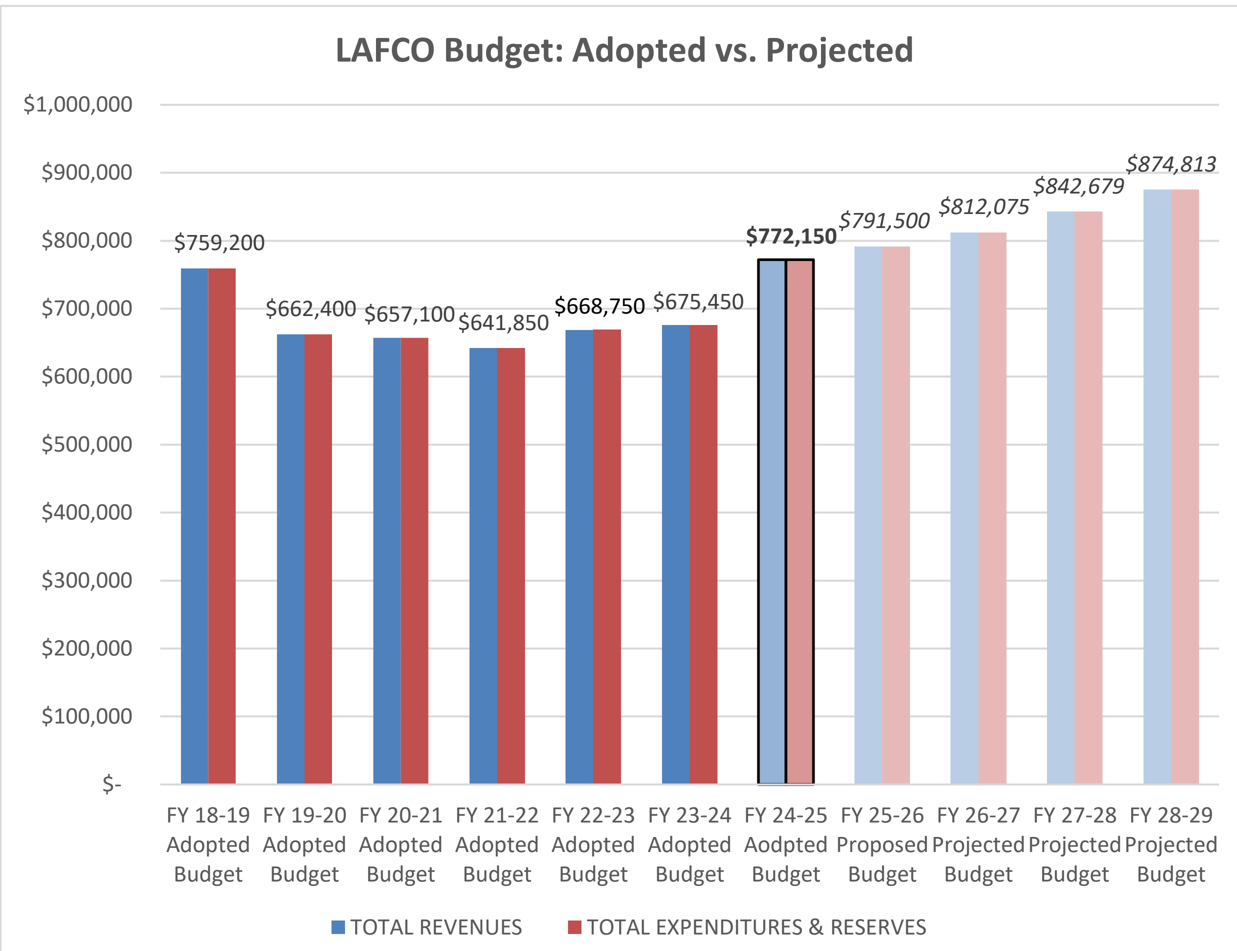


LAFCO BUDGET: PAST AND FUTURE PERSPECTIVE

This Commission strives to maximize funding and resources while maintaining an effective level of productivity. **Figure 7** shows how prudent management, coupled with staff changes, has resulted in significant decreases in overall expenses for the current budget (FY 2024-25) and a slight increase in the proposed budget (FY 2025-26). 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 2025-26 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 11, 2025 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 27, 2025.

STAFF RECOMMENDATION

The draft budget for FY 2025-26 is slightly higher than the current budget by 3% or $19,350. Conservative budgetary management is the primary reason why the proposed budget continues to keep costs as low as possible. Additionally, the funding agencies will see an increase in the total apportionment amount for the first time in three years. 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 the Commission adopt the resolution (refer to **Attachment 7**) approving the draft budget for FY 2025-26. A final budget will be presented to the Commission no later than Wednesday, June 4, 2025.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:

1. FY 2025-26 Draft Budget
2. FY 2025-26 Apportionments for Funding Agencies
3. Narrative of Budget Line Items (Expenditures)
4. CalPERS Actuarial Report (dated July 2024)
5. Three-year Budget Projections
6. Public Notice (dated March 11, 2025)
7. Draft Resolution (LAFCO No. 2025-04)

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 2025-26	FY 24-25 Adopted Budget	FY 25-26 Proposed Budget	Budget Variance ($)	Budget Variance (%)
REVENUE DESCRIPTION				
Interest	$ 1,500	$ 1,500	$ -	0%
Funding Agencies' Apportionments	$ 419,265	$ 495,000	$ 75,735	18%
LAFCO Processing Fees	$ -	$ -	$ -	-
Medical Charges-Employee	$ -	$ -	$ -	-
Reserves / Fund Balance	$ 351,385	$ 295,000	$ (56,385)	-16%
TOTAL REVENUES	**$ 772,150**	**$ 791,500**	**$ 19,350**	**3%**
EXPENDITURE DESCRIPTION				
Regular Pay	$ 260,000	$ 280,000	$ 20,000	8%
Holiday Pay	$ 10,300	$ 10,300	$ -	0%
Social Security	$ 18,000	$ 18,000	$ -	0%
PERS	$ 113,000	$ 113,000	$ -	0%
Insurances	$ 45,000	$ 45,000	$ -	0%
Unemployment	$ 600	$ 1,000	$ 400	67%
Workers Comp	$ 1,500	$ 1,500	$ -	0%
Total Salaries & Benefits	**$ 448,400**	**$ 468,800**	**$ 20,400**	**5%**
Telecom	$ 1,600	$ 1,600	$ -	0%
Office Equipment	$ 200	$ 200	$ -	0%
Memberships	$ 7,500	$ 7,800	$ 300	4%
Duplicating	$ 500	$ 200	$ (300)	-60%
PC Software	$ 700	$ 700	$ -	0%
Postage	$ 800	$ 400	$ (400)	-50%
Subscriptions	$ 3,300	$ 3,300	$ -	0%
Supplies	$ 500	$ 400	$ (100)	-20%
Accounting	$ 14,000	$ 11,500	$ (2,500)	-18%
Attorney	$ 15,000	$ 15,000	$ -	0%
Data Service	$ 9,500	$ 14,000	$ 4,500	47%
Director Fees	$ 5,000	$ 5,000	$ -	0%
Prof. Services	$ 40,000	$ 38,000	$ (2,000)	-5%
Legal Notices	$ 4,000	$ 4,000	$ -	0%
Rents	$ 10,000	$ 10,000	$ -	0%
Misc. Expenses	$ 4,000	$ 4,500	$ 500	13%
Air Fare	$ 600	$ 600	$ -	0%
Training	$ 500	$ 500	$ -	0%
Lodging	$ 2,000	$ 2,000	$ -	0%
Mileage	$ 800	$ -	$ (800)	-100%
Travel-Other	$ 250	$ -	$ (250)	-100%
Registrations	$ 3,000	$ 3,000	$ -	0%
Total Services & Supplies	**$ 123,750**	**$ 122,700**	**$ (1,050)**	**-1%**
TOTAL EXPENDITURES	**$ 572,150**	**$ 591,500**	**$ 19,350**	**3%**
RESERVE DESCRIPTION				
Contingency Reserves	$ 100,000	$ 100,000	$ -	-
Litigation Reserves	$ 100,000	$ 100,000	$ -	-
Total Reserve Balance	**$ 200,000**	**$ 200,000**	$ -	-
TOTAL EXPENDITURES & RESERVES	**$ 772,150**	**$ 791,500**	**$ 19,350**	**3%**

FISCAL YEAR 2025-26	FY 25-26 Proposed Budget
REVENUE DESCRIPTION	
Interest	$ 1,500
Funding Agencies' Apportionments	$ 495,000
Reserves / Fund Balance	$ 295,000
TOTAL REVENUES	**$ 791,500**
EXPENDITURE DESCRIPTION	
Regular Pay	$ 280,000
Joe Serrano	*$190,000*
Francisco Estrada	*$85,000*
Salary Reserve	*$5,000*
Holiday Pay	$ 10,300
Social Security	$ 18,000
PERS	$ 113,000
Unfunded Liability Payment	*$70,706.00*
Estimated Normal Costs	*$20,408.00*
Other PERS Expenses	*$21,500.00*
Insurances	$ 45,000
Unemployment	$ 1,000
Workers Comp	$ 1,500
Total Salaries & Benefits	**$ 468,800**
Telecom	$ 1,600
Office Equipment	$ 200
Memberships	$ 7,800
CALAFCO	*$5,723.00*
CSDA	*$1,809.00*
Other Possible Memberships	*$268.00*
Duplicating	$ 200
PC Software	$ 700
Postage	$ 400
Subscriptions	$ 3,300
AccessiBe (ADA)	*$1,490.00*
Prezi	*$180.00*
WP Engine	*$300.00*
Zoom	*$1,248.00*
Supplies	$ 400
Accounting	$ 11,500
Attorney	$ 15,000
Data Service	$ 14,000
Director Fees	$ 5,000
Prof. Services	$ 38,000
Piret Harmon	*$12,000.00*
Don Jarvis	*$12,000.00*
Other Professional Services	*$14,000.00*
Legal Notices	$ 4,000
Rents	$ 10,000
Misc. Expenses	$ 4,500
Air Fare	$ 600
Training	$ 500
Lodging	$ 2,000
Mileage	$ -
Travel-Other	$ -
Registrations	$ 3,000
Total Services & Supplies	**$ 122,700**
TOTAL EXPENDITURES	**$ 591,500**
EXPENDITURE DESCRIPTION	
Contingency Reserves	$ 100,000
Litigation Reserves	$ 100,000
Total Reserve Balance	**$ 200,000**
TOTAL EXPENDITURES & RESERVES	**$ 791,500**

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	FY 25-26 Total Allocation (Proposed)	FY 24-25 Total Allocation (Adopted)	Difference ($)	Difference (%)
LAFCO Total 2024-2025 Working Budget			**495,000**					**495,000.00**	419,265.00	75,735.00	18%
Allocate 1/3 fee to County of Santa Cruz											
County of Santa Cruz			**165,000.00**			165,000.00	33.333%	**165,000.00**	**139,754.99**	25,245.01	18%
Allocate 1/3 fee to all Cities Revenue Factor			**165,000.00**								
City of Capitola			22,756,352	(2,048,605)	20,707,747	7,379.44	1.491%	**7,379.44**	6,142.92	1,236.52	20%
City of Santa Cruz			286,938,428	(21,271,583)	265,666,845	94,673.35	19.126%	**94,673.35**	79,808.99	14,864.36	19%
City of Scotts Valley			25,950,380	(3,763,800)	22,186,580	7,906.44	1.597%	**7,906.44**	7,659.59	246.85	3%
City of Watsonville			163,269,453	(8,817,235)	154,452,218	55,040.77	11.119%	**55,040.77**	46,143.51	8,897.26	19%
			498,914,613	(35,901,223)	463,013,390	165,000.00	33.333%	**165,000.00**	**139,755.01**	25,244.99	18%
Allocate 1/3 fee to Independent Districts -											
Annual Report			**165,000.00**								
Non-Enterprise											
Alba Park & Rec			316	0	316	0.36	0.000%	**0.36**	0.08	0.28	350%
Ben Lomond Fire Protection			1,216,550	(5,027)	1,211,523	1,379.00	0.279%	**1,379.00**	1,145.22	233.78	20%
Boulder Creek Fire Protection			1,510,459	(5,363)	1,505,096	1,713.00	0.346%	**1,713.16**	1,354.99	358.17	26%
Boulder Creek Park & Rec			598,967	(1,179)	597,788	680.43	0.137%	**680.43**	550.94	129.49	24%
Central Fire District (1)			45,311,814	(930,422)	44,381,392	50,516.62	10.205%	**50,516.62**	41,277.08	9,239.54	22%
Felton Fire Protection			1,056,293	(6,260)	1,050,033	1,195.19	0.241%	**1,195.19**	1,011.18	184.01	18%
La Selva Beach Park & Rec			261,722	(775)	260,947	297.02	0.060%	**297.02**	263.02	34.00	13%
Pajaro Valley Health Care District: new in FY26			536,063	0	536,063	610.17	0.123%	**610.17**	-	610.17	
Pajaro Valley Fire Protection			2,474,676	(9,942)	2,464,734	2,805.46	0.567%	**2,805.46**	2,446.47	358.99	15%
Pajaro Valley Public Cemetery			1,824,736	(4,324)	1,820,412	2,072.06	0.419%	**2,072.06**	1,686.51	385.55	23%
Pajaro Valley Water Management Agency			16,405,484	(2,525,638)	13,879,846	15,798.58	3.192%	**15,798.58**	15,088.21	710.37	5%
Santa Cruz County Resource Consv.			5,493,644	(4,309,642)	1,184,002	1,347.68	0.272%	**1,347.68**	1,838.52	(490.84)	-27%
Scotts Valley Fire Protection (2)			11,512,289	(812,685)	10,699,604	12,178.70	2.460%	**12,178.70**	10,207.97	1,970.73	19%
Zayante Fire Protection			735,943	(126,183)	609,760	694.05	0.140%	**694.05**	716.15	(22.10)	-3%
Non-Enterprise Subtotal			88,938,956	(8,737,440)	80,201,516	91,288.32	18.441%	**91,288.48**	77,586.34	13,702.14	18%
Enterprise - Operating plus Non-Operating Revenue	**Operating Revenue**	**Non-Operating Revenue**	**Total Revenue**								
Central Santa Cruz County Water	965,956	196,908	1,162,864	(661)	1,162,203	1,322.86	0.267%	**1,322.86**	1,280.45	42.41	3%
Salsipuedes Sanitary	425,510	64,187	489,697	(121)	489,576	557.25	0.113%	**557.25**	453.82	103.43	23%
San Lorenzo Valley County Water (3)	12,139,561	2,288,100	14,427,661	(217,903)	14,209,758	16,174.10	3.267%	**16,174.10**	14,094.38	2,079.72	15%
Santa Cruz Port District	11,171,966	3,789,713	14,961,679	(607,393)	14,354,286	16,338.61	3.301%	**16,338.61**	11,364.68	4,973.93	44%
Scotts Valley County Water	7,605,864	1,417,849	9,023,713	(5,736)	9,017,977	10,264.61	2.074%	**10,264.61**	8,673.43	1,591.18	18%
Soquel Creek Water District	25,258,598	266,880	25,525,478	0	25,525,478	29,054.10	5.870%	**29,054.09**	26,301.90	2,752.19	10%
Enterprise Subtotal			65,591,092	(831,814)	64,759,278	73,711.53	14.891%	**73,711.52**	62,168.66	11,542.86	19%
Special District Total			154,530,048	(9,569,254)	144,960,794	164,999.85	33.332%	**165,000.00**	**139,755.00**	25,245.00	18%
Grand total						**494,999.85**	**99.998%**	**495,000.00**	**419,265.00**	75,735.00	18%

