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, May 7, 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.

b. 2025 CALAFCO Staff Workshop

The Commission will receive an update about the recent annual staff workshop.

Recommended Action: No action required; Informational item only.

3. ADOPTION OF MINUTES

The Commission will consider approving the minutes from the April 2, 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. Comprehensive Sanitation Service & Sphere Review

The Commission will consider the countywide report which analyzed the 10 sanitation districts in Santa Cruz County.

Recommended Action: Postpone action on the draft sanitation service and sphere review until the following month to allow for adequate review and preparation.

b. Final Budget for Fiscal Year 2025-26

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

Recommended Actions:

1) Adopt the draft resolution (No. 2025-06) approving the final budget for Fiscal Year 2025-26; and

2) Authorize staff to request the Auditor-Controller's Office to distribute the final budget and apportionment amounts to the funding agencies by July 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 LAFCO Seats (Run-Off Election Results)

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

Recommended Action: Adopt the draft resolution (No. 2025-07) ratifying the results of the recent election process.

b. Fire Consolidation Feasibility Study – Memorandum of Understanding

The Commission will consider partnering with the City of Santa Cruz, Central Fire District, and the Scotts Valley Fire Protection District to explore the benefits and constraints from a consolidation and/or reorganization effort.

Recommended Action: Approve the draft memorandum of understanding.

c. Legislative Update

The Commission will receive a status update on the current legislative session and activities involving legislation of LAFCO interest.

Recommended Action: No action required; Informational item only.

d. Comprehensive Quarterly Report – Third Quarter (FY 2024-25)

The Commission will receive an update on active proposals, upcoming service reviews, latest budgetary performance, and other staff activities.

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. Letter of Resignation

The Commission will receive an update regarding the recent resignation of LAFCO's fire consultant (Don Jarvis).

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 Month of April

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, June 4, 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 $500 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 $500 or more to a LAFCO Commissioner while a proceeding is pending or for 3 months afterward. Disclosure forms and further information can be obtained from the LAFCO office at Room #318-D, 701 Ocean Street, Santa Cruz, CA 95060 (phone 831-454-2055).

Contributions and Expenditures Supporting and Opposing Proposals

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

Accommodating People with Disabilities

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

Late Agenda Materials

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

Agenda Item No. 3

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

DRAFT MINUTES

LAFCO REGULAR MEETING AGENDA

Wednesday, April 2, 2025
Start Time - 9:00 a.m.

1. ROLL CALL

Vice Chair Rachél Lather 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. She asked staff to conduct the roll call.

The following Commissioners were present:

- Commissioner Jim Anderson
- Commissioner Roger Anderson
- Commissioner Justin Cummings
- Commissioner Rachél Lather (Vice Chair)
- Commissioner Eduardo Montesino *(arrived at 9:06 p.m.)*
- Alternate Commissioner Ed Banks
- Alternate Commissioner John Hunt

Vice Chair Rachél Lather will serve as the meeting facilitator on behalf of Chair Manu Koenig.

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.

Mr. Serrano also highlighted the recent retirement of Carolyn Emery, Orange LAFCO Executive Officer, and provided an update on staff involvement for the upcoming CALAFCO Staff Workshop.

Vice Chair Rachél Lather moved on to the next agenda item.

3. ADOPTION OF MINUTES

Vice Chair Rachél Lather opened the floor to Commissioner questions or comments. **Executive Officer Joe Serrano** noted a request to amend an error in the March 5, 2025 Meeting Minutes. **Vice Chair Rachél Lather** requested public comments.

Vice Chair Rachél Lather closed public comments and called for a motion. **Commissioner Jim Anderson** motioned for approval of the March 5th Meeting Minutes with the requested changes and **Commissioner Roger Anderson** seconded the motion.

Vice Chair Rachél Lather called for a voice vote on the approval of the draft minutes with the requested changes.

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

MOTION PASSES: 4-0

4. ORAL COMMUNICATIONS

Vice Chair Rachél Lather requested public comments on any non-agenda items. **Executive Officer Joe Serrano** indicated that there was no request to address the Commission on the item.

Vice Chair Rachél Lather closed public comments and moved on to the next agenda item.

5. PUBLIC HEARINGS

<u>5a. “Lockewood Lane / Graham Hill Road Parcel Annexation”</u>

Vice Chair Rachél Lather requested staff to provide a presentation on the proposed single parcel annexation and concurrent sphere amendment to the San Lorenzo Valley Water District.

Executive Officer Joe Serrano explained to the Commission that staff received a landowner request to annex a single acre parcel into the San Lorenzo Valley Water District (SLVWD), who has indicated it is willing and capable of providing the requested services. The purpose of the annexation is to support the construction of a single-family home. Additionally, the sphere will also be amended to be coterminous with the proposed annexation, the parcel is located within the County’s Urban Service Line, and the Board of Supervisors adopted a property tax exchange agreement. Mr. Serrano made clear that the proposed annexation request is separate and has *no* connection to the nearby Haven Development Project, other than having had the same owner at one point. The annexation request is consistent with the Commission's adopted policies and Mr. Serrano recommended adopting the draft resolution (No. 2025-03) approving the single parcel annexation and concurrent sphere amendment to the SLVWD.

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

Vice Chair Rachél Lather opened the floor to Commissioner questions or comments. **Commissioner Jim Anderson** asked for clarification on the numbers of parcels in the annexation request. **Executive Officer Joe Serrano** noted that the request was made for a single parcel. Mr. Anderson requested reformatting the map in the staff report to better assess the parcel's location.

Commissioner Ed Banks asked for clarification on the requested services. **Executive Officer Joe Serrano** indicated the request was for the provision of water service.

Commissioner Roger Anderson requested to put on the record assurances that the proposed parcel annexation was *not* connected to the Haven Development Project. **Executive Officer Joe Serrano** assured the Commission the request would be reflected accurately on the official record.

Vice Chair Rachél Lather closed public comments. **Commissioner Jim Anderson** asked for clarification on the parcels being served. **Executive Officer Joe Serrano** explained which parcels are in and out of the urban services line, as well an explanation of other challenges presented by the proposed Haven Development Project.

Commissioner Roger Anderson asked about a future building site. **Executive Officer Joe Serrano** explained that the developer and county are still discussing the proposed plans.

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

Vice Chair Rachél Lather called for a voice vote on the motion: **Adopt draft resolution (No. 2025-03) approving the single parcel annexation and concurrent sphere amendment to the San Lorenzo Valley Water District.**

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

MOTION PASSES: 5-0

5b. Draft Budget for Fiscal Year 2025-26

Vice Chair Rachél Lather requested staff to provide a presentation on the draft budget for the upcoming fiscal year.

Executive Officer Joe Serrano explained to the Commission that the proposed budget was 3% more than the previous budget and discussed staff efforts to maximize resources while reducing expenses, noting that allocations to funding agencies will need to see an increase for the first in three years. Mr. Serrano recommended adopting resolution (No. 2025-04) approving the draft budget with its identified conditions.

Vice Chair Rachél Lather 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, commended the staff for their work and inquired about professional services costs.

Vice Chair Rachél Lather closed public comments and opened the floor to Commissioner questions or comments. **Commissioner Jim Anderson** asked about CalPERS and potential future litigation costs. **Executive Officer Joe Serrano** explained how staff determines the amount paid each year to reduce the CalPERS balance, provided additional information on consulting services utilized, and stated that LAFCO does not anticipate future litigation.

Ed Banks inquired about the practice of using reserves to balance the budget. **Executive Officer Joe Serrano** explained past actions and how the reserve funds have been used since the implementation of the new reserve policy adopted last year.

Commissioner Roger Anderson requested clarifying and additional information on CalPERS. **Executive Officer Joe Serrano** spoke on the use of interest rates to support the budget and potential options moving forward. **Commissioner Jim Anderson** added information on investment accounts.

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

Vice Chair Rachél Lather called for a voice vote on the motion: **Adopt the draft LAFCO Resolution (No. 2025-04) approving the draft budget for Fiscal Year 2025-26 with its identified conditions.**

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

MOTION PASSES: 5-0

6. OTHER BUSINESS

6a. Special Districts Regular & Alternate Member Seats – 2025 Election Results

Vice Chair Rachél Lather requested staff to provide a presentation on the election results for the special district regular and alternate member seats on LAFCO.

Executive Officer Joe Serrano explained that this is the first time Santa Cruz LAFCO will hold a run-off election for both the regular and alternate special district member seats due to the fact no one candidate gained a majority vote in either electoral race. Mr. Serrano explained the process for the upcoming run-off and recommended the Commission certify the electoral result.

Vice Chair Rachél Lather opened the floor to Commissioner questions or comments. **Commissioner Roger Anderson** asked for clarification on the candidates for the run-off race. **Executive Officer Joe Serrano** clarified that each respective race was between the top two candidates, Jim Anderson and Lani Faulker for the special districts' regular member seat, and Ed Bank and Lani Faulker for the alternate member seat.

Commissioner John Hunt inquired about potential electoral outcomes including a possible tie. **Executive Officer Joe Serrano** explained that staff and legal counsel have been in coordination and discussion on potential electoral scenarios.