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) Scotts Valley Fire includes Branciforte Fire for FY24 due to a merger
(3) Includes SLV Water, SLV Waste, and Lompico Water

Local Agency Formation Commission of Santa Cruz County
Budget Line Item Narrative FY 2025-26

Budget Line Item (Object Code)	Description
Salaries & Benefits	
51000 Regular Pay $280,000 Executive Officer Current Salary: $91.35 hourly rate LAFCO Analyst Current Salary: $40.65 hourly rate	Total Salary Breakdown: Executive Officer $190,000 LAFCO Analyst $ 85,000 Salary Reserve* $ 5,000 Total Salary $280,000 *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, 2024, the employer's share of the normal costs will increase from 12.52% of salaries to 12.58% 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 $1,000	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	**$468,800**

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 $7,800	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 $200	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 $400	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 $400	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 $14,000	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 $38,000	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 $4,500	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 $0	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 $0	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	**$122,700**

FY 2025-26 Budget Recap (Expenditure)

Salaries & Benefits	$ 468,800
Services & Supplies	$ 122,700
Total Expenditure	**$ 591,500**

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 2024

Miscellaneous Plan of the Santa Cruz Local Agency Formation Commission (CalPERS ID: 5405887055)
Annual Valuation Report as of June 30, 2023

Dear Employer,

Attached to this letter is Section 1 of the June 30, 2023 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) 2025-26**. 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, 2023.

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, 2023.

Required Contributions

The table below shows the minimum required employer contributions for FY 2025-26 along with an estimate of the employer contribution requirements for FY 2026-27. 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
2025-26	12.58%	$70,706
Projected Results		
2026-27	*12.6%*	*$73,000*

The actual investment return for FY 2023-24 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 2023-24 differs from 6.8%, the actual contribution requirements for FY 2026-27 will differ from those shown above. For additional details regarding the assumptions and methods used for these projections, please refer to Projected Employer Contributions. This section also contains projected required contributions through FY 2030-31.

Report Enhancements

A number of enhancements were made to the report this year to ease navigation and allow the reader to find specific information more quickly. The tables of contents are now "clickable." This is true for the main table of contents that follows the title page and the intermediate tables of contents at the beginning of sections. The Adobe navigation pane on the left can also be used to skip to specific exhibits.

There are a number of links throughout the document in blue text. Links that are internal to the document are not underlined, while underlined links will take you to the CalPERS website. Examples are shown below.

Internal Bookmarks	CalPERS Website Links
Required Employer Contributions	Required Employer Contribution Search Tool
Member Contribution Rates	Public Agency PEPRA Member Contribution Rates
Summary of Key Valuation Results	Pension Outlook Overview
Funded Status – Funding Policy Basis	Interactive Summary of Public Agency Valuation Results
Projected Employer Contributions	Public Agency Actuarial Valuation Reports

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

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,

Matthew Biggart

Matthew Biggart, ASA, MAAA
Actuary, CalPERS

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

California Public Employees' Retirement System

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

as of June 30, 2023

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

Required Contributions for Fiscal Year

July 1, 2025 — June 30, 2026

CalPERS

Table of Contents

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)

Table of Contents — Section 1

Actuarial Certification

It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles as well as the applicable Standards of Practice promulgated by the Actuarial Standards Board. While this report, consisting of Section 1 and Section 2, is intended to be complete, our office is available to answer questions as needed. All of the undersigned are actuaries who satisfy the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* of the American Academy of Actuaries with regard to pensions.

Actuarial Methods and Assumptions

It is our opinion that the assumptions and methods, as recommended by the Chief Actuary and adopted by the CalPERS Board of Administration, are internally consistent and reasonable for this plan.

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

Actuarial Data and Rate Plan Results

To the best of my knowledge and having relied upon the attestation above that the actuarial methods and assumptions are reasonable as well as the information in Section 2 of this report, this report 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 and related validation work was performed by the CalPERS Actuarial Office. The valuation was based on the member and financial data as of June 30, 2023, 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.

Matthew Biggart

Matthew Biggart, ASA, MAAA
Actuary, CalPERS

Highlights and Executive Summary

Introduction

This report presents the results of the June 30, 2023, 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) 2025-26.

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, 2023. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this rate plan as of June 30, 2023;
- Determine the minimum required employer contributions for this rate plan for FY July 1, 2025, through June 30, 2026;
- Determine the required member contribution rate for FY July 1, 2025, through June 30, 2026, for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2023, 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 a CalPERS 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 Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

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

Summary of Key Valuation Results

Below is a brief summary of key valuation results along with page references where more detailed information can be found.

Required Employer Contributions — page 8

	Fiscal Year 2024-25	Fiscal Year 2025-26
Employer Normal Cost Rate	12.52%	12.58%
Unfunded Accrued Liability (UAL) Contribution Amount	$66,267	$70,706
Paid either as		
Option 1) 12 Monthly Payments of	$5,522.25	$5,892.17
Option 2) Annual Prepayment in July	$64,123	$68,418

Member Contribution Rates — page 9

	Fiscal Year 2024-25	Fiscal Year 2025-26
Member Contribution Rate	7.00%	7.00%

Projected Employer Contributions — page 14

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2026-27	12.6%	$73,000
2027-28	12.6%	$75,000
2028-29	12.6%	$82,000
2029-30	12.6%	$82,000
2030-31	12.6%	$82,000

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	$2,300,530	$2,330,252
Market Value of Assets (MVA)	1,614,667	1,615,686
Unfunded Accrued Liability (UAL) [AL – MVA]	$685,863	$714,566
Funded Ratio [MVA ÷ AL]	70.2%	69.3%

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	1	1
Annual Covered Payroll	$153,941	$160,165
Transferred Member Count	0	0
Separated Member Count	0	0
Retired Members and Beneficiaries Count	3	3

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. For pooled rate plans, voluntary benefit changes by plan amendment are generally included in the first valuation with a valuation date on or after the effective date of the amendment.

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.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2023, actuarial valuation.

New Disclosure Items

In December 2021, the Actuarial Standards Board issued a revision of Actuarial Standard of Practice No. 4 (ASOP 4) requiring actuaries to disclose a low-default-risk obligation measure (LDROM) of the benefits earned. This information is shown in a new exhibit, Funded Status – Low-Default-Risk Basis.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2023, as well as statutory changes, regulatory changes and board actions through January 2024.

During the time period between the valuation date and the publication of this report, inflation has been 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, 2024, valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists.

The 2023 annual benefit limit under Internal Revenue Code (IRC) section 415(b) and annual compensation limits under IRC section 401(a)(17) and Government Code section 7522.10 were used for this valuation and are assumed to increase 2.3% per year based on the price inflation assumption. The actual 2024 limits, determined in October 2023, are not reflected.

On April 16, 2024, the board took action to modify the Funding Risk Mitigation Policy to remove the automatic change to the discount rate when the investment return exceeds various thresholds. Rather than an automatic change to the discount rate, a board discussion would be placed on the calendar. The 95th percentile return in the Future Investment Return Scenarios exhibit in this report has not been modified and still reflects the projected contribution requirements associated with a reduction in the discount rate.

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.

Liabilities and Contributions

Determination of Required Contributions

Contributions to fund the plan are determined by an actuarial valuation performed each year. The valuation employs complex calculations based on a set of actuarial assumptions and methods. See Appendix A in Section 2 for information on the assumptions and methods used in this valuation. The valuation incorporates all plan experience through the valuation date and sets required contributions for the fiscal year that begins two years after the valuation date.

Contribution Components

Two components comprise required contributions:

- Normal Cost — expressed as a percentage of pensionable payroll
- Unfunded Accrued Liability (UAL) Contribution — expressed as a dollar amount

Normal Cost represents the value of benefits allocated to the upcoming year for active employees. If all plan experience exactly matched the actuarial assumptions, normal cost would be sufficient to fully fund all benefits. The employer and employees each pay a share of the normal cost with contributions payable as part of the regular payroll reporting process. The contribution rate for Classic members is set by statute based on benefit formula whereas for PEPRA members it is based on 50% of the total normal cost.

When plan experience differs from the actuarial assumptions, unfunded accrued liability (UAL) emerges. The new UAL may be positive or negative. If the total UAL is positive (i.e., accrued liability exceeds assets), the employer is required to make contributions to pay off the UAL over time. This is called the Unfunded Accrued Liability Contribution component. There is an option to prepay this amount during July of each fiscal year, otherwise it is paid monthly.

In measuring the UAL each year, plan experience is split by source. Common sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized, or paid off, over a specified period of time in accordance with the CalPERS Actuarial Amortization Policy. The Unfunded Accrued Liability Contribution is the sum of the payments on all bases. See the Schedule of Amortization Bases section of this report for an inventory of existing bases and Appendix A in Section 2 for more information on the amortization policy.

Required Employer Contributions

The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Required Employer Contributions	**Fiscal Year 2025-26**
Employer Normal Cost Rate	**12.58%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount[1]	**$70,706**
Paid either as	
1) Monthly Payment	**$5,892.17**
Or	
2) Annual Prepayment Option*	**$68,418**

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) and the Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).

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

For Member Contribution Rates see the following page.

Development of Normal Cost as a Percentage of Payroll	**Fiscal Year 2024-25**	**Fiscal Year 2025-26**
Base Total Normal Cost for Formula	18.81%	18.87%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	0.64%	0.64%
Plan's Total Normal Cost	19.45%	19.51%
Offset Due to Employee Contributions[3]	6.93%	6.93%
Employer Normal Cost	12.52%	12.58%

[1] The required payment on amortization bases does not take into account any additional discretionary payment made after April 30, 2024.

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

[3] This is the expected employee contributions, taking into account individual benefit formula and any offset from the use of a modified formula, divided by projected annual payroll. For member contribution rates above the breakpoint for each benefit formula, see Member Contribution Rates.

Member Contribution Rates

The required member contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Each member contributes toward their retirement based upon the retirement formula. The standard Classic member contribution rate above the breakpoint, if any, is as described below.

Benefit Formula	Percent Contributed above the Breakpoint
Miscellaneous, 1.5% at age 65	2%
Miscellaneous, 2% at age 60	7%
Miscellaneous, 2% at age 55	7%
Miscellaneous, 2.5% at age 55	8%
Miscellaneous, 2.7% at age 55	8%
Miscellaneous, 3% at age 60	8%

Auxiliary organizations of the CSU system may elect reduced contribution rates for Miscellaneous members, in which case the contribution rate above the breakpoint is 6% if members are not covered by Social Security and 5% if they are.

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. Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

Estimated Employer Contributions for all Pooled Miscellaneous Rate Plans	Fiscal Year 2024-25	Fiscal Year 2025-26
Projected Payroll for the Contribution Year	$167,237	$260,906
Estimated Employer Normal Cost	$20,289	$28,263
Required Payment on Amortization Bases	$66,608	$71,039
Estimated Total Employer Contributions	$86,897	$99,302
Estimated Total Employer Contribution Rate (illustrative only)	51.96%	38.06%

Breakdown of Entry Age Accrued Liability

Active Members	$142,305
Transferred Members	0
Separated Members	0
Members and Beneficiaries Receiving Payments	2,187,947
Total	$2,330,252

Allocation of Plan's Share of Pool's Experience

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	$2,330,252
2.	Projected UAL Balance at 6/30/2023	668,093
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2023 for Asset Share	668,093
5.	Pool's Accrued Liability[1]	23,349,910,053
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2023[1]	5,227,602,209
7.	Pool's 2022-23 Investment (Gain)/Loss[1]	114,855,623
8.	Pool's 2022-23 Non-Investment (Gain)/Loss[1]	360,116,330
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	10,534
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	35,939
11.	Plan's New (Gain)/Loss as of 6/30/2023: (9) + (10)	46,473
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) ÷ (5) × (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) ÷ (5) × (14)	0
16.	Offset due to Funding Risk Mitigation	0
17.	Plan's Investment (Gain)/Loss: (9) – (16)	10,534

[1] Does not include plans that transferred to the pool on the valuation date.

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

18.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$714,566
19.	Plan's Share of Pool's Market Value of Assets (MVA): (1) - (18)	$1,615,686

For a reconciliation of the pool's Market Value of Assets (MVA), information on the fund's asset allocation and a history of CalPERS investment returns, see Section 2, which can be found on the CalPERS website (www.calpers.ca.gov).

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, 2022	**June 30, 2023**
1. Present Value of Benefits	$2,657,460	$2,703,187
2. Entry Age Accrued Liability	2,300,530	2,330,252
3. Market Value of Assets (MVA)	1,614,667	1,615,686
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$685,863	$714,566
5. Funded Ratio [(3) ÷ (2)]	70.2%	69.3%

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	$2,573,812	$2,330,252	$2,123,125
2. Market Value of Assets (MVA)	1,615,686	1,615,686	1,615,686
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$958,126	$714,566	$507,439
4. Funded Ratio [(2) ÷ (1)]	62.8%	69.3%	76.1%

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.

Additional Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2025-26 is $70,706. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time. 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 2025-26 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 Amortization Schedule and Alternatives. Agencies considering making an ADP should contact CalPERS for additional information.

Fiscal Year 2025-26 Employer Contributions — Illustrative Scenarios

Funding Approach	Estimated Normal Cost	Minimum UAL Contribution	ADP[1]	Total UAL Contribution	Estimated Total Contribution
Minimum required only	$20,408	$70,706	0	$70,706	$91,114
10 year funding horizon	$20,408	$70,706	$18,270	$88,976	$109,384
5 year funding horizon	$20,408	$70,706	$82,305	$153,011	$173,419

[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.

The calculations above are based on the projected UAL as of June 30, 2025, as determined in the June 30, 2023, 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.

Additional Discretionary Payment History

The following table provides a recent history of actual ADPs made to the plan.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	$20,000	2022-23	$0
2020-21	$0	2023-24[2]	$26,513
2021-22	$0		

[2] Excludes payments made after April 30, 2024

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 2023-24 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 2023-24 and Beyond)**				
Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	Rate Plan 992 Results					
Normal Cost %	12.58%	12.6%	12.6%	12.6%	12.6%	12.6%
UAL Payment	$70,706	$73,000	$75,000	$82,000	$82,000	$82,000

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see Amortization of Unfunded Actuarial Accrued Liability 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 exhibit. 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.

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, 2023.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2025-26.

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

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for FY 2023-24 is based on the actuarial valuation two years ago, adjusted for additional discretionary payments made on or before April 30, 2024, if necessary, and the expected payment for FY 2024-25 is based on the actuarial valuation one year ago.

Reason for Base	Date Est.	Ramp Level 2025-26	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Minimum Required Payment 2025-26
Fresh Start	6/30/19	No	Ramp	0.00%	10	514,656	62,033	485,545	62,033	454,455	62,033
Investment (Gain)/Loss	6/30/20	80%	Up Only	0.00%	17	46,739	29,127	19,816	1,191	19,933	1,589
Non-Investment (Gain)/Loss	6/30/20	No	Ramp	0.00%	17	7,949	733	7,732	733	7,500	733
Assumption Change	6/30/21	No	Ramp	0.00%	18	9,900	890	9,653	890	9,390	890
Net Investment (Gain)	6/30/21	60%	Up Only	0.00%	18	(206,475)	(4,438)	(215,929)	(8,876)	(221,439)	(13,314)
Non-Investment (Gain)/Loss	6/30/21	No	Ramp	0.00%	18	(10,424)	(937)	(10,164)	(937)	(9,887)	(937)
Risk Mitigation	6/30/21	No	Ramp	0.00%	0	63,841	65,976	0	0	0	0
Risk Mitigation Offset	6/30/21	No	Ramp	0.00%	0	(63,841)	(65,976)	0	0	0	0
Investment (Gain)/Loss	6/30/22	40%	Up Only	0.00%	19	271,218	0	289,661	6,226	302,924	12,452
Non-Investment (Gain)/Loss	6/30/22	No	Ramp	0.00%	19	34,530	0	36,878	3,316	35,959	3,316
Investment (Gain)/Loss	6/30/23	20%	Up Only	0.00%	20	10,534	0	11,250	0	12,015	258
Non-Investment (Gain)/Loss	6/30/23	No	Ramp	0.00%	20	35,939	0	38,383	0	40,993	3,686
Total						**714,566**	**87,408**	**672,825**	**64,576**	**651,843**	**70,706**

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 earlier in this report. 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 a CalPERS 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 Actuarial Amortization Policy.

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternative Schedules: 10 Year Amortization		Alternative Schedules: 5 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2025	651,843	70,706	651,843	88,976	651,843	153,011
6/30/2026	623,096	73,150	604,217	88,976	538,041	153,011
6/30/2027	589,872	75,195	553,352	88,976	416,500	153,012
6/30/2028	552,274	81,680	499,029	88,976	286,693	153,011
6/30/2029	505,417	81,938	441,012	88,977	148,060	153,011
6/30/2030	455,106	81,938	379,048	88,976		
6/30/2031	401,375	81,937	312,872	88,976		
6/30/2032	343,992	81,941	242,196	88,977		
6/30/2033	282,703	81,938	166,713	88,977		
6/30/2034	217,248	81,938	86,097	88,976		
6/30/2035	147,341	19,904				
6/30/2036	136,791	19,908				
6/30/2037	125,520	19,908				
6/30/2038	113,482	19,905				
6/30/2039	100,628	19,906				
6/30/2040	86,898	19,907				
6/30/2041	72,236	19,907				
6/30/2042	56,576	17,189				
6/30/2043	42,660	39,425				
6/30/2044	4,816	4,977				
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**993,297**		**889,763**		**765,056**
Interest Paid		**341,454**		**237,920**		**113,213**
Estimated Savings				**103,534**		**228,241**

Employer Contribution History

The table below provides a recent history of the employer contribution requirements for the plan, as determined by the annual actuarial valuation. Changes due to prepayments or plan amendments after the valuation report was finalized are not reflected.

Valuation Date	Contribution Year	Employer Normal Cost Rate	Unfunded Liability Payment
06/30/2014	2016 - 17	8.880%	$22,662
06/30/2015	2017 - 18	8.921%	24,727
06/30/2016	2018 - 19	9.409%	29,911
06/30/2017	2019 - 20	10.221%	35,565
06/30/2018	2020 - 21	11.031%	52,786
06/30/2019	2021 - 22	10.88%	64,090
06/30/2020	2022 - 23	10.87%	64,632
06/30/2021	2023 - 24	12.47%	60,202
06/30/2022	2024 - 25	12.52%	66,267
06/30/2023	2025 - 26	12.58%	70,706

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
06/30/2014	$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
06/30/2023	2,330,252	1,615,686	714,566	69.3%	160,165

Risk Analysis

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, 2043.

Assumed Annual Return FY 2023-24 through FY 2042-43	Projected Employer Contributions				
	2026-27	2027-28	2028-29	2029-30	2030-31
3.0% (5th percentile)					
Discount Rate	6.80%	6.80%	6.80%	6.80%	6.80%
Normal Cost Rate	12.6%	12.6%	12.6%	12.6%	12.6%
UAL Contribution	$75,000	$80,000	$91,000	$97,000	$105,000
10.8% (95th percentile)					
Discount Rate	6.75%	6.70%	6.65%	6.60%	6.55%
Normal Cost Rate	12.8%	13.1%	13.3%	13.6%	13.8%
UAL Contribution	$72,000	$71,000	$73,000	$67,000	$59,000

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 one and two standard deviation investment losses in FY 2023-24 on the FY 2026-27 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 2026-27.

Assumed Annual Return for Fiscal Year 2023-24	Required Employer Contributions	Projected Employer Contributions
	2025-26	2026-27
(17.2%) (2 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	12.58%	12.6%
UAL Contribution	$70,706	$83,000
(5.2%) (1 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	12.58%	12.6%
UAL Contribution	$70,706	$78,000

- Without investment gains (returns higher than 6.8%) in FY 2024-25 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 2023-24.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2026-27 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, 2023, 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, 2023	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	24.55%	19.51%	15.67%
b) Accrued Liability	$2,573,812	$2,330,252	$2,123,125
c) Market Value of Assets	$1,615,686	$1,615,686	$1,615,686
d) Unfunded Liability/(Surplus) [(b) - (c)]	$958,126	$714,566	$507,439
e) Funded Ratio	62.8%	69.3%	76.1%

Sensitivity to the Price Inflation Assumption

As of June 30, 2023	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	20.46%	19.51%	17.81%
b) Accrued Liability	$2,393,466	$2,330,252	$2,181,969
c) Market Value of Assets	$1,615,686	$1,615,686	$1,615,686
d) Unfunded Liability/(Surplus) [(b) - (c)]	$777,780	$714,566	$566,283
e) Funded Ratio	67.5%	69.3%	74.0%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2023, plan costs and funded status under two different longevity scenarios, namely assuming rates of post-retirement 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, 2023	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	19.84%	19.51%	19.20%
b) Accrued Liability	$2,383,711	$2,330,252	$2,281,069
c) Market Value of Assets	$1,615,686	$1,615,686	$1,615,686
d) Unfunded Liability/(Surplus) [(b) - (c)]	$768,025	$714,566	$665,383
e) Funded Ratio	67.8%	69.3%	70.8%

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

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2022	June 30, 2023
1. Retiree Accrued Liability	$2,199,527	$2,187,947
2. Total Accrued Liability	$2,300,530	$2,330,252
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	96%	94%

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

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

For comparison, the support ratio for all CalPERS public agency plans as of June 30, 2022, was 0.77 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, 2022	June 30, 2023
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 increases, 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 a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an 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 an LVR of 8 is expected to have twice the contribution volatility of a plan with an LVR of 4 when there is a change in accrued liability, such as when there is a change in actuarial assumptions. 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, 2022	June 30, 2023
1. Market Value of Assets	$1,614,667	$1,615,686
2. Payroll	$153,941	$160,165
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	10.5	10.1
4. Accrued Liability	$2,300,530	$2,330,252
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	14.9	14.5

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	11%	1.00	6.4	9.0
06/30/2018	10%	1.00	6.4	9.2
06/30/2019	82%	0.67	8.6	11.8
06/30/2020	78%	0.67	7.6	10.5
06/30/2021	97%	0.33	12.5	15.4
06/30/2022	96%	0.33	10.5	14.9
06/30/2023	94%	0.33	10.1	14.5

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, 2023. The accrued liability on a termination basis (termination liability) is calculated differently from 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 remainder of the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The discount rate used for actual termination valuations is a weighted average of the 10-year and 30-year Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the following analysis is based on 20-year Treasury bonds, which is a good proxy for most plans. The discount rate upon contract termination will depend on actual Treasury rates on the date of termination, which varies over time, as shown below.

Valuation Date	20-Year Treasury Rate	Valuation Date	20-Year Treasury Rate
06/30/2014	3.08%	06/30/2019	2.31%
06/30/2015	2.83%	06/30/2020	1.18%
06/30/2016	1.86%	06/30/2021	2.00%
06/30/2017	2.61%	06/30/2022	3.38%
06/30/2018	2.91%	06/30/2023	4.06%

As Treasury rates are variable, the table below shows a range for the termination liability using discount rates 1% below and above the 20-year Treasury rate on the valuation date. The price inflation assumption is the 20-year Treasury breakeven inflation rate, that is, the difference between the 20-year inflation indexed bond and the 20-year fixed-rate bond.

The Market Value of Assets (MVA) also varies with interest rates and will fluctuate depending on other market conditions on the date of termination. Since it is not possible to approximate how the MVA will change in different interest rate environments, the results below use the MVA as of the valuation date.

	Discount Rate: 3.06% Price Inflation: 2.50%	Discount Rate: 5.06% Price Inflation: 2.50%
1. Termination Liability[1]	$3,494,705	$2,791,906
2. Market Value of Assets (MVA)	1,615,686	1,615,686
3. Unfunded Termination Liability [(1) – (2)]	$1,879,019	$1,176,220
4. Funded Ratio [(2) ÷ (1)]	46.2%	57.9%

[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.

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 a CalPERS actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan's assets and liabilities. Before beginning this process, please consult with a CalPERS actuary.

Funded Status – Low-Default-Risk Basis

Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, requires the disclosure of a low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date using a discount rate based on the yields of high quality fixed income securities with cash flows that replicate expected benefit payments. Conceptually, this measure represents the level at which financial markets would value the accrued plan costs, and would be approximately equal to the cost of a portfolio of low-default-risk bonds with similar financial characteristics to accrued plan costs.

As permitted in ASOP No. 4, the Actuarial Office uses the Entry Age Actuarial Cost Method to calculate the LDROM. This methodology is in line with the measure of "benefit entitlements" calculated by the Bureau of Economic Analysis and used by the Federal Reserve to report the indebtedness due to pensions of plan sponsors and, conversely, the household wealth due to pensions of plan members.

As shown below, the discount rate used for the LDROM is 4.82%, which is the Standard FTSE Pension Liability Index[1] discount rate as of June 30, 2023, net of assumed administrative expenses.

Selected Measures on a Low-Default-Risk Basis	**June 30, 2023**
Discount Rate	4.82%
1. Accrued Liability[2] – Low-Default-Risk Basis (LDROM)	
a) Active Members	$231,495
b) Transferred Members	0
c) Separated Members	0
d) Members and Beneficiaries Receiving Payments	2,624,661
e) Total	$2,856,156
2. Market Value of Assets (MVA)	1,615,686
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	$1,240,470
4. Unfunded Accrued Liability – Funding Policy Basis	714,566
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	$525,904

The difference between the unfunded liabilities on a low-default-risk basis and on the funding policy basis represents the present value of the investment risk premium that must be earned in future years to keep future contributions for currently accrued plan costs at the levels anticipated by the funding policy.

Benefit security for members of the plan relies on a combination of the assets in the plan, the investment income generated from those assets, and the ability of the plan sponsor to make necessary future contributions. If future returns fall short of 6.8%, benefit security could be at risk without higher than currently anticipated future contributions.