Vice Chair Rachél Lather requested public comments on the item. **Executive Officer Joe Serrano** noted no request to address the Commission on the item.

Vice Chair Rachél Lather requested a motion approving staff recommendation. **Commissioner Eduardo Montesino** motioned for approval of staff recommendation and **Commissioner Roger Anderson** seconded the motion.

Vice Chair Rachél Lather called for a voice vote on the motion: **Adopt the draft resolution (No. 2025-05) ratifying the voting results and directing staff to conduct a run-off election for both seats.**

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

MOTION PASSES: 5-0

6b. LAFCO Meeting Conflicts

Vice Chair Rachél Lather requested staff to provide a presentation on relocating two future LAFCO meetings due to a scheduled remodeling project in the County Board of Supervisors Chambers in August and September.

Executive Officer Joe Serrano explained to the Commission that due to a scheduling conflict related to an upcoming renovation upgrade project in the Board of Supervisors' Chambers, the LAFCO regular meetings for August and September will need to be relocated to the City of Watsonville City Council Chambers. Mr. Serrano recommended the Commission approve the proposed recommendation.

Vice Chair Rachél Lather opened the floor to Commissioner questions or comments. **Commissioner Justin Cummings** recommended reaching out to the County Administrative Office to get clarification on the schedule for the proposed renovations.

Commissioner Eduardo Montesino welcomed the Commission to the City of Watsonville and made a motion to approve staff recommendations. **Commissioner Jim Anderson** seconded the motion. **Commissioner Roger Anderson** commented that a potential scheduling conflict may arise later in the year.

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

Becky Steinbruner, a member of the public, expressed support for holding LAFCO regular meetings in the City of Watsonville and potentially even in the Community Room of the County's Government Center.

Vice Chair Rachél Lather called for a voice vote on the motion: **Relocate LAFCO's August and September Meetings to Watsonville's City Council Chambers.**

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

MOTION PASSES: 5-0

6c. CSA 48 Update

Vice Chair Rachél Lather requested staff to provide a verbal update on ongoing efforts in reviewing the possible reorganization of CSA 48 into an independent fire protection district.

Executive Officer Joe Serrano provided the Commission with an update on the ongoing effort to explore the potential reorganization of County Service Area 48 into an independent fire protection district in collaboration with CalFIRE and County representatives. This includes analyzing the financial and governance options that will sustain and support the proposed new public agency for the long term. Additionally, Mr. Serrano provided the Commission with updates from the Pajaro Valley Fire Protection District (PVFPD) board meeting held in March. Mr. Serrano will provide the Commission with a timeline of next steps at an upcoming LAFCO meeting.

Vice Chair Rachél Lather 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 her experience attending and participating in the last board meeting of the PVFPD.

Vice Chair Rachél Lather closed public comments and opened the floor to Commissioner questions or comments. **Executive Officer Joe Serrano** noted that the actions and efforts to reorganize by the PVFPD board have been discussed during public meetings over the past few years.

Commissioner John Hunt asked about the service area for the fire district. **Executive Officer Joe Serrano** provided a description of the service area. Mr. Hunt asked about CalFire. Mr. Serrano clarified that CalFIRE is the fire service provider for both PVFPD and CSA 48 under separate contracts.

Commissioner Jim Anderson asked about the most recent ballot measures by the district. **Executive Officer Joe Serrano** shared the lessons learned from efforts to increase the benefit assessments. Mr. Anderson asked a follow-up question on how smaller fire districts will be impacted by the proposed independent fire district. Mr. Serrano explained the benefits of having the option to annex into the proposed independent fire district for smaller fire districts that are struggling but confirmed that it would not negatively impact them.

Commissioner Roger Anderson inquired on past analysis conducted by AP Triton. **Executive Officer Joe Serrano** explained that the report provided important financial information including an assessment of the impact the application submitted by PVFPD to LAFCO would have on the operations of CSA 48.

Commissioner Jim Anderson inquired about the status of the CSA 48 budget. **Executive Officer Joe Serrano** provided information on recent efforts to increase benefit assessments by the county and use of their reserve funds. Mr. Anderson added comments on past efforts to reorganize the CSA.

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

7. WRITTEN CORRESPONDENCE

Vice Chair Rachél Lather inquired whether there was any written correspondence submitted to LAFCO. **Executive Officer Joe Serrano** indicated the Commission had received correspondence from CALAFCO and spoke on their efforts to address member concerns and plans to strengthen CALAFCO's future.

Vice Chair Rachél Lather inquired about member agency attendance at the late-March Retreat. **Executive Officer Joe Serrano** stated that the member agencies leaving will reconsider returning to CALAFCO if their concerns are addressed.

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

8. PRESS ARTICLES

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

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

9. COMMISSIONERS' BUSINESS

Vice Chair Rachél Lather inquired whether any Commissioner would like to share any information. **Executive Officer Joe Serrano** indicated that there were two items to address. The first was Commissioner Joe Clarke's attendance and the second was sending regular calendar meeting invitations to the Commissioners. **Commissioner Justin Cummings** added that the City Selection Committee was meeting on April 16th.

Commissioner Roger Anderson inquired about scheduling notification for Commissioners. **Executive Officer Joe Serrano** explained efforts to reach out and coordinate with Commissioners, including Mayor Joe Clarke.

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

10. ADJOURNMENT

Vice Chair Rachél Lather adjourned the Regular Commission Meeting at 10:05 a.m. for the next regular LAFCO meeting scheduled for Wednesday, May 7, 2025 at 9:00 a.m.

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MANU KOENIG, CHAIRPERSON

Attest:

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FRANCISCO ESTRADA, LAFCO ANALYST

Agenda Item No. 5a

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Comprehensive Sanitation Service & Sphere Review

SUMMARY OF RECOMMENDATION

LAFCO periodically performs municipal service reviews and sphere of influence updates for each agency subject to LAFCO's boundary regulations. As part of the Commission's Multi-Year Work Program, LAFCO staff drafted a service and sphere review for the 10 sanitation districts and scheduled a public hearing. **Figure A** on page 2 shows the jurisdictional boundary of each sewer agency. However, prior to the distribution of the agenda packet, LAFCO received a request for additional time to verify that the financial data used in LAFCO's calculations were correct.

It is recommended the Commission postpone action on the draft sanitation service and sphere review until the following month to allow for adequate review and preparation.

EXECUTIVE OFFICER'S REPORT

The draft sanitation service and sphere review, which analyzed the 10 sewer agencies in Santa Cruz County, was initially scheduled to be presented to the Commission on May 7; however, the County raised questions about LAFCO's calculations in reviewing the financial health of the eight sewer agencies operated by the County: Davenport County Sanitation District, Freedom County Sanitation District, Santa Cruz County Sanitation District, and CSAs 2, 5, 7, 10, and 20.

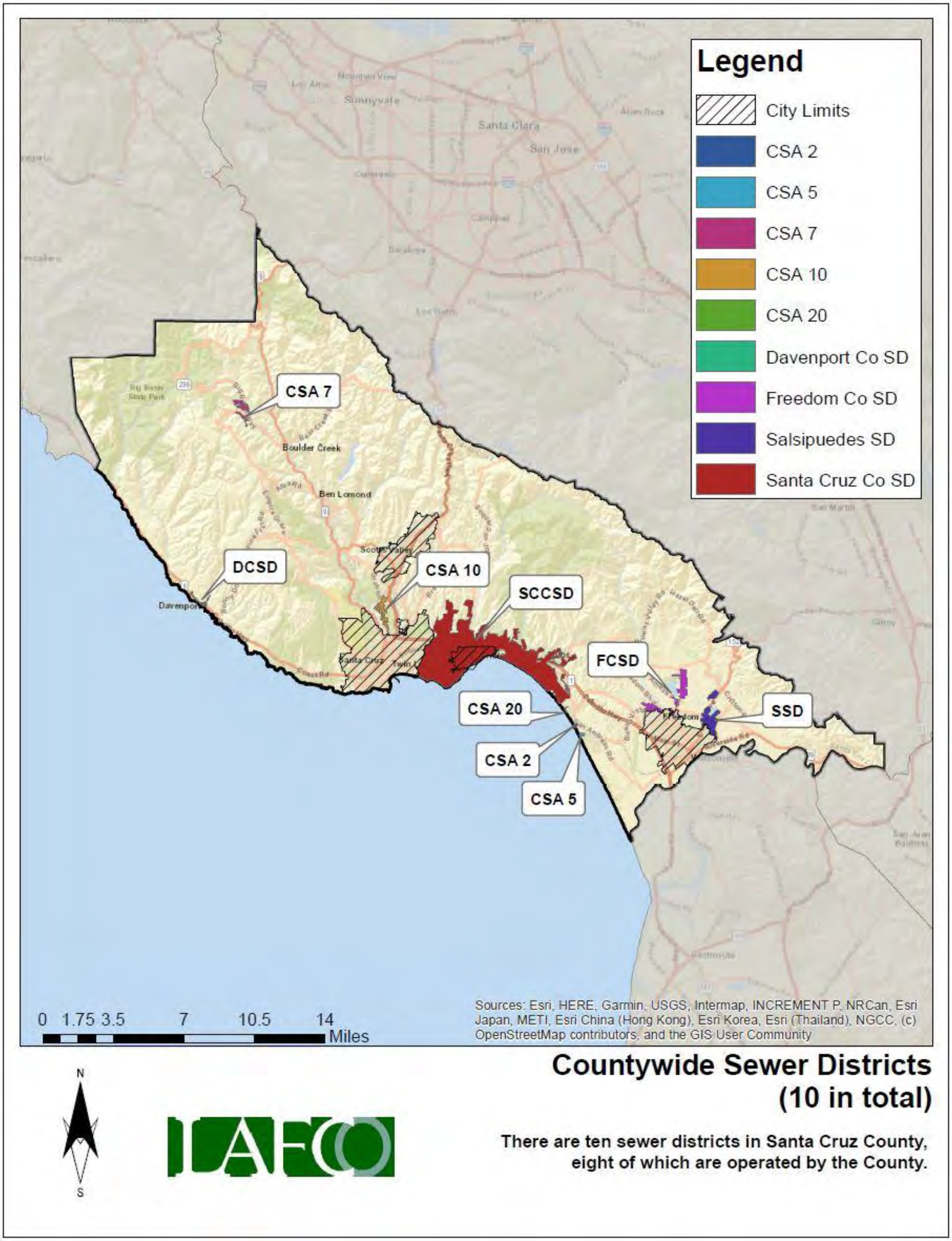
LAFCO has seen success when these reports are properly vetted by the affected agencies; therefore, staff is recommending that the Commission postpone the consideration of the draft report to allow for adequate review and preparation under a cooperative effort. It is important to note that the County did not have any issues with LAFCO's proposed findings or recommendations. Again, we simply need more time to confirm that the financial data used for the report are correct and the calculations are accurate.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