The funded status on a low-default-risk basis is not appropriate for assessing the sufficiency of plan assets to cover the cost of settling the plan's benefit obligations (see Funded Status – Termination Basis), nor is it appropriate for assessing the need for future contributions (see Funded Status – Funding Policy Basis).

1 This index is based on a yield curve of hypothetical AA-rated zero coupon corporate bonds whose maturities range from 6 months to 30 years. The index represents the single discount rate that would produce the same present value as discounting a standardized set of liability cash flows for a fully open pension plan using the yield curve. The liability cash flows are reasonably consistent with the pattern of benefits expected to be paid from the entire Public Employees' Retirement Fund for current and former plan members. A different index, hence a different discount rate, may be needed to measure the LDROM for a subset of the fund, such as a single rate plan or a group of retirees.

2 If plan assets were invested entirely in the AA fixed income securities used to determine the discount rate of 4.82%, the CalPERS discount rate could, at various times, be below 4.5% or 5.25%, and some automatic annual retiree COLAs could be suspended (Gov. Code sections 21329 and 21335). Since there is currently no proposal to adopt an asset allocation entirely comprised of fixed income securities, the automatic COLAs have been fully valued in the measures above based on the assumptions used for plan funding. Removing future COLAs from the measurement would understate the statutory obligation.

Summary of Valuation Data

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

	June 30, 2022	June 30, 2023
Active Members		
Counts	1	1
Average Attained Age	36.3	37.3
Average Entry Age to Rate Plan	33.0	33.0
Average Years of Credited Service	3.4	4.4
Average Annual Covered Pay	$153,941	$160,165
Annual Covered Payroll	$153,941	$160,165
Present Value of Future Payroll	$1,952,308	$2,038,849
Transferred Members	0	0
Separated Members	0	0
Retired Members and Beneficiaries*		
Counts	3	3
Average Annual Benefits	$55,094	$56,196
Total Annual Benefits	$165,282	$168,587

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 following Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

Plan's Major Benefit Options

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

	Benefit Group	
Member Category	**Misc**	
Demographics		
Actives	Yes	
Transfers/Separated	No	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2% @ 55	
Social Security Coverage	Yes	
Full/Modified	Full	
Employee Contribution Rate	7.00%	
Final Average Compensation Period	One Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	No	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$2,000	
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 & Publications section

	FY 18-19 Adopted Budget	FY 19-20 Adopted Budget	FY 20-21 Adopted Budget	FY 21-22 Adopted Budget	FY 22-23 Adopted Budget	FY 23-24 Adopted Budget	FY 24-25 Aodpted Budget	FY 25-26 Proposed Budget	FY 26-27 Projected Budget	FY 27-28 Projected Budget	FY 28-29 Projected Budget
REVENUE DESCRIPTION											
Interest	$ 6,000	$ 6,000	$ 6,000	$ 3,000	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 2,000	$ 2,000	$ 2,000
Funding Agencies' Apportionments	$ 383,900	$ 399,300	$ 399,300	$ 399,300	$ 419,265	$ 419,265	$ 419,265	$ 495,000	$ 515,075	$ 545,679	$ 577,813
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	$ 295,000	$ 295,000	$ 295,000	$ 295,000
TOTAL REVENUES	**$ 759,200**	**$ 662,400**	**$ 657,100**	**$ 641,850**	**$ 668,750**	**$ 675,450**	**$ 772,150**	**$ 791,500**	**$ 812,075**	**$ 842,679**	**$ 874,813**
EXPENDITURE DESCRIPTION											
Regular Pay	$ 269,700	$ 245,400	$ 245,400	$ 220,000	$ 200,000	$ 245,000	$ 260,000	$ 280,000	$ 285,000	$ 299,250	$ 314,213
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	$ 10,300	$ 10,815	$ 11,356	$ 11,924
Social Security	$ 20,700	$ 18,200	$ 18,200	$ 18,000	$ 15,000	$ 18,000	$ 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	$ 113,000	$ 118,650	$ 124,583	$ 130,812
Insurances	$ 43,300	$ 50,500	$ 50,500	$ 50,000	$ 40,000	$ 45,000	$ 45,000	$ 45,000	$ 47,250	$ 49,613	$ 52,093
Unemployment	$ 400	$ 400	$ 400	$ 450	$ 450	$ 250	$ 600	$ 1,000	$ 1,050	$ 1,103	$ 1,158
Workers Comp	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,500	$ 500	$ 1,500	$ 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**	**$ 468,800**	**$ 483,240**	**$ 507,402**	**$ 532,772**
Telecom	$ 2,100	$ 2,000	$ 2,000	$ 2,000	$ 1,600	$ 1,200	$ 1,600	$ 1,600	$ 1,680	$ 1,764	$ 1,852
Office Equipment	$ 200	$ 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	$ 7,800	$ 8,190	$ 8,600	$ 9,029
Hardware	$ -	$ 300	$ 300	$ 300	$ 200	$ 150	$ -	$ -	$ -	$ -	$ -
Duplicating	$ 1,200	$ 1,200	$ 1,600	$ 1,000	$ 800	$ 500	$ 500	$ 200	$ 210	$ 221	$ 232
PC Software	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 700	$ 700	$ 735	$ 772	$ 810
Postage	$ 1,400	$ 1,400	$ 1,000	$ 800	$ 1,000	$ 1,000	$ 800	$ 400	$ 420	$ 441	$ 463
Subscriptions	$ 800	$ 500	$ 500	$ 500	$ 500	$ 1,800	$ 3,300	$ 3,300	$ 3,465	$ 3,638	$ 3,820
Supplies	$ 1,700	$ 1,500	$ 1,000	$ 1,000	$ 800	$ 800	$ 500	$ 400	$ 420	$ 441	$ 463
Accounting	$ 1,200	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 14,000	$ 11,500	$ 12,075	$ 12,679	$ 13,313
Attorney	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 15,000	$ 15,000	$ 15,750	$ 16,538	$ 17,364
Data Service	$ 16,700	$ 16,700	$ 10,000	$ 12,000	$ 12,000	$ 12,000	$ 9,500	$ 14,000	$ 14,700	$ 15,435	$ 16,207
Director Fees	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 5,000	$ 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	$ 38,000	$ 39,900	$ 41,895	$ 43,990
Legal Notices	$ 1,700	$ 1,700	$ 1,700	$ 7,000	$ 6,000	$ 3,500	$ 4,000	$ 4,000	$ 4,200	$ 4,410	$ 4,631
Rents	$ 8,400	$ 8,500	$ 9,000	$ 9,000	$ 9,000	$ 9,400	$ 10,000	$ 10,000	$ 10,500	$ 11,025	$ 11,576
Misc. Expenses	$ 5,900	$ 6,500	$ 6,000	$ 5,000	$ 5,000	$ 5,000	$ 4,000	$ 4,500	$ 4,725	$ 4,961	$ 5,209
Books	$ 300	$ 200	$ 200	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Air Fare	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 600	$ 1,500	$ 600	$ 600	$ 630	$ 662	$ 695
Auto Rental	$ 200	$ 200	$ 200	$ 200	$ 200	$ -	$ -	$ -	$ -	$ -	$ -
Training	$ 900	$ 1,800	$ 1,800	$ 1,800	$ 500	$ 1,000	$ 500	$ 500	$ 525	$ 551	$ 579
Lodging	$ 5,200	$ 5,200	$ 5,200	$ 5,200	$ 2,000	$ 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	$ -	$ -	$ -	$ -
Travel-Other	$ 500	$ 500	$ 500	$ 300	$ 300	$ 250	$ 250	$ -	$ -	$ -	$ -
Registrations	$ 5,400	$ 5,400	$ 5,400	$ 5,000	$ 3,000	$ 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**	**$ 122,700**	**$ 128,835**	**$ 135,277**	**$ 142,041**
RESERVE DESCRIPTION											
Contingency Reserves	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Litigation Reserves	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Total Reserve Balance	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 200,000**	**$ 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**	**$ 791,500**	**$ 812,075**	**$ 842,679**	**$ 874,813**

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 2, 2025, the Local Agency Formation Commission of Santa Cruz County (LAFCO) will hold public hearings on the following items:

- **"Lockewood Lane/Graham Hill Road Parcel Annexation" (Project No. DA 24-12):** Consideration of a single parcel annexation (totaling 1.28 acres) to the San Lorenzo Valley Water District (SLVWD). The subject area is located north of Spreading Oak Drive and Rolling Woods Drive, east of Graham Hill Road, south of Lockewood Lane, and west of Hidden Glen Drive. SLVWD is willing and capable of providing water service to the subject parcel, if annexed.

- **Draft Budget for Fiscal Year 2025-26:** Adoption of a draft budget for the upcoming fiscal year. The final budget is scheduled to be considered on May 7, 2025. 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.

Joe A. Serrano
Executive Officer
Date: March 11, 2025

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2025-04

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 2025-26

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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 2025-26; and

WHEREAS, the proposed budget was advertised in the Santa Cruz Sentinel Newspaper on March 11, 2025 for consideration at the April 2, 2025 LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a draft budget during a public hearing held on April 2, 2025; 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 requires 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 2025-26 during a public hearing no later than June 4, 2025.

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby adopts a draft budget for the fiscal year beginning July 1, 2025 in the amount of $791,500 with the budget to be funded by the participating agencies of $495,000 (apportionment basis calculated and collected by the County Auditor-Controller's Office).

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 2nd day of April 2025.

AYES:

NOES:

ABSTAIN:

____
MANU KOENIG, CHAIRPERSON

Attest: Approved as to form:

__________________________ __________________________
Joe A. Serrano, Executive Officer Joshua Nelson, LAFCO Counsel

Agenda Item No. 6a

LAFCO

Santa Cruz Local Agency Formation Commission

Date: April 2, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Special Districts Regular & Alternate Member Seats – Election Results

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SUMMARY OF RECOMMENDATION

State law requires LAFCOs to assist the Independent Special District Selection Committee when seats are vacant on specific boards. Santa Cruz LAFCO currently has three district representatives: two regular members and one alternate. One of the regular member seats and the alternate member seat are scheduled to expire in May 2025. A recent election was held to appoint a special district representative for the seat vacancies.

It is recommended the Commission adopt the draft resolution (No. 2025-05) ratifying the voting results and directing staff to conduct a run-off election for both seats.

EXECUTIVE OFFICER'S REPORT

This year the Independent Special District Selection Committee was authorized to address the upcoming regular and alternate member seat vacancies on LAFCO. The 20 voting districts had two months to submit their ballots. A total of 19 ballots were submitted before the March 26th deadline. However, none of the candidates received a majority of the votes to be selected. Pursuant to the Commission's adopted policies, a run-off election will be required for the regular and alternate member seats. **Attachment 1** provides a copy of the Independent Special Districts Selection Policy.

ELECTION RESULTS

The 20 independent special districts had the option to vote for one of three candidates for the regular position and one of five candidates for the alternate position. A candidate for a regular or alternate seat on LAFCO must receive at least a majority of the votes cast in order to be selected. In the event that no candidate receives the required number of votes, a run-off election shall be conducted, either by a second mailed ballot vote or a meeting of the Independent Special District Selection Committee, at the discretion of the Executive Officer. **Table A** shows the percentage of votes cast for each candidate.

Table A: Election Results

Name	District	Votes Received	Percentage
Regular Member Seat Candidates			
Jim Anderson *(incumbent)*	Felton Fire Protection District	9 out of 19	47%
Lani Faulkner	Central Fire District	8 out of 19	42%
Tony Nunez	Pajaro Valley Health Care District	2 out of 19	11%
Alternate Member Seat Candidates			
Jim Anderson	Felton Fire Protection District	2 out of 19	11%
Ed Banks *(incumbent)*	Pajaro Valley Cemetery District	8 out of 19	42%
Lani Faulkner	Central Fire District	7 out of 19	37%
Alina Layng	San Lorenzo Valley Water District	1 out of 19	5%
Tony Nunez	Pajaro Valley Health Care District	1 out of 19	5%

NEXT STEPS

Since no candidate received a majority of the votes for either seat, a run-off election will be conducted in April involving the top two candidates from each category. The run-off election for the regular member seat will involve **Jim Anderson and Lani Faulkner**. The run-off election for the alternate member seat will involve **Ed Banks and Lani Faulkner**. Letters will be sent out to the 20 voting districts informing them about the run-off election. **Table B** below provides an overview of the entire election process, including the additional steps needed to appoint LAFCO's next regular and alternate district members.

Table B – Election Process Schedule

Action	Deadline	Notes
1) Request for Applications	Dec. 2, 2024	Letters sent to districts about upcoming vacancies
2) Applications Due Back	Jan. 24, 2025	Applications due back to LAFCO by 4:00pm
3) Election Process Begins	Jan. 27, 2025	Letters sent to districts with ballots and candidate info
4) Election Process Ends	Mar. 26, 2025	Signed ballots due back to LAFCO by 3:00pm
5) LAFCO Meeting (Certify Results)	Apr. 2, 2025	LAFCO certifies results and schedules a run-off election
6) Run-Off Election Begins	**Apr. 2, 2025**	**Letters sent to districts with run-off ballot**
7) Run-Off Election Ends	**May 1, 2025**	**Signed ballots due back to LAFCO by 8:00am**
8) LAFCO Meeting (Oath of Office)	**May 7, 2025**	**Elected individuals are officially seated on LAFCO**

CONCLUSION

It is staff's understanding that this will be the first time in Santa Cruz LAFCO history that a run-off election will be required. This outcome shows the level of interest and value the Commission offers to the local agencies, the County, and the general public. While the run-off was unexpected, staff has developed a timeline that allows the voting districts enough time to consider appointing someone before the seats become vacant in May. Therefore, staff is recommending that the Commission adopt the attached resolution certifying the election results and directing staff to conduct a run-off election for the regular and alternate district member seats.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. Independent Special Districts Selection Policy
2. Draft Resolution No. 2025-05 (Election Results)

cc: Independent Special District Selection Committee

LOCAL AGENCY FORMATION COMISSION
OF SANTA CRUZ COUNTY

INDEPENDENT SPECIAL DISTRICTS SELECTION POLICY

1. OVERVIEW

The purpose of the Independent Special District Selection Committee shall be to appoint the regular and alternate special district members of the Local Agency Formation Commission (LAFCO) and to fill unexpired terms when vacancies occur. It is important to note that nothing in these Rules of Procedure shall supersede Government Code Section 56332, which governs the establishment of the Independent Special District Selection Committee.