cc: County of Santa Cruz (DCSD, FCSD, SCCSD, CSAs 2, 5, 7, 10, and 20)
Salsipuedes Sanitary District
San Lorenzo Valley Water District (Big Creek Estates Wastewater System)

Figure A: Countywide Map (10 Sanitation Districts)



Agenda Item No. 5b

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Final Budget for Fiscal Year 2025-26

SUMMARY OF RECOMMENDATION

State law requires that LAFCO adopt a final budget by June 15 of each year. The draft budget was adopted in April and the final budget is now ready for consideration. This report will provide an overview of the FY 2025-26 final budget.

It is recommended that the Commission take the following actions:

1. Adopt the draft resolution (No. 2025-06) approving the final budget for Fiscal Year 2025-26; and

2. Authorize the Executive Officer to request the Auditor-Controller's Office to distribute the final budget and apportionment amounts to the funding agencies by July 2025.

EXECUTIVE OFFICER'S REPORT:

The Commission adopted a draft budget for Fiscal Year 2025-26 on April 2nd[1] and directed staff to inform the funding agencies about the proposed budget and anticipated allocation amounts. The draft budget and proposed allocations were distributed to each of the funding agencies for review and comment. No formal comments were received. During the April 2nd LAFCO Meeting, the Commission also directed staff to provide more information about the agency's current pension obligations. This staff report will summarize the final budget and address LAFCO's existing pension liabilities.

LAFCO's Long-Term Liabilities (Pension Obligations)

LAFCO has been a member of the California Public Employees' Retirement System (CalPERS) since August 16, 1972. Each year, the Commission provides an annual contribution towards the retirement system for coverage over current and retired LAFCO employees. CalPERS publishes valuation reports yearly to illustrate projected expenses, as shown in **Attachment 1**. The latest report indicated that LAFCO's minimum total employer contribution amount would be $70,706. The estimated amount was based on projected payroll for the contribution year. The valuation report also provides a breakdown of LAFCO's entire liability amount and pay-down schedule. At present, LAFCO's entire liability amount under CalPERS is $651,843. **Table A** on page 2 shows how long it will take to pay off this pension obligation over time under three different scenarios.

As the table shows, by paying the minimum amount, LAFCO will pay off the existing obligation by June 30, 2044. If LAFCO elects to pay more than the minimum amount, then the pension obligation could be eliminated sooner. Under the 10-year amortization schedule, LAFCO can pay off the balance by June 30, 2034. Under the 5-year

[1] 4/2/25 Staff Report: https://santacruzlafco.org/wp-content/uploads/2025/03/5b.0-Draft-Budget-Staff-Report_Hyperlinked.pdf

amortization schedule, LAFCO can pay off the balance by June 30, 2029. For the last few years, LAFCO has been paying the 10-year amortization amount in order to reduce the pension obligation at a faster rate. However, LAFCO staff believes that having cash on hand is important to be prepared for any unanticipated expense. Therefore, 10-year amortization payments are considered on an annual basis rather than an automatic approach. That being said, if LAFCO continues with this payment schedule, pension obligations may be vastly reduced and/or eliminated by 2034.

Table A: Payment Schedule Alternative Options

Date	Current Amortization		10-Year Amortization		5-Year Amortization	
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				

CONCLUSION

Staff continues to look for methods to reduce costs while also increasing LAFCO's value to the funding agencies. The final budget for FY 2025-26, as shown in **Attachment 2**, is another example of "doing more with less." Conservative budgetary management is the primary reason why the proposed budget continues to keep costs as low as possible. Additionally, we explore ways to reduce long-term liabilities, such as pension obligations, when appropriate. Therefore, staff is recommending that the Commission adopt the final budget for the upcoming fiscal year as shown in **Attachment 3**.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. CalPERS Actuarial Report
2. FY 2025-26 Final Budget
3. Draft Resolution (LAFCO No. 2025-06)

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)

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

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Section 2 – Risk Pool Actuarial Valuation Information

Section 1

California Public Employees' Retirement System

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

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

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Actuarial Certification

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, ASA, MAAA
Actuary, CalPERS

Highlights and Executive Summary

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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.

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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		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

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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

FISCAL YEAR 2025-26	FY 24-25 Adopted Budget	FY 25-26 Final 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%**

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2025-06

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

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
ADOPTING A FINAL BUDGET FOR FISCAL YEAR 2025-26

****

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

WHEREAS, the Commission's Executive Officer prepared a written report outlining recommendations with respect to anticipated work activities and budgetary needs in Fiscal Year 2025-26; and

WHEREAS, the draft budget was advertised in the Santa Cruz Sentinel Newspaper on March 11th for consideration at the April 2nd 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 Commission directed the Executive Officer to distribute the adopted draft budget to all funding agencies for additional comments; and

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

WHEREAS, the final budget was advertised in the Santa Cruz Sentinel Newspaper on April 15th for consideration at the May 7th LAFCO Meeting; and

WHEREAS, the Commission heard and fully considered all the evidence on a final budget during a public hearing held on May 7, 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 will allow the Commission to prepare the state-mandated service reviews in a timely manner; and

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby adopts a final budget for the fiscal year beginning July 1, 2025 in the amount of $791,500, with the amount to be funded by the participating agencies of $495,000.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County this 7th day of May 2025.

AYES:

NOES:

ABSTAIN:

____

MANU KOENIG, CHAIRPERSON

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

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Special Districts LAFCO Seats (Run-Off Election Results)

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 run-off election was held to appoint two district representatives.

It is recommended the Commission adopt the draft resolution (No. 2025-07) ratifying the results of the recent election process.

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[1], a run-off election was held in April to determine the district representatives. **Table A** provides an overview of the entire election process.

Table A – 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 (Certify Results)	May 7, 2025	Elected individuals are officially seated on LAFCO

[1] LAFCO Polices: https://santacruzlafco.org/wp-content/uploads/2024/03/PP-Handbook-Adopted-Version-3-6-24.pdf

RUN-OFF ELECTION RESULTS

The 20 independent special districts had the option to vote for one of two candidates for the regular position and one of two candidates for the alternate position. A candidate for a regular or alternate seat on LAFCO needed a simple majority of the votes in order to be selected. Based on the run-off election, Jim Anderson has been selected to be the regular member (17 of 20 votes), and Lani Faulkner has been selected to be the alternate member (11 of 20 votes). Both seats will have a term starting on May 5, 2025 and ending on May 7, 2029. Staff is recommending that the Commission adopt the attached resolution certifying the results of the run-off election.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. Draft Resolution No. 2025-07 (Run-Off Election Results)

cc: Independent Special District Selection Committee

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2025-07

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 RUN-OFF ELECTION RESULTS FOR A TERMS 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 conducted 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 involved Jim Anderson and Lani Faulkner. The run-off election for the alternate member seat involved Ed Banks and Lani Faulkner; and

WHEREAS, LAFCO conducted the run-off election starting on April 2, 2025 and ending on May 1, 2025, in which ballots were distributed to the twenty independent special districts; and

WHEREAS, LAFCO received a total of 20 ballots by the May 1st deadline, and

WHEREAS, the results of the regular member seat election are hereby declared as follows: Jim Anderson (17 votes) and Lani Faulkner (3 votes); and

WHEREAS, the results of the alternate member seat election are hereby declared as follows: Ed Banks (7 votes) and Lani Faulkner (11 votes) with two districts electing not to vote for the alternate seat vacancy; and

WHEREAS, it is now necessary and appropriate for the Commission to declare the results of the election, and for the newly elected member take an oath of office and be seated with the Commission starting on May 7, 2025.