2. MEMBERSHIP

Membership of the Independent Special District Selection Committee shall be composed of the presiding officer or designated board member of the legislative body of each independent special district either located wholly within Santa Cruz County or containing territory within the county that represents 50% or more of the assessed value of taxable property of the district.

3. MEETINGS

3.1 Notification and Solicitation of Nominations

The Executive Officer of the Commission shall give written notice to all eligible independent special districts of any meeting of the Independent Special District Selection Committee, specifying the date, time, and place.

Any person qualified to serve as an Independent Special District representative to LAFCO shall be qualified to submit a nomination which shall be accompanied by a brief resume on the form provided by LAFCO. Each district shall be encouraged to submit nominations.

3.2 Registration

Each member of the Selection Committee shall be entitled to one vote for each independent special district of which he or she is the presiding officer.

In the event that the presiding officer is unable to attend a meeting of the Committee, the legislative body may appoint one of its members to attend in the presiding officer’s place. Such a designated member shall submit written authorization at the time of registration.

Each voting member shall register and complete a declaration of qualification. The voting member will then be given the required number of ballots and other voting materials.

3.3 Quorum

Members representing a majority of the eligible districts shall constitute a quorum for the conduct of Committee business. No meeting shall be called to order earlier than the time specified in the notice and until a quorum has been declared to be present.

Before calling the meeting to order, the Executive Officer shall announce that a quorum is present and request that any voting member who has not yet registered do so at that time. Only those eligible members registered and present shall be allowed to vote.

3.4 Sequential Balloting

If there is more than one position to fill, sequential balloting will be held in the following order using a ballot with names of all eligible nominees: (1) Full term, regular member; (2) Partial term, regular member; and (3) Alternate member.

If a candidate is elected to a position, his or her name will be crossed out on the subsequent ballots.

3.5 Majority to Win

In order for a candidate to be elected, that candidate must receive a majority of the votes being cast.

If no candidate receives a majority, a subsequent round of voting shall be conducted with the eligible candidates limited to the two candidates who received the most votes in the previous round and any candidates who received the same number of votes as the second candidate.

4. COMPOSITION OF SPECIAL DISTRICT REPRESENTATION ON LAFCO

It is desirable that the special district members on LAFCO have a broad cross-section of duties and experience in district matters. Therefore, the following four classes of districts are established:

Class 1: Fire Protection Districts

- Ben Lomond Fire Protection District
- Boulder Creek Fire Protection District
- Central Fire District[1]
- Felton Fire Protection District
- Pajaro Valley Fire Protection District[2]
- Scotts Valley Fire Protection District[3]
- Zayante Fire Protection District

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[1] The original resolution listed the Aptos/La Selva Fire Protection District, which was subsequently consolidated with the Central Fire Protection District (named changed to Central Fire District) in 2021.

[2] The original resolution listed the Freedom Fire Protection District and the Salsipuedes Fire Protection District, which were subsequently consolidated into the Pajaro Valley Fire Protection District.

[3] The original resolution listed the Branciforte Fire Protection District, which was subsequently dissolved and annexed into the Scotts Valley Fire Protection District in 2023.

Class 2: Water Districts

- Central Water District
- San Lorenzo Valley Water District[4]
- Scotts Valley Water District
- Soquel Creek Water District

Class 3: Recreation and Park Districts

- Alba Recreation and Park District
- Boulder Creek Recreation and Park District
- La Selva Beach Recreation and Park District

Class 4: Miscellaneous Districts[5]

- Pajaro Valley Heath Care District
- Pajaro Valley Public Cemetery District
- Pajaro Valley Water Management Agency
- Salsipuedes Sanitary District
- Santa Cruz County Resource Conservation District
- Santa Cruz Port District

4.1 Overlapping Classes

At no time shall the two regular special district members on LAFCO come from the same class of districts.

4.2 Class Diversity

Where feasible, nominations for vacancies on LAFCO may not come from the class that already has a regular member sitting on LAFCO.

4.3 Conflicting Classes

Any election that would result in the two regular special district members being from the same class of district shall be immediately deemed invalid, and a subsequent ballot will be prepared excluding the conflicting class of candidates and voted upon.

5. MAILED-BALLOT ELECTIONS

5.1 Authority

A mailed-ballot election may be conducted if the Executive Officer has determined that a meeting of the Special District Selection Committee is not feasible.

5.2 Notification and Solicitation of Nominations

The Executive Officer of the Commission shall give written notice to all eligible independent special districts of the intention to conduct a mailed-ballot election. Each district shall acknowledge receipt of the Executive Officer's notice.

[4] The original resolution listed the Lompico County Water District which was subsequently dissolved and annexed into the San Lorenzo Valley Water District.

[5] The original resolution listed the Opal Cliffs Recreation District and the Reclamation District No. 2049, which were subsequently dissolved in 2022 and 2024 respectively. The list also excluded the Pajaro Valley Health Care District which was ultimately created through special legislation in 2022.

Each district shall be encouraged to submit nominations, accompanied by a brief resume on the form provided by LAFCO. All nominations must be received by a specified date that shall be at least six weeks from the date of notification. Emailed copies of nominations may be submitted, if necessary, to meet the established deadline; however, replacement originals must be submitted as soon thereafter as possible.

5.3 Distribution and Return of Ballots

All eligible districts shall be sent, by certified mail, return receipt requested, the following materials: (1) copies of all nominations received by the deadline, (2) ballot(s) as required to vote for Commission members, and (3) voting instructions.

The following outlines the necessary information and steps to submit a complete ballot:

1. The ballots shall include the names of all nominees.

2. Each ballot shall be accompanied by a certification sheet to be completed by the presiding officer or designated alternate who cast that district's vote.

3. A specified period of time, not less than six weeks, shall be allowed for the districts to cast their votes and return their ballots.

4. Ballots shall be sent by certified mail, return receipt requested.

5. Emailed copies of ballots may be submitted, if necessary, to meet the established deadline; however, replacement originals must be submitted as soon thereafter as possible.

6. All ballots received by the deadline shall be counted and the results announced within seven days.

7. Certified ballots representing a simple majority of the eligible districts must be returned for a valid election.

5.4 Appointment by Majority Vote

A candidate for a regular or alternate member of the Commission must receive at least a majority of the votes cast in order to be selected. Results of the election will be reviewed and adopted by the Commission during an open session of a regularly scheduled LAFCO Meeting.

In the event that no candidate receives the required number of votes, a run-off election shall be conducted, either by a second mailed ballot or a meeting of the Independent Special District Selection Committee, at the discretion of the Executive Officer.

Adopted on September 7, 1994 (Resolution No. 801-B)
Revision on May 6, 2020 (Resolution No. 2020-11)
Last Revision on March 6, 2024 (Resolution No. 2024-07)

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2025-05

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

ADOPTING THE INDEPENDENT SPECIAL DISTRICT SELECTION COMMITTEE - LAFCO REGULAR AND ALTERNATE MEMBER ELECTION RESULTS FOR A TERM ENDING ON THE FIRST MONDAY IN MAY 2029

****

WHEREAS, a vacancy for the Special District Member (Regular) Commissioner seat will be created with the completion of Jim Anderson's term as LAFCO Commissioner in May 2025; and

WHEREAS, a vacancy for the Special District Member (Alternate) Commissioner seat will be created with the completion of Ed Banks' term as LAFCO Commissioner in May 2025; and

WHEREAS, the Executive Officer determined that a mailed-in election process for the purpose of selecting the Special District Regular Member was appropriate and consistent with the guidelines outlined in the Commission's Independent Special District Selection Committee Policy; and

WHEREAS, the Executive Officer solicited applications for the upcoming vacancy on December 2, 2024; and

WHEREAS, the deadline to submit applications was January 24, 2025, in which three applications were submitted for the regular member seat and five applications were submitted for the alternate member seat before the January 24th deadline; and

WHEREAS, LAFCO conducted the mailed-in election process starting on January 27, 2025 and ending on March 26, 2025, in which ballots were distributed to the twenty independent special districts; and

WHEREAS, LAFCO received a total of 19 ballots by the March 26th deadline, and

WHEREAS, a candidate for a regular or alternate member of the Commission must receive at least a majority of the votes cast in order to be selected. Results of the election will be reviewed and adopted by the Commission during an open session of a regularly scheduled LAFCO Meeting; and

WHEREAS, in the event that no candidate receives the required number of votes, a run-off election shall be conducted, either by a second mailed ballot vote or a meeting of the Independent Special District Selection Committee, at the discretion of the Executive Officer; and

WHEREAS, none of the candidates for the regular and alternate member seats received a majority of the 19 ballots submitted by the voting districts; and

WHEREAS, the Executive Officer will conduct a second mailed ballot vote for a run-off election involving the top two candidates from each category. The run-off election for the regular member seat will involve Jim Anderson and Lani Faulkner. The run-off election for the alternate member seat will involve Ed Banks and Lani Faulkner; and

NOW, THEREFORE, BE IT RESOLVED, a run-off election will be held from April 2 to May 1, 2025. The results of the run-off election will be reviewed and adopted by the Commission during an open session on May 7, 2025.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County on this second day of April 2025 by the following vote:

AYES:

NOES:

ABSTAIN:

____
MANU KOENIG, CHAIRPERSON

Attest:

____
Joe A. Serrano
Executive Officer

Approval as to form:

____
Joshua Nelson
LAFCO Counsel

Agenda Item No. 6b

Santa Cruz Local Agency Formation Commission

Date: April 2, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: LAFCO Meeting Conflicts

SUMMARY OF RECOMMENDATION

Each year, LAFCO approves a meeting schedule for the upcoming year. The Commission adopted the meeting schedule for the 2025 calendar year on November 6, 2024. Since then, the County has informed LAFCO about two upcoming conflicts regarding the Commission's usage of the County's Board of Supervisors Chambers as our designated meeting location.

It is recommended that the Commission relocate LAFCO's August and September Meetings to Watsonville's City Council Chambers.

EXECUTIVE OFFICER'S REPORT:

LAFCO was informed in March that the dates for the Board of Supervisors Chambers remodel had just been released, and unfortunately, our reservations for August and September will fall within the remodeling period. Staff is recommending that the Commission consider relocating LAFCO's August 6th and September 3rd meetings to Watsonville's City Council Chambers. The City has informed LAFCO that both dates are available. The Commission may also consider canceling one or both meetings as well as directing staff to search for other possible locations. That said, staff believes that the Watsonville City Council Chambers may be the preferred alternative due to the Commission's previous usage of the location. **Attachment 1** shows the updated meeting schedule for the remainder of the 2025 calendar year should the Commission approve the proposed relocation of the August and September meetings.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachment: 2025 LAFCO Meeting Schedule (updated version)

Local Agency Formation Commission of Santa Cruz County

2025 SCHEDULE OF REGULAR LAFCO MEETINGS

(Originally adopted on November 6, 2024; Updated on April 2, 2025)

January – No Meeting

February 5

March 5

April 2

May 7

June 4

July – No Meeting

August 6
(*Watsonville City Council Chambers)*

September 3
(*Watsonville City Council Chambers)*

October 1

November 5

December – No Meeting

All regular meetings begin at 9:00am and are typically held in the Board of Supervisors Chambers, located on the fifth floor of the County Governmental Center – 701 Ocean Street (Room 525), Santa Cruz, CA

HYBRID LAFCO MEETINGS

Santa Cruz LAFCO has established a hybrid meeting process in accordance with Assembly Bill 2449. Members of the public will have the option to attend virtually or in-person. The Commission will have full discretion on whether to conduct hybrid meetings or revert back to in-person meetings at any point in the calendar year.

Agenda Item No. 7a

Santa Cruz Local Agency Formation Commission

Date: April 2, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: CALAFCO Letter – Strengthening CALAFCO's Future

SUMMARY OF RECOMMENDATION

In March, the Commission received written correspondence from the California Association of Local Agency Formation Commissions (CALAFCO). 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:

LAFCO received a letter from CALAFCO on March 14, 2025 (refer to **Attachment 1**). The letter focused on CALAFCO's efforts to address the member agencies' concerns about the organization. A key action implemented by the CALAFCO Board was the establishment of a transition team, including the selection of an interim Executive Director and the rehiring of former Executive Director Pamela Miller and Administrative Assistant Jeni Tickler for temporary assistance. While CALAFCO will be facing a challenging year, it is your staff's opinion that the organization is heading in the right direction.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachment: CALAFCO Letter (dated March 14, 2025)

March 14, 2025

Santa Cruz LAFCO
701 Ocean Street, Room 318-D
Santa Cruz, CA 95060

Subject: Addressing Member Concerns & Strengthening CALAFCO's Future

Dear Chair Koenig, Commissioners, and Executive Officer Serrano;

We recognize that the current state of our organization is troubling to our valued members. We must, and will, do better regarding governance, transparency, and the overall direction of CALAFCO. As an organization committed to serving the best interests of LAFCos across the state, we take your concerns seriously and want to assure you that we are actively taking steps to address them.

A Period of Transition & Rebuilding Trust

Every organization evolves as new paths are taken, and CALAFCO is currently undergoing a phase of transition and internal reorganization. Our goal is to emerge stronger, more transparent, and better positioned to serve our membership.

The Board of Directors and Regional Officers are fully engaged in this process, listening to feedback, and implementing meaningful changes that will reinforce trust and ensure the long-term viability of CALAFCO. We are committed to refocusing our mission, improving communication, and enhancing operational efficiency.