NOW, THEREFORE, BE IT RESOLVED, that Jim Anderson is hereby declared to be elected to the position of Special District Regular Member Commissioner and Lani Faulkner is hereby declared to be elected to the position of Special District Alternate Member Commissioner (both with a term ending on May 7, 2029) pursuant to the above declared election results.

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

AYES:

NOES:

ABSTAIN:

____
MANU KOENIG, CHAIRPERSON

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

Agenda Item No. 6b

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Fire Consolidation Feasibility Study – Memorandum of Understanding

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SUMMARY OF RECOMMENDATION

Santa Cruz LAFCO continues to play a key role in exploring service and governance efficiencies with local agencies, including but not limited to the 12 fire districts in Santa Cruz County. During the past year, LAFCO staff has been collaborating with the City of Santa Cruz, Central Fire Protection District and Scotts Valley Fire Protection District to determine if there are any opportunities to maximize existing resources, elevate service delivery, and meet the unique demands from their respective constituents. As a result, the three fire agencies and LAFCO have agreed to partner for the development of a fire-related feasibility study.

It is recommended the Commission approve the draft memorandum of understanding authorizing LAFCO staff to partner with the City of Santa Cruz, the Central Fire Protection District, and the Scotts Valley Fire Protection District to evaluate possible shared services opportunities, which may identify or lead to potential reorganizations and/or consolidations.

EXECUTIVE OFFICER'S REPORT:

October 2021 marked a significant milestone in Santa Cruz LAFCO history. The Commission adopted a countywide fire report that analyzed the existing fire agencies. The Countywide Fire Protection Service & Sphere Review sparked interest from various fire agencies, led to multiple LAFCO presentations and discussions, helped launch the reorganization of the Branciforte Fire Protection District, and reinforced the fact that the affected fire agencies, the County, and LAFCO play a critical role in the current and future delivery of fire protection and emergency medical services in Santa Cruz County. The Commission's analysis of the collected data and identification of possible solutions clearly demonstrated how potential changes of organization can come to fruition through joint efforts between the affected agencies and LAFCO. This collaborative effort continues to this day.

Latest Efforts

LAFCO staff has been part of a stakeholder group since July 2023 with representatives from the City of Santa Cruz and Central Fire Protection District to explore shared services opportunities. The Scotts Valley Fire Protection District later joined the group in November 2024. Based on the ongoing discussions, the group agreed to hire an outside consultant to analyze the benefits and constraints of potential shared services agreements, including but not limited to possible reorganizations and/or consolidations through the development of this feasibility study. As a result, a memorandum of understanding (MOU) was developed to formalize the collaboration between the four parties and outlines the roles and responsibilities under this draft feasibility study agreement. **Attachment 1** provides a copy of the draft MOU. The goal is to issue a Request for Proposal by May 2025, select a consultant by August 2025, and complete the feasibility study by May 2026. The City of Santa Cruz adopted the MOU at its April 22 city council meeting. The boards of Central and Scotts Valley Fire Protection Districts are scheduled to consider the MOU for adoption on May 8 and May 14 respectively.

Funding & Resource Allocation

As the draft MOU notes, the three fire agencies have agreed to equally share the costs associated with the feasibility study, including any reasonable cost increases approved by these same parties. The affected agencies have also requested that LAFCO contribute to cover the cost of the study, which is consistent with past requests. LAFCO's contribution is yet to be determined but staff will bring this item back for commission consideration and action when more information is available. LAFCO anticipates that the study may cost between $30,000 to $60,000. To date, LAFCO has approximately $29,500 remaining under the "Professional Services" budget line item in the FY 2024-25 budget. A portion of that funding could be earmarked for this feasibility study following commission consideration and approval.

CONCLUSION

Fire agencies throughout the state and nation continue to struggle in addressing growing costs, the decline in volunteer and professional firefighters, and the rise of year-round "fire seasons." Additionally, the population in Santa Cruz County is increasing while also aging, raising expectations for timely emergency medical services along with reliable fire protection services. Today, fire agencies are more open to exploring alternative methods to address these shared challenges. More importantly, our local fire agencies now see this Commission as a resource for efficient governance and have invited LAFCO to be part of the solution. Therefore, staff is recommending that the Commission approve the draft MOU and allow staff to work with the three fire agencies to complete the proposed fire-related feasibility study.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachments:
1. Draft Memorandum of Understanding

**FIRE CONSOLIDATION FEASIBILITY STUDY
MEMORANDUM OF UNDERSTANDING
BETWEEN**

City of Santa Cruz
809 Center Street
Santa Cruz, CA 95060

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

Central Fire District of Santa Cruz County
930 17th Avenue
Santa Cruz, CA 95062

and

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

1. Purpose

The purpose of this Memorandum of Understanding (MOU), effective as of the date of the last signer hereto, is to formalize the collaborative efforts between four parties, the City of Santa Cruz, the Scotts Valley Fire Protection District (Scotts Valley Fire), the Central Fire District (Central Fire), and the Santa Cruz Local Agency Formation Commission (LAFCO) (individually "party" and together "parties") to conduct a joint fire consolidation study ("Study") for the possible consolidation and coordination of fire services in the jurisdictions served by the City of Santa Cruz, Scotts Valley Fire, and Central Fire. This MOU outlines the parties' respective roles and responsibilities in relation to a Request for Proposal to hire a consultant to prepare the Study.

2. Scope of the Study

The Study will look at the possible consolidation of the City of Santa Cruz, Scotts Valley Fire, and Central Fire services, and will include the following components:

- **Review of Current Systems:** Take an organizational overview of each entity's responsibilities, functions, and lines of authority. Gather management practices, staffing levels, mission statements, strategic planning goals and objectives. Review levels of service provided. Take an overview of policies, rules and regulations. Understand facilities, apparatus, and equipment owned and operated by each entity. Review the fiscal status of each entity including budget, revenue, and project future financial needs.

- **Assessment of Operational Consolidation:** Operational consolidation is the pooling of services, equipment, apparatus, and staff through intermunicipal agreements. Here, one or more duties normally performed by individual departments are joined together and carried out as one entity while each fire department remains legally and administratively separate.
- **Assessment of Jurisdictional Consolidation:** Jurisdictional consolidation involves the dissolution of existing jurisdiction(s) (i.e. fire protection districts) to create a new jurisdiction (i.e. combined fire district, fire protection district, or a joint fire district), or the expansion of an existing fire district or fire protection district to serve an area previously served by another jurisdiction (i.e. fire district, city provided service). This process requires a complete merger or reorganization, in which the governing body(s) of each jurisdiction must agree to dissolve the current jurisdiction(s) and form a single existing or new jurisdiction.
- **Feasibility Analysis and Recommendations:** Analysis and recommendations concerning feasibility and potential benefits and disadvantages to the public of consolidation.

3. Roles and Responsibilities

<u>City of Santa Cruz</u>:

- Take the lead on issuing the RFP for Study with input from the other parties.
- Provide one person to serve on the committee to prepare and review the RFP before it is issued; and review the RFP responses and participate in selecting the consultant for award.
- Prepare the consultant contract once the RFP Study is awarded with input from Scotts Valley Fire and Central Fire.
- Provide project oversight, including the scheduling of meetings with other parties.
- Participate in community outreach.
- Collect data requested by the consultant.
- Share in providing funding or resources, as applicable, to support the Study.
- Help identify potential funding sources and grant opportunities, if needed, to support the Study and any further implementation actions.
- Review and provide input on the Study reports.
- Receive and review the Study report and recommendations before the City Council.
- Ensure invoicing of all agencies is included within the RFP

<u>Scotts Valley Fire and Central Fire (Partner Organizations)</u>:

- Provide one person each to serve on the committee to prepare and review the RFP before it is issued; and review the RFP responses and participate in selecting the consultant for award.
- Review and approve consultant contract.
- Participate in project oversight and attend meetings with consultant and other parties.
- Collect and provide data requested by the consultant.
- Share in providing funding or resources, as applicable, to support the Study.
- Process invoices within the parameters identified in awarded consultant agreement.

- Help identify potential funding sources and grant opportunities, if needed, to support the Study and any further implementation actions.
- Review and provide input on the Study reports.
- Receive and review the final Study report and recommendations before their respective governing body: City Council or Board of Directors.

LAFCO:

- Review the Study reports; and consider the potential feasibility of consolidation, if requested by the other parties.
- Provide input on the Study as it relates to merger, reorganization, or other process germane regionalized services.
- Attend governing body Committee, Council, or Board Meetings, if available, and at the request of the parties.
- Make a determination as to whether to process the request for the creation of a new consolidated district or other change(s) of organization, if requested by the other parties.

4. Timeline

The parties will endeavor to issue the RFP by May 1, 2025, and the consultant to be selected by August 2025. The feasibility study will commence no later than October 2025 and is expected to be completed no later than May 2026.