Key Actions Underway

To support this effort, we have assembled a highly qualified transition team:

- **José Henríquez (Interim Executive Director)** Currently the CALAFCO Central Region Officer and Executive Officer of Sacramento LAFCo, José is leading day-to-day operations, managing fiscal and budgetary matters, and facilitating member engagement.
- **Pamela Miller (Governance Consultant & Organizational Development Specialist) –** A former CALAFCO Executive Director, Pamela is conducting a full organizational assessment and comprehensive organizational structural assessment, reviewing policies and Bylaws, and assisting in the recruitment of a permanent Executive Director. She is also leading governance consultation and stakeholder outreach to ensure member voices are heard. Pamela will also be facilitating the March 20th Board retreat.
- **Jeni Tickler (Administrative & Event Planning Specialist)** A former CALAFCO Administrative Assistant, Jeni is handling critical administrative functions, including

financial management, membership support, and coordination of upcoming events such as the staff workshop.

Policy & Bylaws Updates

On February 7, 2025, the Board approved and immediately implemented key policy changes developed in collaboration with member LAFCo staff. An updated policy manual reflecting these changes will be published soon.

Additionally, a series of recommended changes to CALAFCO's Bylaws have been approved for presentation and potential member adoption at the October 2025 Annual Business Meeting. These recommendations will be widely discussed in advance through member outreach efforts to ensure full transparency and active participation.

Engaging Membership & Next Steps

We are committed to listening to you, our membership, and including you throughout this transition. To that end, we are:

- Hosting regional focus groups and visioning sessions to engage members in shaping CALAFCO's future.
- Facilitating a focus group for staff at the upcoming staff workshop.
- Providing ongoing updates and open forums for discussion.

We understand that trust is built through action, and we are dedicated to making the necessary improvements to better serve you. Your voices matter, and we encourage you to reach out with any questions, concerns, or insights.

For more information or to provide feedback, please contact:

- José Henríquez: jhenriquez@calafco.org
- Pamela Miller: pmiller@millermcg.com
- Jeni Tickler: jtickler@calafco.org

We appreciate your patience, engagement, and commitment to the future of CALAFCO. Together, we will strengthen our organization and reaffirm our mission to support LAFCos statewide.

Sincerely,

CALAFCO Board of Directors

Agenda Item No. 8a

Santa Cruz Local Agency Formation Commission

Date: April 2, 2025
To: LAFCO Commissioners
From: Francisco Estrada, LAFCO Analyst
Subject: Press Articles during the Month of February and March

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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: "Scotts Valley, Santa Cruz water projects aim for better reliability". The article, dated February 26, provides the public with an update on the water-related construction projects taking place throughout Santa Cruz in preparation for more powerful winter rainstorms and droughts in the future. The water systems have been significantly impacted by aging infrastructure, droughts and seawater intrusion in the past few years, leading to two local primary groundwater systems to be deemed "critically over drafted." The projects include the Scotts Valley Intertie project, the Graham Hill treatment plant and pipeline upgrades, and the Beltz wells conversion project in the Live Oak area.

Article #2: "Supervisor Kosmicki changes the course of San Benito LAFCO". The article, dated March 4, details the unprecedented actions taken by San Benito Supervisor and LAFCO Chairperson, Kollin Kosmicki to remove both the public member and alternate public member from the Commission. Along with also placing a pause on a countywide sanitation municipal service review, the purpose for the actions is to pursue a "slow growth" strategy that Supervisor Kosmicki campaigned on in 2024. In addition to removing the public members, LAFCO Chairperson Kosmicki also rescinded invitations for special districts to join the Commission, citing concerns that representatives would be "pro-growth."

Article #3: "Gold Ridge Fire Protection District gets OK to absorb Monte Rio, Sebastopol departments. Here's what happens next". The article, dated March 6, provides an update on Sonoma LAFCO's decision to merge the Sebastopol and Monte Rio fire departments into the Gold Ridge Fire Protection District. Before the reorganization can be finalized, residents and landowners will have an opportunity to submit petitions of opposition at a scheduled protest hearing. District Fire Chief Shepley Schroth-Cary explains that although some residents will now be required to pay the parcel tax to fund fire services, it is a worthy investment due to the value of the fire district's breadth of volunteers and ability to provide timely fire protection services.

Article #4: "San Mateo County rejects Harbor District proposition to become a port authority". The article, dated March 11, provides details on a proposal to broaden the sphere of influence for the San Mateo County Harbor District in order to become a port authority and manage Half Moon Bay Airport, San Carlos Airport, and the Coyote Point Marina. Although the proposal is potentially feasible, San Mateo LAFCO did not make any official recommendation in their upcoming service and sphere of influence review. The proposal was developed by members of the Harbor District but failed to gain traction or consensus on how the proposal will benefit taxpayers in San Mateo County.

Article #5: "Solano Supes take first step in consolidating rural fire protection districts". The article, dated March 11, informs the public on the Solano Board of Supervisor's decision to appoint itself as the governing board for the Vacaville, Suisun, and Montezuma Fire Protection Districts, the first step in the LAFCO consolidation process. The purpose of the proposed consolidation is to improve service for residents, increase efficiency and save funds that can then be reallocated for training, staffing, and equipment. The decision was based on several factors, including seven grand jury reports issued in the last 20 years, with six concluding that the districts should consolidate.

Article #6: "Mayor's Message: Charting the Course for Scotts Valley's Future". article, dated March 14, written by Scotts Valley Mayor Derek Timm, details the outcome of a two-day strategic planning workshop with the goal of creating a list of priorities for the next two years. At the workshop, city staff had an opportunity to hear from Fire Chief Mark Correira (Scotts Valley Fire Protection District) and General Manager David McNair (Scotts Valley Water District) regarding hazard mapping, fire insurance, emergency planning and water supply updates. In terms of infrastructure, city staff discussed and considered future projects including road maintenance, storm drain improvements, and updates to the city's wastewater system.

Article #7: "Registrar Says La Jolla Secessionists Came up Short on Signatures". The article, dated March 17, explains that San Diego LAFCO informed the Association for the City of La Jolla, a resident-led initiative to establish a new city in southern California, that they did not collect enough signatures to move the incorporation proposal forward. The determination was made by the County Registrar of Voters' Office, which noted that the Association needed an additional 1,027 votes to continue with the incorporation process. The group now has 15 days to collect or correct signatures and must deliver them to the Registrar's office by April 1.

Respectfully Submitted,

Francisco Estrada
LAFCO Analyst

Attachments:
1. "Scotts Valley, Santa Cruz water projects aim for better reliability".
2. "Supervisor Kosmicki changes the course of San Benito LAFCO".
3. "Gold Ridge Fire Protection District gets OK to absorb Monte Rio, Sebastopol…"
4. "San Mateo County rejects Harbor District proposition to become a port authority".
5. "Solano Supes take first step in consolidating rural fire protection districts".
6. "Mayor's Message: Charting the Course for Scotts Valley's Future".
7. "Registrar Says La Jolla Secessionists Came up Short on Signature".

santacruzlocal.org

Scotts Valley, Santa Cruz water projects aim for better reliability - Santa Cruz Local

Jesse Greenspan

10–13 minutes

By Jesse Greenspan|2025-03-01T14:04:42-08:00February 26, 2025|
Tags: City of Santa Cruz, environment, Featured, health, Heidi Luckenbach, Jesse Greenspan, Megan Goddard, Pure Water Soquel, Taylor Kihoi, water|

Two new tanks have been installed at a Graham Hill Road water treatment facility, and a new 1 million gallon water tank is due this year. (City of Santa Cruz)

Key takeaways

- A water-sharing project between Santa Cruz and Scotts Valley is due to start in March and finish early next year with construction costs estimated at $8.8 million.
- New tanks, miles of pipeline, seismic upgrades and new treatment

processes are on tap at the City of Santa Cruz's Graham Hill water treatment facility — in part to help withstand extreme weather. Construction costs are expected above $181 million.

- Two Live Oak wells are being converted to pump treated water into underground aquifers with construction costs at roughly $10 million.

SANTA CRUZ >> As climate change ushers in more frequent droughts and wildfires, and more powerful winter rainstorms, several water-related construction projects are underway in Santa Cruz County that proponents say are vital to keep water taps flowing reliably.

Unlike many areas of California, Santa Cruz County gets all of its water locally — from the San Lorenzo River watershed, a few North Coast creeks and three main groundwater basins. County residents are among the best in the state at conserving water and greater population has not increased water demand in the county since the late 1990s.

Yet, the water system has become stressed in recent years by seawater intrusion, droughts and aging infrastructure. Two of the county's primary groundwater basins have been deemed "critically overdrafted."

Authorities have responded with plans to replace pipelines and storage tanks, construct and upgrade water treatment plants, drill and renovate wells, and share resources between water districts.

Megan Goddard, board member of the nonprofit Coastal Watershed Council, expressed support for this "portfolio of projects for water resilience," which she said would help "provide a more sustainable water source for everyone."

"If we end up getting several dry years in a row, this plan will ensure that we have enough water," Goddard said.

She acknowledged that these projects can be expensive and that some of the cost is passed on to ratepayers. She said her mother frequently talks about increased water bills. However, supporters assert that these projects could save money in the long run.

Heidi Luckenbach, the City of Santa Cruz's water director, said every project was being done with adaptability, sustainability and resiliency in mind. The current system was designed for a climate that no longer exists, she said.

"Climate change is definitely changing our patterns of precipitation," Luckenbach said. "What's in front of us is different from what's behind us."

Scotts Valley Intertie

Starting in March, a Scotts Valley Intertie project will install a 2-mile-long pipeline from Santa Cruz water storage tanks near Sims Road and La Madrona Drive to a planned pump station further up La Madrona Drive in Scotts Valley.

Since the formation of Loch Lomond reservoir in the early 1960s, the Santa Cruz Water Department has not expanded its storage capacity much. It serves about 100,000 people inside and outside city boundaries.

During dredging operations at Loch Lomond Reservoir, a barrier was installed to keep kicked-up silt from tainting the water supply. (City of Santa Cruz)

Following decades of discussions, city staff and elected leaders decided to address potential future water shortages by pursuing increased cooperation with neighboring water districts and increased water storage in aquifers. To that end, the Santa Cruz Water Department has entered into a partnership with the Scotts Valley Water District to connect their two systems.

"It's going to enable the two agencies to better coordinate [and] to share water when we have water shortages," said Goddard, of the Coastal Watershed Council.

Construction costs are expected to be around $8.8 million. They will largely be covered by a $6.5 million state grant. The remaining costs are to be shared between Santa Cruz and Scotts Valley, said Taylor Kihoi, a senior professional engineer in the Santa Cruz Water Department. He said the details are still being finalized. It might be a 50-50 cost split, or, alternatively, Santa Cruz might cover the construction costs and be paid back by Scotts Valley in water, he said.

Construction is expected from March 2025 to early 2026. In the meantime, trees are being felled and biologists are relocating woodrat nests along the pipeline route, Kihoi said.

He said the pipeline's initial capacity would be 0.7 million gallons of water per day, with plans to eventually increase to 1.5 million gallons per day.

Fire hydrants will be installed along the pipeline route, Kihoi said, though he cautioned the hydrants would not be enough to douse intense wildland fires on par with those that recently swept through parts of Los Angeles County. "However, there's a benefit to having some source of water in an area that currently doesn't," Kihoi said.

One goal of the project is to store surplus surface water in the bowl-shaped Santa Margarita Groundwater Basin, the primary source of water for Scotts Valley. "It's an interesting and somewhat complicated effort to diversify [Santa Cruz's] supply by storing water in an aquifer in the Scotts Valley area and then recalling it when it's needed," said Brent Haddad, a professor of environmental studies at UC Santa Cruz.

Since 2018, the Santa Cruz water system has likewise been connected by an intertie with the Soquel Creek Water District, though Kihoi said it hasn't been utilized much.

Meanwhile, in 2016, the Scotts Valley Water District completed an intertie with the San Lorenzo Valley Water District. The two districts also contemplated a merger, but it was met with much opposition from ratepayers.

For its part, the San Lorenzo Valley Water District merged in 2016 with the Lompico Water District, and it has explored a merger with the Big Basin Water Co., with which it has an intertie connection.

"I think it's powerful that these agencies are working together," Goddard said.

The Scotts Valley Intertie project comes after a 2022 Santa Cruz County Civil Grand Jury report, which recommended additional cooperation among water districts, including a united approach to dealing with droughts, and more wastewater recycling.

Graham Hill treatment plant and pipeline upgrades

Loch Lomond water is purified at the Graham Hill Water Treatment Plant, and multiple projects to replace or repair aging infrastructure are taking place in and around it.

Two deteriorating, nearly 60-year-old concrete tanks at the facility were replaced over the last few years, and a third tank replacement is expected to be completed later this year. Construction of the new tanks, along with related equipment, piping and retaining walls, is projected to cost $28.3 million.

Workers labor on the initial stages of a now-completed concrete tank at the Graham Hill Water Treatment Plant. (City of Santa Cruz)

“These old tanks were at the end of their service life,” Goddard said. “It needed to be done.”

A separate project with construction estimated to cost $124 million is on tap to add seismic and wildfire-hardening upgrades to the facility, located at 715 Graham Hill Road. It will also include upgrades designed to treat more of the turbid water that comes rushing down the San Lorenzo River after storms. The project is slated to begin this year and finish by summer 2029.

The plant now generally shuts off its intake valves and lets the raging storm waters pass until things calm down, said Luckenbach, the Santa Cruz water director. “But we’re recognizing that we don’t have that luxury anymore because of changing precipitation patterns,” she said. “It’s all about the flexibility to be able to use the resources when they’re available.”

A third project takes aim at the aging, 9.5-mile Newell Creek Pipeline, which brings water from Loch Lomond Reservoir to the Graham Hill treatment plant. Corrosion and land movement have caused the pipeline to break more frequently, city staff said.

Two high-priority segments have been selected for initial replacement. The first, which runs through Henry Cowell Redwoods State Park, will be re-routed along Graham Hill Road with construction costs around $19.3 million. Construction, which is expected to cause traffic delays on Graham Hill Road, is anticipated to wrap up by fall 2026.