5. Funding and Resource Allocation

The City of Santa Cruz, Scotts Valley Fire, and Central Fire agree to equally share the costs associated with the feasibility Study, including any reasonable cost increases that have been approved by these same parties. LAFCO will be contributing to the cost of the study, commensurate with contributions to other past similar studies. The City of Santa Cruz, Scotts Valley Fire, and Central Fire agree to equally share the remaining costs associated with the feasibility Study, including any reasonable cost increases that have been approved by these same parties.

6. Ownership and Implementation of Study Results

The final Study report and any associated findings, data, or documents generated from the Study will be jointly owned by the City of Santa Cruz, Scotts Valley Fire and Central Fire. These parties agree to work together to determine how the results will be distributed and used, including any publication, presentations, or applications for funding. Neither the City of Santa Cruz, Scotts Valley Fire, and Central Fire is obligated to implement any of the Study's recommendations but agree to act in good faith to consult each other regarding the Study's recommendations to further public health, welfare, and safety.

7. Modification of the MOU

This MOU may be amended or modified only by mutual written consent of the parties. Any modifications will be documented and signed by authorized representatives of the organizations.

8. Termination

Any party may terminate this MOU with thirty (30) days written notice to the other parties, unless the RFP has been issued or awarded. If the RFP for the Study has been issued or awarded, then the parties shall not terminate this MOU until the final Study report has been received. In the event of termination, the parties will agree on the disposition of any materials, data, or funding associated with the Study.

9. Additional Terms

This MOU expresses the intent of the parties to collaborate on the issues contained herein and represents the entire understanding of the parties on such matters. Except as the other party may specify in writing, a party shall have no authority, express or implied, to act on behalf of the other party in any capacity whatsoever as an agent. The unenforceability, invalidity or illegality of any provisions of this MOU shall not render the other provisions unenforceable, invalid or illegal.

10. Signatures

The parties may execute this MOU in two or more counterparts, which shall, in the aggregate, be deemed an original but all of which, together, shall constitute one and the same instrument. A scanned, electronic, facsimile or other copy of a party's signature shall be accepted and valid as an original.

11. Warranty of Authority

By signing below, the undersigned warrant and represent that each is authorized to execute this MOU and that their respective signatures serve to legally obligate their respective representatives, agents, successors and assigns to comply with the provisions of this MOU.

City of Santa Cruz:

Name: ____________________________

Title: _____________________________

Signature: _________________________

Date: _____________________________

Scotts Valley Fire Protection District:

Name: ____________________________

Title: _____________________________

Signature: _________________________

Date: _____________________________

Central Fire District of Santa Cruz County

Name: ____________________________

Title: _____________________________

Signature: _________________________

Date: _____________________________

Santa Cruz Local Agency Formation Commission

Name: ____________________________

Title: _____________________________

Signature: _________________________

Date: _____________________________

Agenda
Item
No. 6c

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Francisco Estrada, LAFCO Analyst
Subject: Legislative Update

SUMMARY OF RECOMMENDATION

LAFCO staff tracks bills during the legislative session and provides periodic updates. The Commission may take a position on any tracked bill. This agenda item is for informational purposes only and does not require any action at this time. Therefore, it is recommended that the Commission receive and file the staff report.

BACKROUND

Staff informed the Commission at the March 5, 2025 LAFCO Regular Meeting that they would receive an update on legislation affecting public agencies in Santa Cruz County in May and November of each year, with additional updates to be conducted when necessary. For the purposes of this legislative update, staff will provide information on previous and new bills that LAFCO is currently monitoring on behalf of the Commission.

Tracked Bills

LAFCO staff is currently monitoring several bills that may be of interest to this commission. **Attachment 1** provides an overview of the monitored bills. In addition, three new bills have been included to the list. Below is a quick summary of each new bill.

Senate Bill 5 – Infrastructure Financing Districts

Existing law authorizes the legislative body of a city or a county to establish an infrastructure financing district, with a governing body referred to as the public financing authority, to finance public capital facilities or other specified projects of communitywide significance. The purpose of SB 5 would be to exclude the taxes levied upon a parcel of land enrolled in or subject to a Williamson Act contract or a farmland security zone contract, as specified, from the above-described allocation to the district. It is LAFCO's understanding that this bill may be used to bypass the LAFCO process for the proposed incorporation in Solano County known as "California Forever." Additional information about the bill is provided in **Attachment 2**.

Senate Bill 489 – Permit Streamlining Act

The purpose of SB 489 is to increase the housing stock across the state by streamlining the housing development process and requiring public agencies, including LAFCOs, to post online the information necessary for a housing development application to be deemed complete. Although the proposed bill aims to meet the shared goal of facilitating new housing, there are concerns it may also impinge upon the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 by forcing LAFCOs to participate in the land use designation process. Additional information about the bill is provided in **Attachment 2**.

Senate Bill 777 – Abandoned Endowment Care Cemeteries

The purpose of SB 777 is to require a local agency designated by the applicable LAFCO to take over the care, maintenance, and embellishment of an abandoned endowment care cemetery. The bill provides that if the one-year period above passes, the Cemetery and Funeral Bureau must notify the applicable LAFCO that there is an abandoned endowment care cemetery in the county. The LAFCO must start proceedings within 30 days to identify a local agency within the county to take over the care, maintenance, and embellishment of the abandoned endowment care cemetery. At present, many LAFCOs are concerned about placing the burden on LAFCO to identify a successor agency when no other local agency has the statutory power to assume this type of service responsibility besides other cemetery districts. Additional information about the bill is provided in **Attachment 2**.

Next Update

LAFCO staff will continue to monitor these bills as they continue to be vetted and modified under the ongoing legislative process. Once these bills are more defined, LAFCO staff will bring them back for possible commission action.

Respectfully Submitted,

Francisco Estrada
LAFCO Analyst

Attachment:

1. Tracked Bills by Santa Cruz LAFCO (7 in total)
2. CALAFCO Bill Tracker

Monitored Bills by Santa Cruz LAFCO

Bill No.	Sponsor	Topic & Code	Brief Description	Status
SB-5 Introduced on 12/2/24	Cabaldon	Infrastructure financing districts: allocation of taxes: agricultural land exclusion. Government Code, relating to local government	Act to amend Section 53396	Set for hearing on April 23
SB-463 Introduced on: 2/19/25	Alvarado-Gil	Drought planning; Water Code, relating to water	Act to amend Section 10609.62 Bill would exempt a water district with fewer than 500 service connections from metering each service connection for water loss due to leakages.	Re-referred to Committee
SB-489 Introduced on:	Arreguin	Permit Streamlining Act: housing development projects; Government Code, relating to local government		Re-referred to Committee
SB-581 Introduced on: 2/20/25	McGuire, Grayson, Allen, Perez	Dept of Forestry and Fire Protection: seasonal firefighters; Government Code, relating to public employment	Act to add Section 19846.2 To take the necessary actions to transition seasonal firefighters employed by CAL FIRE to a permanent firefighter employment classification.	Set for hearing on April 30
Bill No.	**Sponsor**	**Topic & Code**	**Brief Description**	**Status**
SB-697 Introduced on: 2/21/25	Laird	Determination of water rights; Water Code, relating to water	Act to amend Sections 2551, 2552, 2553, 2554, 2555, and 2600, add Section 2556 During an investigation of water rights of a stream system to, among other things, require representatives of the board to investigate in detail the use of water with the authority, but no requirement, to conduct a field investigation	Set for hearing on April 22
SB-777 Introduced on: 2/21/25	Richardson	Abandoned endowment care cemeteries: local agency possession and responsibility; Health and Safety Code, relating to cemeteries		Set for hearing on April 28
AB-1075 Introduced on: 2/20/25	Bryan	Fire protection: privately contracted firefighters: public water sources; Health and Safety Code	Act to amend Section 14868 To develop regulations prohibiting privately contracted firefighters from hooking up their equipment to public water sources	Re-referred to Committee

Footnote: "Bill No." column includes hyperlinks to the proposed bills for additional information

AB 810 Irwin (D) HTML PDF

Local government: internet websites and email addresses.

Tracking form

Subject
Other

Notes

CALAFCO Comments

As amended on 4/10/25. As a political subdivision of the state, LAFCOs will be subject to this new law. The bill expands the list of local agencies (adding to cities and counties) that are required to use ".gov" or ".ca.gov" domain names for websites and email addresses, to include special districts, school districts, joint powers authorities (JPAs), and other political subdivisions. These changes must be implemented by 1/1/29.

Bill information

Status: 04/23/2025 - From committee: Do pass and re-refer to Com. on APPR. (Ayes 12. Noes 0.) (April 22). Re-referred to Com. on APPR.

Summary: Current law requires that a local agency that maintains an internet website for use by the public to ensure that the internet website uses a ".gov" top-level domain or a ".ca.gov" second-level domain no later than January 1, 2029. Current law requires that a local agency that maintains public email addresses to ensure that each email address provided to its employees uses a ".gov" domain name or a ".ca.gov" domain name no later than January 1, 2029. Current law defines "local agency" for these purposes as a city, county, or city and county. This bill would recast these provisions by instead requiring a city, county, or city and county to comply with the above-described domain requirements and by deleting the term "local agency" from the above-described provisions. The bill would also require a special district, joint powers authority, or other political subdivision to comply with similar domain requirements no later than January 1, 2031. (Based on 04/10/2025 text)

Location: 04/23/2025 - Assembly APPR.

Introduced: 02/19/2025

Last Amend: 04/10/2025

SB 489 Arreguín (D) HTML PDF

Local agency formation commissions: written policies and procedures: Permit Streamlining Act: housing development projects.

Tracking form

Subject
LAFCo Administration

Notes

CALAFCO Comments

As amended on 4/21/25, this bill seeks to apply the provisions of the Permit Streamlining Act to ministerial housing development projects. In doing so, it requires LAFCOs to make available and post on their website any forms necessary to a complete application to be submitted to the commission, concerning any proposed change of organization or reorganization. The bill amends the existing requirement for LAFCOs to post on their website notices by adding written policies and procedures.

As most LAFCOs already post their policies, procedures, and application documents online, this is likely not a change in practice for most LAFCOs. This bill would now explicitly require such postings.

Bill information

Status:	04/25/2025 - Set for hearing April 29.
Calendar:	*04/29/25 S-HOUSING 1:30 p.m. - State Capitol, Room 112 WAHAB, AISHA, Chair*
Summary:	The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 governs the procedures for the formation and change of organization of cities and special districts and establishes a local agency formation commission in each county consisting of members appointed as provided. The act expresses the intent of the Legislature that each local agency formation commission, by January 1, 2002, establish written policies and procedures and exercise its powers in a way that encourages and provides planned, well-ordered, efficient urban development patterns, as specified. The act requires these written policies and procedures to include forms to be used for various submittals to the commission, as provided. The act requires each commission to provide access to notices and other information to the public on an internet website, as specified, including notice of all public hearings and commission meetings. This bill would require that each local agency formation commission establish the written policies and procedures described above. The bill would require that the written policies and procedures include any forms necessary for a complete application to the commission concerning a proposed change of organization or reorganization. (Based on 04/21/2025 text)

Location:	04/23/2025 - Senate HOUSING	**Last Amend:**	04/21/2025
Introduced:	02/19/2025 (Spot bill)		

SB 777 **Richardson (D)** HTML PDF

Abandoned endowment care cemeteries: local agency possession and responsibility.

Tracking form

Subject
LAFCo Administration

Notes

CALAFCO Comments

As amended on 3/26/25, this bill requires a local agency designated by the applicable LAFCO to take over care, maintenance, and embellishment of an abandoned endowment care cemetery. The bill defines “abandoned endowment care cemetery” to mean a cemetery that: (1) Had an endowment care fund; (2) Was formerly licensed by the bureau but had its certificate of authority canceled, surrendered, or revoked; and (3) A new cemetery authority doesn’t take ownership of the cemetery within one year of the lapse of its certificate of authority. Once the year passes, the Cemetery and Funeral Bureau shall notify the LAFCO in the respective county that there is an abandoned endowment care cemetery in that county. The LAFCO is required to start proceedings within 30 days to identify a local agency within the county to take over the care, maintenance, and embellishment of the abandoned endowment care cemetery. The LAFCO must complete its proceeding and identify the receiving local agency within six months of receiving the notification from the bureau. Upon completion of the proceeding, the bill transfers fee title ownership of the cemetery to the local agency identified by LAFCO. Once that happens, the local agency becomes responsible for the care, maintenance, and embellishment of the abandoned endowment care cemetery.

The bill appears to be an attempt to solve the current issue for the Lincoln Memorial Park Cemetery in the City of Carson. There is a good amount of opposition to mandating local governments to take over these cemeteries. Cities and Counties argue they do not have the funding nor the expertise, and public District associations do not want to assume the responsibility of failed private cemeteries.

At the 4/2/25 Senate Local Government Committee hearing, the author agreed to work with stakeholders for a more targeted solution and to seek funding mechanisms to cover costs.

Bill information

Status:	04/17/2025 - Set for hearing April 28.
Calendar:	04/28/25 S-APPROPRIATIONS 10:30 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair
Summary:	The Cemetery and Funeral Act establishes the Cemetery and Funeral Bureau within the Department of Consumer Affairs and sets forth its powers and duties relating to the licensure and regulation of, among others, cemeteries and cemetery authorities, which includes cemetery associations, corporations sole, limited liability companies, and other persons owning or controlling cemetery lands or property. Current law authorizes a cemetery authority that maintains a cemetery to place its cemetery under endowment care and to establish, maintain, and operate an endowment care fund. Ninety days following the cancellation, surrender, or revocation of a certificate of authority, current law gives the bureau title to any endowment care funds of a cemetery authority and possession of all necessary books, records, property, real and personal, and assets, and requires the bureau to act as conservator over the management of the endowment care funds. This bill would require a local agency formation commission for the county in which an abandoned endowment care cemetery is located to identify a local agency to be responsible for the care, maintenance, and embellishment of the cemetery, as specified. The bill would vest fee title of the cemetery in the local agency and would restrict the local agency's use of the property to uses consistent with cemetery purposes. The bill would give the local agency title to any endowment care funds of the prior cemetery authority held by the bureau, and would require the local agency to take possession of all necessary books, records, real property, personal property, and assets of the fund. (Based on 03/26/2025 text)

Location:	04/03/2025 - Senate APPR.	**Last Amend:**	03/26/2025
Introduced:	02/21/2025		

SB 827 Gonzalez (D) HTML PDF

Local agency officials: training.

Tracking form

Subject
FPPC, LAFCo Administration, Other

Notes

CALAFCO Comments

As amended on 3/26/25, this bill modifies ethics training requirements by making the following changes to the existing ethics training requirements: (1) Adds any managerial-level employee of the local agency with responsibility over the local agency's finances to the list of local officials that must complete the ethics training; (2) Requires all local agency officials who must receive the training that commence their service on or after January 1, 2026, to receive the training no later than six months from their first day of service; and (3) Starting July 1, 2026, and every two years after that, if a local agency has a website, it must publish records on the dates local officials completed the training and who provided it.

Further, the bill adds ethical, fiscal, and financial training requirements by requiring all local agency officials to participate in at least two hours of fiscal and financial training every two years if that local agency provides

any
compensation, salary, stipend, or reimbursement for actual and necessary expenses to the members of its legislative body. Under the measure, “local agency officials” include the same officials that must satisfy the ethics training requirement, including any managerial-level employee with responsibility over finances.

Bill information

Status:	04/04/2025 - Set for hearing April 30.
Calendar:	04/30/25 S-LOCAL GOVERNMENT 9:30 a.m. - State Capitol, Room 112 DURAZO, MARÍA ELENA, Chair
Summary:	Current law imposes ethics training on specified local agency officials. Current law requires each training to be 2 hours and requires the officials to receive each training every 2 years, and as described otherwise, with the first training within one year of commencing service. Existing law requires the local agency to maintain records of the trainings, as prescribed. This bill would expand which local agency officials are required to complete the above-described ethics training to include any managerial-level employee with responsibility over the agency’s finances and would instead require officials who commence service on or after January 1, 2026, to receive their initial training within 6 months of commencing service. The bill would require the local agency to publish the training records on its internet website, as specified. This bill would additionally require, if a local agency provides any type of compensation, salary, or stipend to a member of a legislative body, or provides reimbursement for actual and necessary expenses incurred by a member of a legislative body in the performance of official duties, all local agency officials, as defined, to receive at least 2 hours of ethical, fiscal, and financial training, as described. The bill would require the training to be received at least once every 2 years, as provided. The bill would exempt from these requirements specified local agency officials if they are in compliance with existing education requirements specific to their positions. (Based on 03/26/2025 text)

Location:	04/02/2025 - Senate L. GOV.	**Last Amend:**	03/26/2025
Introduced:	02/21/2025		

2

AB 356 Patel (D) HTML PDF

Health care districts: County of San Diego.

Tracking form

Subject
Healthcare Districts

Notes

CALAFCO Comments

As amended on 4/9/25, this bill establishes the Health Care Districts: County of San Diego Act. The Act requires the Dept of Health Care Access and Information to convene a working group to study and make recommendations regarding the provision of health care services in health care districts in the northern region of the County of San Diego. The bill explicitly calls out working group members that does not include San Diego LAFCO nor CALAFCO, although it does reference specific HCDs and state trade associations and the San Diego delegation of the Legislature. The working group is required to provide a report to the Legislature by 6/1/26.

Bill information

Status:	04/23/2025 - In committee: Set, first hearing. Hearing canceled at the request of author.
Calendar:	04/29/25 A-HEALTH 1:30 p.m. - 1021 O Street, Room 1100 BONTA, MIA, Chair

Summary:	The Local Health Care District Law authorizes the organization, incorporation, and management of local health care districts. Current law establishes the Department of Health Care Access and Information to oversee and administer various health programs related to health care infrastructure, such as health policy and planning, health professions development, and facilities design review and construction, among others. This bill would require the department to convene a working group to study and make recommendations regarding the provision of health care services in the northern San Diego region. The bill would require that the working group include representatives of certain health care districts and that it issue a report to the Legislature, on or before June 1, 2026, with its findings and recommendations. (Based on 04/09/2025 text)

Location:	03/17/2025 - Assembly HEALTH	**Last Amend:**	04/09/2025
Introduced:	01/30/2025 (Spot bill)		

AB 1156 **Wicks (D)** HTML PDF

Solar-use easements: suspension of Williamson Act contracts: terms of easement: termination.