“This is the piece we really identified as adding to the reliability of our water system,” Luckenbach said. She said Henry Cowell park’s geology was extremely dynamic and near-constant repairs of the pipeline were needed in that section. “The rest of [the Newell Creek Pipeline] isn’t quite as precariously placed,” she said.

The Brackney section of the pipeline, named for a street in Ben Lomond, is likewise being replaced with construction costs around $10.3 million. Construction is expected to last from this April to April 2026.

Beltz wells

Though Santa Cruz gets about 95% of its supply from surface water sources, it does draw some water from aquifers through wells in Live Oak.

Two of those wells, named Beltz 8 and Beltz 12, are being converted so that they’re able to pump treated water into the aquifers — similar to the nearby Pure Water Soquel project, another initiative aimed at replenishing the county’s seawater-intruded groundwater — with construction costs of around $10 million. Beltz 12 will be converted first, followed by Beltz 8, with the entire project scheduled for completion by the end of 2027.

The city is also completing a project to remove naturally occurring ammonia and hydrogen sulfide at Beltz 12, and to replace a filter at the Beltz Water Treatment Plant.

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Supervisor Kosmicki changes the course of San Benito LAFCO

Juan Pablo Perez Burgos

9–11 minutes

Lea este artículo en español aquí.

As the new chair of the San Benito County Board of Supervisors, and also the county's Local Agency Formation Commission (LAFCO), Kollin Kosmicki gave a 180-degree turn to the agency watching over the boundaries of the county's two cities and nine special districts. Among the changes he has made, on Feb. 13, Kosmicki recommended removing LAFCO's public member commissioner, Richard Bettencourt, and his alternate, Elia Salinas—an unprecedented move not just in the county, but across California.

He also paused a study LAFCO had been working on for more than a year and rescinded the invitation for special districts to join the agency.

Kosmicki told BenitoLink that LAFCO is "crucial," and he has pushed fundamental changes to align it with the "slow growth" agenda on which he campaigned.

"When I was elected, I committed to slow growth, to responsible growth, preventing sprawl, and improving our infrastructure so that we could eventually grow at a reasonable pace," Kosmicki said. "Growth is at the top of the list when it comes to political issues in this community (…) I'm standing up for our residents and I take my role very seriously to represent the majority of our community."

Every county in California has a LAFCO. They were created in the 1960s to put the brakes on the unbridled growth of the post-war era. Their mission is to oversee the creation of new cities and local government agencies within a county, preventing sprawl development and protecting agricultural lands.

While LAFCOs don't approve development projects or make decisions regarding zoning and land use, with their authority over city and district boundaries, they end up influencing county planning.

"The decisions made at LAFCO are the most crucial steps in the development process," Kosmicki said. "LAFCO makes decisions on annexations into the cities of Hollister and San Juan Bautista. Once the annexations occur, under the current laws in the state of California, it makes it very, very difficult to stop development from happening whether you like it or not."

Kosmicki was elected chair of the Board of Supervisors on Jan. 6. That same day, he proposed to appoint himself as one of the county's LAFCO delegates, which the board approved unanimously. And in just two months since joining LAFCO, he has made three moves that shifted the agency's direction.

Removing a LAFCO Commissioner

Four of the five LAFCO commissioners in the county are elected officials. In addition, every LAFCO in California has a "public member" commissioner, and Bettencourt had been San Benito County's for 14 years. Having learned that Kozmicki intended to remove him, Bettencourt resigned his seat before the meeting, because, as he told BenitoLink, he "decided not to be fired." Kosmicki then proposed to remove Salinas, a motion approved by supervisor Dom Zanger and Hollister mayor Roxanne Stephens.

Kosmicki told BenitoLink there were two reasons for removing Bettencourt and Salinas. First, he said, although he values his service to the community, he argued that Bettencourt—who was not elected by voters, but chosen by other LAFCO commissioners—shouldn't have held on for so long to what he considers one of the most critical roles in the county.

"Public members are not elected officials and are not held accountable to the voters, and they are one of the five people making the most important land use decisions in the community," he said. "Richard Bettencourt was on LAFCO for 14 going on 15 years, and with the current term it would have been 18 years. That is a very, very long time for somebody who's not elected to hold one of the five most important positions in the community."

The second reason, he said, was the need for a “change” that aligned with the current political landscape, where the “slow growth” faction holds a majority on the Board of Supervisors and in the Hollister City Council.

We have now a more of a slow growth, responsible growth, preventing sprawl platform,” he said. “It was time for a new perspective, and I want to just ensure that LAFCO’s priorities are in line with that purpose [slow growth].”

Kosmicki said he considered Bettencourt and, particularly, Salinas to be on the “pro-growth” side. He told BenitoLink that Salinas “supports unfettered growth and sprawl” and, for that reason, “she doesn’t belong on LAFCO” whose mission, he said, is preventing sprawl.

Both Bettencourt and Salinas rejected that characterization. Bettencourt told BenitoLink he doesn’t identify as a pro-growth and believes in LAFCO’s mission of “protecting prime ag land.”

“Growth doesn’t have to do anything with LAFCO. LAFCO has to do with rules. We need rules to define where our sewage would go, how much capacity we have,” Bettencourt said. He added that while he wouldn’t have necessarily supported every motion by the new chair, he believes “the more debate there is, the better for everybody.”

Salinas, for her part, said she considers herself an “advocate for economic development.”

“In my opinion, growth is going to happen no matter what, so we should prepare and plan for it,” she said.

San Juan Bautista Mayor Leslie Jordan and six members of the public voiced opposition to the removal of Bettencourt and Salinas. LAFCO Executive Officer Jennifer Stephenson advised the board against the decision.

“Turnover of commission members is challenging,” Stephenson said, “As there is a unique code and requirements for LAFCO that must be learned. Both members have institutional knowledge of LAFCO—its aims and goals—and both have attended every meeting since my starting at this LAFCO.”

BenitoLink spoke with LAFCO officials from Santa Clara, Monterey, and San Luis Obispo Counties, all of whom said they had never heard of a

LAFCO commissioner being removed by their peers without cause. Stephenson, who has worked in LAFCOs for 20 years in, Plumas, Lassen, and Modoc counties, told BenitoLink she had never seen anything like this.

Rescinding the Districts' invitation to join LAFCO

California law allows districts within counties, such as the Pacheco Storm Water District and the San Benito Health Care District, to have two seats on LAFCO, and around half of the LAFCOs in the state include their districts. San Benito LAFCO began working on incorporating the county's nine districts in Dec. 2023, so, as the commissioners said in a letter to the districts, they could "have a vote regarding decisions that may affect them."

On Feb. 13, Kosmicki rescinded this invitation. As he told BenitoLink, he disagrees with the idea of having certain districts as part of LAFCO.

"I just don't see why we would allow the potential for someone, for instance, from the Aromas Water District to be one of the seven decision-makers on whether to annex property into the city of Hollister; or why somebody from the San Juan Bautista Cemetery District, for instance, would have one of the seven most influential seats when it comes to growth matters," he said.

Kosmicki also said that adding the districts was a political move by the previous LAFCO board "to dilute" the current board's slow-growth majority.

"They're trying to sell it as something that would increase inclusivity. I'm calling them out and saying there were other motives behind the initiation of inviting special districts and I firmly believe that the primary motive to invite special districts was to potentially add two members to LAFCO who are on the pro-growth side," he said, "(…) to join LAFCO and basically flip the majority of the board."

Putting the Wastewater MSR on pause

At the first LAFCO meeting of the year, soon after Kosmicki was appointed chair, he proposed halting a comprehensive study on the county's wastewater collection and treatment services. This is one of the Municipal Services Review (MSR) that LAFCOs have to do every five years. San Benito County's wastewater MSR had not been updated since

2007, and the last board had been working on it since September 2023.

Supervisor Zanger and Hollister mayor Stephens supported the motion.

Kosmicki told BenitoLink he postponed the MSR's approval because, in his view, it "widely" opens the door for a regional wastewater plant—something he believes would "vastly increase opportunities for sprawl to occur." Because of this, he said he wanted to give the new board more time to study its implications.

At the Jan. 9 meeting, LAFCO Executive Officer Jennifer Stephenson said the MSR does not induce growth.

"The document just identifies options," she said. "In no way can LAFCO initiate any one of these changes of organizations. That would be up to the member agencies themselves, not LAFCO. It's purely intended to be an identification of what the options are and then clearly identify what the benefits and challenges would be, and then it's up to the city, the county, and other affected agencies to come to an agreement on what they want to do."

Kosmicki insists that such a process can still take place.

"It's not shutting the door, it's just saying, 'Wait a second here, we need to pull back on this conversation.'," he said. "Because the implications could be a lot more significant."

8A: ATTACHMENT 3

pressdemocrat.com

Gold Ridge Fire Protection District gets OK to absorb Monte Rio, Sebastopol departments. Here's what happens next

AMIE WINDSOR

5–6 minutes

Gold Ridge Fire Protection District is slated to become the second largest fire district by geographic scope in the county, should its mergers with the Sebastopol and Monte Rio departments become final in May.

Slide 1 of 3

Gold Ridge volunteer firefighter Logan Bello practices rescue harnessing techniques with other Gold Ridge firefighters. The Gold Ridge Fire Protection District is set to expand, taking over the Monte Rio and Sebastopol fire houses. (Kent Porter / The Press Democrat file)

Gold Ridge Fire Protection District, one of Sonoma County's largest fire agencies, is slated to absorb the Monte Rio Fire Protection District and the Sebastopol Fire Department, two of west Sonoma County's oldest fire houses.

The Sonoma County Local Agency Formation Commission, a regulatory body that manages the boundaries of cities and special districts in the county, approved the reorganizations during a meeting Wednesday.

"I'm really excited to continue the work we've been doing in Monte Rio," Gold Ridge Fire Protection District Fire Chief Shepley Schroth-Cary told the LAFCO board.

And he added, "The value [of the reorganization] in Sebastopol is immense."

Before the reorganizations are finalized, residents and landowners in Monte Rio and Sebastopol have the opportunity to protest the moves, which come with a parcel tax. Monte Rio Fire Protection District already has such a tax; Sebastopol does not, with its fire department now funded through city property and sales taxes.

The parcel tax is a requirement of being part of Gold Ridge, which levies such a tax on homes and commercial properties across the 226 square miles of unincorporated Sonoma County that it now serves.

For Monte Rio landowners, the proposed Gold Ridge parcel tax would be about $65 more a year for homeowners and $100 more a year for businesses compared to what they pay now.

But for Sebastopol landowners, the parcel tax would be brand new. Homeowners would pay roughly $265 a year with business owners paying around $400 annually.

Schroth-Cary said the price is worth the value of the fire district's breadth of volunteers and ability to provide nimble response.

"When you understand what goes into fire services, it's an easy sell," Schroth-Cary said. "It is roughly 77 cents a day to fund."

For Sebastopol, the reorganization offers a lifeline to a city department that has been historically underfunded. Under the planned merger with Gold Ridge, the city would contribute a smaller portion of its tax receipts to the fire district and then use the leftover money it was once pumping into its fire department for other city services.

City administrators say the merger would allow the city to share its costs — especially for salaries and benefits of a fire chief and other top department management — with Gold Ridge. Doing so would allow the city to reduce future department costs from $4.4 million for an independent department to $3.3 million for a department merged with Gold Ridge.

The key to that cost reduction is the new parcel tax. As such, the sell could be difficult for Sebastopol residents who, despite wanting a more prompt fire department, are loathe to dive into their pocketbooks to fund civic services.

"This … is about off-loading responsibility," Sebastopol resident Kyle Falbo told the Sebastopol City Council in February.

Sebastopol City Council member Neysa Hinton, who has worked for the past eight years on the district reorganization, believes that Sebastopol residents will be willing to pay the parcel tax.

“If you have a property, you want to have it protected,” she said. “This is about decreasing response time and bringing fire service up to today’s requirements.”

The proposed reorganization in Monte Rio isn’t so much about bringing service up to requirements, but rather being able to offer “depth with service,” to an already financially-sound west county fire district, says Monte Rio Fire Chief Steve Baxman. It would also offer succession planning for Baxman, who has served as the district’s chief since 1986.

The district covers 45 square miles of diverse terrain, serving both part-time and full-time residents along the Sonoma County coast and along the Russian River.

Most Popular

8A: ATTACHMENT 4

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San Mateo County rejects Harbor District proposition to become a port authority

Holly Rusch, Daily Journal staff

5–6 minutes

County representatives are deeply skeptical of a recent suggestion by the San Mateo County Harbor District that it should broaden its sphere of influence and become a port authority — managing Half Moon Bay Airport, San Carlos Airport and the Coyote Point Marina.

“I have no idea why we would ever do this. I don’t know how it benefits the taxpayers,” County Executive Mike Callagy said. “We run a very efficient operation at the airports and Coyote Point Marina. I have no idea why we would even contemplate this.”

The suggestion was born after the San Mateo County Local Agency Formation Commission — which controls the boundaries of cities and special districts — conducted a review of the Harbor District.

Though LAFCo’s report didn’t recommend any changes to the agency’s sphere of influence, which was rated at zero, it did note that dissolving the organization could save the county money.

The Harbor District, which currently maintains the Pillar Point Harbor and Oyster Point Marina, responded to LAFCo’s draft report by suggesting its sphere of influence be expanded by managing county-owned airports and marinas.

“We’re very interested in running Coyote Point Marina, taking over ownership of that … then it grew into the discussion with the board where other special districts in California have it in their legislation from the state that they could run the local county airports,” Harbor District General Manager James Pruett said. “So instead of just being a county harbor district, we can become a county port district.”

While LAFCo did not include that suggestion in its final report, which will be reviewed March 19, Pruett said the idea could allow for more specialized review of county harbors and airports.

“We’re really focused on the harbor, water and the marina,” he said. “Same thing if we had the airports, we focus on airport issues, and the level of bureaucracy, the level of management in the county would be reduced just simply to the Harbor District.”