Tracking form

Subject
Ag Preservation - Williamson

Notes

CALAFCO Comments

As amended on 3/20/25, this bill makes substantive changes to certain aspects of the Williamson Act. This bill revises the definition of the term "solar-use easement" to, among other changes, include a right or interest acquired by the Energy Commission, and to expand the authorized uses of the land under the easement to include solar energy storage and appurtenant renewable energy facilities. The bill revises the conditions under which the land subject to a Williamson Act contract may be subject to a solar-use easement to require the suspension of the Williamson Act contract for the term of the solar-use easement, rather than the rescission of the contract, if the Department of Conservation (DOC) determines that the parcel is eligible to be placed in the easement, as specified.

The bill revises authorization for the DOC to determine that a parcel is eligible for suspension upon the request of the landowner, instead of a request from a county or city, and would require the DOC to additionally make that determination in consultation with any applicable groundwater sustainability agency or services.

The bill revises the eligibility criteria for a parcel to be deemed eligible under these provisions by (1) additionally authorizing land for which there are or will be insufficient surface water or groundwater rights associated with the land to support commercially viable irrigated agricultural use; (2) deleting the requirement that the land not be located on lands designated as prime farmland, unique farmland, or farmland of statewide importance; and (3) additionally requiring that the land meet certain additional requirements relating to the land's historical use as cropland and whether it is encumbered by a conservation easement or enrolled in a land conservation program, as specified. The bill also requires the DOC to issue its determination of eligibility within 120 days following submission of a completed application package, and would deem any application not rejected within this 120-day period to be approved.

This bill removes the authority for a county or cities to require mitigation measures on or beyond the land that is subject to a solar-use easement. The bill also removes the requirement that a landowner post a performance bond or other securities in relation to a term easement or self-renewing easement.

Existing law, during the term of a solar-use easement, prohibits the approval of any land use on the land covered by the easement and the issuance of a building permit for a structure that would violate the easement, and requires the county or city to seek an injunction against any construction or other development or activity that would violate the easement and, if the county or city fails to do so or if the county or city engages in specified activity in violation of the easement, authorizes a person or entity to seek an injunction. Existing law authorizes a court to award a plaintiff who prevails in an action under these provisions the costs of their litigation, including reasonable attorney's fees. This bill would additionally prohibit the issuance of a construction notice to proceed that would violate the easement and removes the above-described authorization of a person or entity to seek the injunction. The bill also deletes the authority of the court to award litigation costs to a prevailing plaintiff.

The bill authorizes the termination of a solar-use easement by mutual consent and makes various conforming changes in that regard. The bill also revises certain provisions relating to service of written notice by only requiring a landowner to issue that notice.

Bill information

Status:	04/24/2025 - From committee: Do pass and re-refer to Com. on AGRI. (Ayes 16. Noes 0.) (April 23). Re-referred to Com. on AGRI.
Calendar:	*04/30/25 A-AGRICULTURE 1:30 p.m. - State Capitol, Room 126 SORIA, ESMERALDA, Chair*
Summary:	The California Land Conservation Act of 1965, otherwise known as the Williamson Act, authorizes a city or county to contract with a landowner to limit the use of agricultural land to agricultural use if the land is located in an agricultural preserve designated by the city or county, as specified. The act authorizes the parties to mutually agree to rescind the contract in order to simultaneously enter into a solar-use easement if approved by the Department of Conservation, as specified. Current law defines the term "solar-use easement" for these purposes to mean any right or interest acquired by a county, or city in a parcel or parcels determined to be eligible, as provided, where the deed or other instrument granting the right or interest imposes certain restrictions that effectively restrict the use of the land to photovoltaic solar facilities for the purpose of providing for the collection and distribution of solar energy and certain other incidental or subordinate uses or other alternative renewable energy facilities. This bill would revise the definition of the term "solar-use easement" to, among other changes, include a right or interest acquired by the Energy Commission, and to expand the authorized uses of the land under the easement to include solar energy storage and appurtenant renewable energy facilities. (Based on 03/20/2025 text)

Location:	04/24/2025 - Assembly AGRI.	**Last Amend:**	03/20/2025
Introduced:	02/20/2025		

3

AB 259 **Rubio, Blanca (D)** HTML PDF

Open meetings: local agencies: teleconferences.

Tracking form

Subject
Brown Act

Notes

CALAFCO Comments

As amended on 4/21/25. The bill extends the sunset date of the alternative Brown Act meeting procedures established in AB 2449 from 1/1/2026 to 1/1/2030.

Bill information

Status:	04/22/2025 - Read second time. Ordered to third reading.
Calendar:	*04/28/25 #61 A-THIRD READING FILE - ASSEMBLY BILLS*

Summary: The Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. Current law, until January 1, 2026, authorizes the legislative body of a local agency to use alternative teleconferencing if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda that is open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction, and the legislative body complies with prescribed requirements. Current law requires a member to satisfy specified requirements to participate in a meeting remotely pursuant to these alternative teleconferencing provisions, including that specified circumstances apply. Current law establishes limits on the number of meetings a member may participate in solely by teleconference from a remote location pursuant to these alternative teleconferencing provisions, including prohibiting such participation for more than 2 meetings per year if the legislative body regularly meets once per month or less. This bill would extend the alternative teleconferencing procedures until January 1, 2030. (Based on 04/21/2025 text)

Location:	04/22/2025 - Assembly THIRD READING	**Last Amend:**	04/21/2025
Introduced:	01/16/2025		

AB 351 **McKinnor (D)** **HTML** **PDF**

Campaign contributions: agency officers.

Tracking form

Subject
Financial Disclosure Requirements, Other

Notes

CALAFCO Comments

This bill changes the threshold amount that an officer of an agency from $500 to $1500 with respect to any officer of an agency accepting, soliciting, or directing a contribution and making decisions involving a license, permit, or other entitlement. Further it requires the commission, effective January 1, 2027, and every other year thereafter, to adjust the contribution limits to reflect increases/decreases in the CPI, rounding the adjustment to the nearest $10.

Bill information

Status: 04/07/2025 - In committee: Set, first hearing. Hearing canceled at the request of author.

Calendar: 04/30/25 A-ELECTIONS 9 a.m. - State Capitol, Room 444 PELLERIN, GAIL, Chair

Summary: The Political Reform Act of 1974 prohibits an officer of an agency from accepting, soliciting, or directing a contribution of more than $500 from any party, participant, or a party or participant's agent, while a proceeding involving a license, permit, or other entitlement for use is pending before the agency and for 12 months following the date a final decision is rendered in the proceeding, if the officer knows or has reason to know that the participant has a financial interest, as defined. The act also prohibits an officer of an agency from making, participating in making, or in any way attempting to use the officer's official position to influence the decision in a proceeding involving a license, permit, or other entitlement for use pending before the agency if the officer has willfully or knowingly received a contribution of more than $500 within the preceding 12 months from a party or a party's agent, or from any participant or a participant's agent, if the officer knows or has reason to know that the participant has a financial interest in the decision, as defined. This bill would increase the contribution thresholds described above from $500 to $1500. (Based on 01/30/2025 text)

Location:	02/18/2025 - Assembly ELECTIONS		
Introduced:	01/30/2025		

AB 370 **Carrillo (D)** HTML PDF

California Public Records Act: cyberattacks.

Tracking form

Subject
Public Records Act

Notes

CALAFCO Comments

Current law allows an extension in responding to public records requests from 10 due to "unusual circumstances" (as defined in statute). As amended on 3/12/25, this bill expands the definition of "unusual circumstances" to include the inability of the agency, because of a cyberattack, to access its electronic servers or systems in order to search for and obtain a record that the agency believes is responsive to a request and is maintained on the servers or systems in an electronic format that may be responsive to a request. Under the bill, the extension would apply only until the agency regains its ability to access its electronic servers or systems and search for and obtain electronic records that may be responsive to a request.

Bill information

Status:	04/24/2025 - Read third time. Passed. Ordered to the Senate. (Ayes 75. Noes 0.) In Senate. Read first time. To Com. on RLS. for assignment.
Summary:	The California Public Records Act requires state and local agencies to make their records available for public inspection, except as specified. Current law requires each agency, within 10 days of a request for a copy of records, to determine whether the request seeks copies of disclosable public records in possession of the agency and to promptly notify the person of the determination and the reasons therefor. Current law authorizes that time limit to be extended by no more than 14 days under unusual circumstances, and defines “unusual circumstances” to include, among other things, the need to search for, collect, and appropriately examine records during a state of emergency when the state of emergency currently affects the agency’s ability to timely respond to requests due to staffing shortages or closure of facilities, as provided. This bill would also expand the definition of unusual circumstances to include the inability of the agency, because of a cyberattack, to access its electronic servers or systems in order to search for and obtain a record that the agency believes is responsive to a request and is maintained on the servers or systems in an electronic format. (Based on 03/12/2025 text)

Location:	04/24/2025 - Senate RLS.	**Last Amend:**	03/12/2025
Introduced:	02/03/2025		

SB 5 **Cabaldon (D)** HTML PDF

Enhanced infrastructure financing districts and community revitalization and investment areas: allocation of taxes: agricultural land exclusion.