Both airports are within the district of San Mateo County Supervisor Ray Mueller, who said that the benefit of jurisdictional reorganization had not been illustrated to him.

“After hearing of this idea, indirectly, I asked the county professional team their opinion, and the consensus was it wasn’t necessary nor would it improve services,” he said. “The Harbor District has not reached out to me, or provided any explanation how the idea could benefit San Mateo County taxpayers.”

Significant changes would be required to give the Harbor District authority over county-run airports, including legislative action at the state level, Pruett said. The district would also have to get county approval and then submit a report to LAFCo to receive official permission.

The county-run Coyote Point Marina would benefit from the Harbor District’s expertise, Commissioner Tom Mattusch said.

“I think that you have to look at the county and say, ‘Hey, County of San Mateo Parks Department, why are you not improving Coyote Point Marina the way the Harbor District is improving Pillar Point Harbor and Oyster Point?’” he said.

Pruett took a more diplomatic tack.

“The county is more concerned about overall safety and security, and the work the Harbor District is [doing] would be more focused on simple operations of specialized activities,” he said. “I’m not saying for a second that the county is not doing a good job.”

While the Harbor District has never had any experience managing and running airports, California harbors and navigation code technically makes it permissible, Mattusch said.

“When the harbors and navigation code that says we can do it, and why not?” he said.

Pruett also noted that the Harbor District has made significant strides in recent years, improving its managerial and efficiency practices.

"The Harbor District was really dysfunctional, wasn't operating properly, wasn't transparent in what it was doing, and was really the laughingstock of the state," he said. "In the last five to six years, the district has completely turned itself around and made significant improvements in finance, administration, management, governance and getting projects completed."

Regardless, the idea of the Harbor District expanding its authority was untenable to Callagy, who reiterated the fact that the county was not briefed on the idea.

"It doesn't seem logical to me and I think our staff does an outstanding job," he said. "It seems like a solution looking for a purpose."

thereporter.com

Solano Supes take first step in consolidating rural fire protection districts

Nick McConnell

5–6 minutes

Supervisor John Vasquez recalled sitting on the high school football field as a freshman, watching smoke billow and hearing flames roar down from the hills into his hometown. “We thought we were going to lose Vacaville,” the former councilmember and longtime supervisor said.

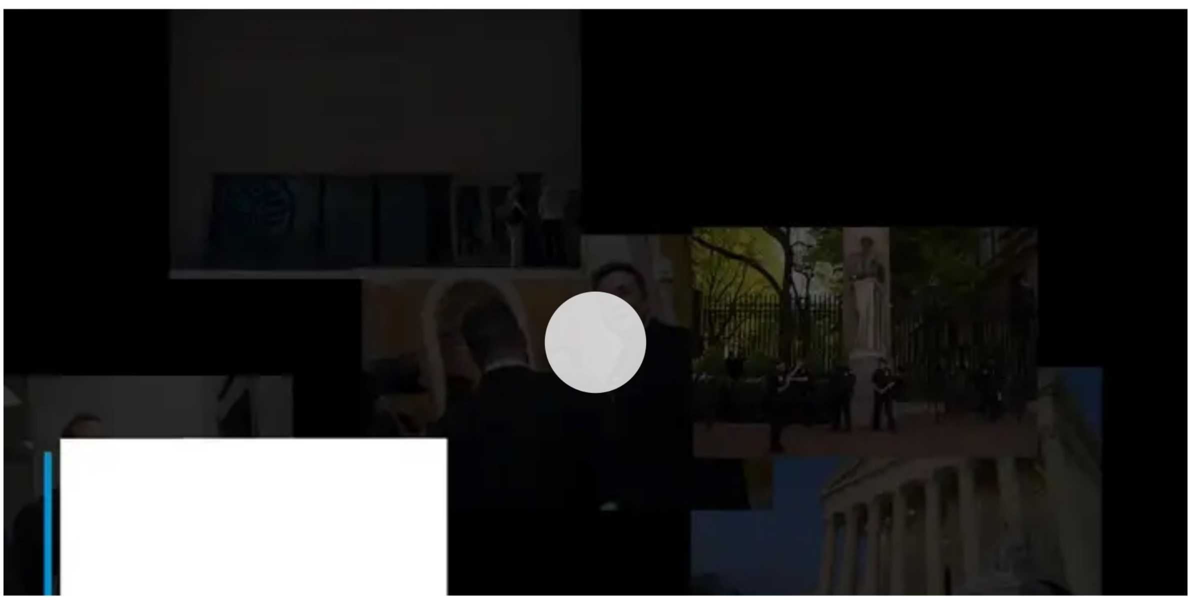
The Board of Supervisors unanimously voted to appoint itself the governing board of the Vacaville, Suisun, and Montezuma Fire Protection Districts, on Tuesday, which is the first step toward seeking Local Agency Formation Commission (LAFCO) approval of fully consolidating the rural districts. And the move turned Vasquez’s thoughts to September 12, 1965 — known as Black Thursday in the county. He remembered how an organized, cross-departmental approach, led by Solano County Fire Warden Chuck Green, was the only thing standing between Vacaville and disaster back then.

Supervisors and staff hope that a consolidation of the three rural fire districts in the center of the county will improve service, increase efficiency and save funds to be reallocated into training, staffing, and equipment.

During the meeting, members of the Vacaville Fire Protection District filled two rows of seats in the Board of Supervisors' chambers, after parking 16 service vehicles directly outside.

Nancy Nelson, a Senior Management Analyst with the County Administrator's office, presented the resolutions, noting that seven grand jury reports on the issue have been written during the last 20 years, six of which concluded that the districts should consolidate. Other reports in 2006, 2014 and 2020 recommended consolidation, and the county placed a revenue measure before voters in 2022 to continue funding the districts.

Elmira was annexed into the Vacaville Fire Protection District in 1986 and Ryer Island was consolidated into the Montezuma Fire Protection District in 2007. Staff will return with a measure to be sent to LAFCO and the board will name an interim manager



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Chris Calvert, former Chair of the Board of Directors of the Vacaville Fire Protection District, spoke during public comment. The department, he pointed out, has signed multiple MOUs with other departments, including a critical one with the Winters Fire Department across the border in Yolo County.

Christine Rider, a 35-year Solano County Resident on Pleasants Valley Road, commended the Vacaville Fire Protection District on its work. She said she understood the need for consolidation but asked how the budget would be impacted. Rider said she does not want to see funding moved from the district to other areas in the county.

Rider also asked how California Forever's planned development on currently unincorporated lanes might impact the issue, calling for a full plan and full transparency.

"The needs for Vacaville District are completely different than Suisun and Montezuma due to topography differences," she noted.

Public commenters differed on support for consolidation, but all wanted assurances that they will continue to see funding and coverage in their area.

Supervisor Wanda Williams said she is in favor of the consolidation to ensure economy of scale and the chance to work together to improve fire safety. Each area is unique, she said, but each area can be cross-trained to understand the work that needs to be done.

Vacaville Fire Protection District engines parked at the Solano County Board of Supervisors meeting Tuesday.

Williams said she is not a subject matter expert on fire, and asked if the Supervisors might create an Advisory Board so that the subject matter experts can give guidance and advice to lawmakers.

“It just makes good sense to do this,” she said of consolidation.

Chair Mitch Mashburn took a moment to appreciate all members of the fire district boards over the years.

“We are going to move forward in a fashion that makes it better,” he said. “Nobody up here wants to consolidate something to make it worse.”

Mashburn noted that fires jump over district boundaries regularly, and departments on every level fight major fires regionally. The county will be able to recognize better efficiencies after consolidation, he said, increasing safety for both firefighters and residents, and making the board elected officials keeps the board accountable to the community.

The county has no legal responsibility to fund fire protection, Vasquez said, but he believes they have a moral responsibility to do so. He thanked former supervisors Jim Spearing for 15 years of work putting the consolidation matter together.

“It is time for the county to step up, and that’s what we’re doing today,” he said.

Vasquez said he would like to see increased funding post consolidation and to show city departments that they are like for like, ushering in consistent standards for departments across the county.

“As cities grow, the districts have lost out,” he said.

8A: ATTACHMENT 6

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Mayor’s Message | Charting the Course for Scotts Valley’s Future - Press Banner | Scotts Valley, CA

Derek Timm

6–7 minutes

Derek Timm, Scotts Valley Mayor

“The best way to predict the future is to create it.” —Peter Drucker

Scotts Valley’s future isn’t something that just happens—we build it with the choices we make today. That’s why city leadership—including the Council, department heads and key community stakeholders—came together in February for a two-day Strategic Planning Workshop to map out priorities for the next two years.

From public safety and infrastructure to housing and economic development, our focus was on taking action to shape the kind of city we want to live in—both now and for future generations.

A Year in Review & Looking Ahead with Fiscal Responsibility

City Manager Mali LaGoe kicked off the workshop with a mid-year update on our strategic goals, reflecting on the progress we’ve made and identifying areas for continued focus. We celebrated reaching a major milestone—full staffing for the City—something we have not had in decades. Having a fully staffed team allows us to set realistic goals and plan for the future, rather than constantly operating in crisis mode.

Our first deep dive focused on long-range budget forecasting, led by Administrative Services Director Stephanie Hill. While we have ambitious goals, we also recognize the realities of our budget constraints. A clear understanding of our financial outlook—and the positive impact of Measure X—helped us set realistic expectations as we tackled other strategic priorities.

Public Safety & Infrastructure: Strengthening Our Resilience

With wildfire preparedness remaining a top priority, we heard from Fire Chief Mark Correira and Water District General Manager David McNair about hazard mapping, fire insurance, emergency planning and water supply updates. We reaffirmed that wildfire resilience remains a key focus and committed to exploring solutions to better protect homeowners with programs like FireWise and assist with information to navigate an increasingly unstable insurance market.

Public Works Director Rodolfo Onchi then walked us through major infrastructure projects, including road maintenance, storm drain improvements and updates to our wastewater system. These projects are critical to maintaining a safe, functioning city—especially as we continue to see more extreme weather events.

Community Development & Housing

As Scotts Valley continues to navigate housing challenges, Community Development Director Taylor Bateman provided updates on current projects, Housing Element implementation and key legal considerations from City Attorney Kirsten Powell. Our discussion emphasized the importance of balancing growth with maintaining our community’s character and sustainability.

We also reviewed several affordable housing projects in the pipeline, which will be a positive step forward for our schools, residents and businesses. Creating more housing options that allow people to live and work in Scotts Valley remains a priority.

Town Center & Economic Development

A major highlight was the Town Center 2025 workplan, where we discussed next steps in bringing our long-envisioned downtown hub to life. The discussion focused on economic viability, site activation and how we can move from planning to execution. Bringing this project to life is key to strengthening our local economy and providing a vibrant gathering space for residents and businesses alike.

Recreation, Public Safety & Community Engagement

From enhancing senior center programs to improving city events, Recreation Division Manager Allison Pfefferkorn provided updates on expanding recreational opportunities for all ages.

Additionally, Police Chief Steve Walpole and Captain Jayson Rutherford led discussions on e-bike safety, law enforcement priorities and Proposition 36 implementation, reinforcing our city’s commitment to safety and quality of life. With the passage of Proposition 36, law enforcement now has stronger tools to hold shoplifters accountable, even for thefts under $950. Our police department made it clear: Scotts Valley will take a zero-tolerance stance on retail theft, ensuring our local businesses and residents are protected.

Moving Forward Together

As we closed the workshop, we set our 2025-27 strategic goals, ensuring alignment across departments (view the Strategic Plan at scottsvalley.gov/466/City-of-Scotts-Valley-Strategic-Plan). Discussions included legislative issues, city facility needs and property tax legislation, with valuable input from First District Supervisor Manu Koenig.

The insights and discussions from this workshop will shape our priorities for the next two years. With careful planning and a commitment to fiscal responsibility, public safety and community engagement, we are setting the foundation for a strong, resilient and thriving Scotts Valley.

It was also a great reminder of the dedication and teamwork it takes to keep a city running. I want to personally thank all the city and county leaders, staff and community members who contributed to this important process. Your dedication is what makes Scotts Valley such a special place to call home.

With this roadmap in place, we are well-positioned to turn these discussions into meaningful action. Scotts Valley is a city that plans ahead, works together and delivers results—and I'm excited for all that's ahead.

As always, I welcome your feedback and look forward to keeping you updated as we make progress.

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*Derek Timm is mayor of Scotts Valley. To reach Timm, email dt***@sc**********.gov or call 831-239-9203.*

8A: ATTACHMENT 7

voiceofsandiego.org

Registrar Says La Jolla Secessionists Came up Short on Signatures

Scott Lewis

~2 minutes

People watch the waves in La Jolla on Dec. 28, 2023. / Photo by Ariana Drehsler

The most sophisticated effort yet to create an independent La Jolla, separate from the city of San Diego ran into its first big obstacle, Monday. The Local Agency Formation Commission of San Diego, or LAFCO, sent a letter to the group pushing for secession alerting it that it did not collect enough signatures to go forward.

The letter triggers a 15-day period during which the group, the Association for the City of La Jolla, can either correct the data the Registrar of Voters analyzed or get more signatures.

"This determination draws directly from the review of the Registrar of Voters' Office (ROV) and their finding the Association has collected 5,723 valid signatures relative to the 6,750 needed to reach 25% threshold – a shortfall of 1,027," reads the letter from Keene Simonds, the executive officer of LAFCO to Trace Wilson, the chair of the Association for the City of La Jolla.

The group has until April 1 to deliver the needed number of signatures.

The group had to collect signatures from 25 percent of registered La Jolla voters, or 6,750 valid signatures and it submitted 7,795 signatures. LAFCO contracted the verification of them to the county Registrar of Voters Cynthia Paes, who reported that 2,072 of them were found not to be valid.

Scott Lewis oversees Voice of San Diego's operations, website and daily functions as Editor in Chief. He also writes about local politics, where he frequently... More by Scott Lewis