Tracking form

Subject
Ag Preservation - Williamson

Notes

CALAFCO Comments

As amended on 4/24/25. This bill prohibits enhanced infrastructure financing districts (EIFDs) and community revitalization and investment authorities (CRIAs) from including taxes levied upon parcels enrolled in a Williamson Act or farmland security zone contract and provides that parcels subject to such a contract that has been canceled or nonrenewed cannot be included until the next equalized assessment roll made after cancellation or nonrenewal and rezoning of that parcel.

Bill information

Status:	04/24/2025 - Read second time and amended. Ordered to third reading.
Calendar:	*04/28/25 #75 S-SENATE BILLS -THIRD READING FILE*
Summary:	The California Land Conservation Act of 1965, otherwise known as the Williamson Act, authorizes a landowner of specified agricultural land to petition the city or county to cancel a Williamson Act contract in order to designate the land as a farmland security zone, whereby the land is eligible for a specified property tax valuation and taxed at a reduced rate for specified special taxes. Current law authorizes the legislative body of a city or a county to establish an enhanced infrastructure financing district, with a governing body referred to as the public financing authority, to finance public capital facilities or other specified projects of communitywide significance. Current law requires the public financing authority to prepare and adopt a proposed infrastructure financing plan, as specified. Current law authorizes the plan to require a certain portion of specified taxes levied upon property within the district to be allocated to the district each year, as specified. Current law authorizes certain local agencies to form a Community Revitalization and Investment Authority within a community revitalization and investment area to carry out a community revitalization plan in that area for specified purposes. Current law authorizes the plan to require a certain portion of specified taxes levied upon property within the area to be allocated to the authority to finance improvements, as specified. This bill would exclude the taxes levied upon a parcel of land enrolled in or subject to a Williamson Act contract or a farmland security zone contract, as specified, from the above-described allocations to the district or authority, as applicable. (Based on 04/24/2025 text)

Location:	04/24/2025 - Senate THIRD READING	**Last Amend:**	04/24/2025
Introduced:	12/02/2024		

SB 239 **Arreguín (D)** HTML PDF

Open meetings: teleconferencing: subsidiary body.

Tracking form

Subject
Brown Act

Notes

CALAFCO Comments

As amended on 4/7/25. This bill adds a subsidiary body, as defined, to the list of entities authorized to use alternative telecon provisions with certain requirements related to noticing, agenda, and public participation. For purposes of the bill, “subsidiary body” means a legislative body that meets all of the following: (A) Is described in subdivision (b) of Section 54952; (B) Serves exclusively in an advisory capacity; and (C) Is not authorized to take final action on legislation, regulations, contracts, licenses, grants, permits, or other entitlements.

There are chaptering issues with this bill and SB 707, which removes a portion of the definition in Section 54952(b). The bill has a sunset date of 1/1/30.

Bill information

Status:	04/08/2025 - Set for hearing May 6.
Calendar:	05/06/25 S-JUDICIARY 1:30 p.m. - 1021 O Street, Room 2100 UMBERG, THOMAS, Chair
Summary:	The Ralph M. Brown Act requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. The act generally requires for teleconferencing that the legislative body of a local agency that elects to use teleconferencing post agendas at all teleconference locations, identify each teleconference location in the notice and agenda of the meeting or proceeding, and have each teleconference location be accessible to the public. Current law also requires that, during the teleconference, at least a quorum of the members of the legislative body participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as specified. Current law, until January 1, 2026, authorizes specified neighborhood city councils to use alternate teleconferencing provisions related to notice, agenda, and public participation, as prescribed, if, among other requirements, the city council has adopted an authorizing resolution and 2/3 of the neighborhood city council votes to use alternate teleconference provisions, as specified This bill would authorize a subsidiary body, as defined, to use alternative teleconferencing provisions and would impose requirements for notice, agenda, and public participation, as prescribed. The bill would require the subsidiary body to post the agenda at each physical meeting location designated by the subsidiary body, as specified. The bill would require the members of the subsidiary body to visibly appear on camera during the open portion of a meeting that is publicly accessible via the internet or other online platform, as specified. (Based on 04/07/2025 text)

Location:	04/03/2025 - Senate JUD.	**Last Amend:**	04/07/2025
Introduced:	01/30/2025		

SB 462 **Cortese (D)** HTML PDF

California Farmland Conservancy Program: conservation easements: funding.

Tracking form

Subject
Land Conservation

Notes

CALAFCO Comments

Last amended 4/10/25. This bill established the California Farmland Conservancy Program Fund in the Department of Conservation and authorizes the program to offer financial assistance, including grants or contracts, for projects and activities on agricultural lands that support agricultural conservation and sustainable land management. The bill requires the Controller to transfer $20,000,000 on July 1 of each fiscal year, commencing with the 2025–26 fiscal year, from the General Fund to the California Farmland Conservancy Program Funding Account, which the bill would create within the California Farmland Conservancy Program Fund. The bill calls for a continuous appropriation of money in the account to the department for expenditure as provided. The bill requires that the funding only be awarded for agricultural conservation easements on agricultural land, as defined.

Bill information

Status:	04/21/2025 - April 21 hearing: Placed on APPR. suspense file.
Summary:	Existing law establishes the California Farmland Conservancy Program in the Department of Conservation and authorizes the program to offer financial assistance, including grants or contracts, for projects and activities on agricultural lands that support agricultural conservation and sustainable land management. Existing law creates the California Farmland Conservancy Program Fund and requires moneys in

the fund, upon appropriation by the Legislature in the annual Budget Act, to be used for purposes of the program. Notwithstanding that provision, existing law continuously appropriates moneys in the fund from federal grants and gifts and donations to the department for purposes of the program. This bill would require the Controller to transfer $20,000,000 on July 1 of each fiscal year, commencing with the 2025–26 fiscal year, from the General Fund to the California Farmland Conservancy Program Funding Account, which the bill would create within the California Farmland Conservancy Program Fund. The bill would continuously appropriate moneys in the account to the department for expenditure as provided. The bill would require that the funding only be awarded for agricultural conservation easements on agricultural land, as defined. (Based on 04/10/2025 text)

Location:	04/21/2025 - Senate APPR. SUSPENSE FILE	**Last Amend:**	04/10/2025
Introduced:	02/19/2025		

SB 707 **Durazo (D)** HTML PDF

Open meetings: meeting and teleconference requirements.

Tracking form

Subject
Brown Act

Notes

CALAFCO Comments

As amended on 4/7/25, the bill revises and recasts existing alternative teleconferencing provisions, until January 1, 2030, by providing a standard set of requirements that must be complied with (requirements explicitly stated in the bill). It expands the teleconferencing flexibility authorized during state-declared emergencies to include local emergencies, and removes the requirement for the legislative body to approve each instance a member of the legislative body wants to participate remotely for “emergency circumstances,” and applies the same rules for participating remotely for “just cause” to “emergency circumstances.” Further, the bill proposes to lower the vote requirement to a simple majority for members of a neighborhood council to meet via teleconference, and expands the authority of the court, in its discretion, to order the legislative body to audio record its closed session and preserve the audio recordings if there is a judgment of a violation of any authorization to hold a closed session meeting under the Brown Act.

Bill information

Status: 04/25/2025 - Set for hearing May 5.

Calendar: *05/05/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair*

Summary: The Ralph M. Brown Act requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. This bill would, until January 1, 2030, require a city council or a county board of supervisors to comply with additional meeting requirements, including that all open and public meetings include an opportunity for members of the public to attend via a 2-way telephonic service or a 2-way audiovisual platform, as defined, that a system is in place for requesting and receiving interpretation services for public meetings, as specified, and that the city council or county board of supervisors encourage residents to participate in public meetings, as specified. (Based on 04/07/2025 text)

Location:	04/23/2025 - Senate APPR.	**Last Amend:**	04/07/2025
Introduced:	02/21/2025		

SB 735 | Committee on Local Government () | HTML | PDF

Validations.

Tracking form

Subject
Other

Notes

CALAFCO Comments

This is one of three annual validating act bills. These bills validate the organization, boundaries, acts, proceedings, and bonds of the state government, counties, cities, special districts, and school districts, among other public bodies.

Bill information

Status: 04/10/2025 - Read third time. Urgency clause adopted. Passed. (Ayes 35. Noes 0.) Ordered to the Assembly. In Assembly. Read first time. Held at Desk.

Summary: This bill would enact the First Validating Act of 2025, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. This bill contains other related provisions. (Based on 02/21/2025 text)

Location: 04/10/2025 - Assembly DESK

Introduced: 02/21/2025

SB 736 | Committee on Local Government () | HTML | PDF

Validations.

Tracking form

Subject
Other

Notes

CALAFCO Comments

This is one of three annual validating act bills. These bills validate the organization, boundaries, acts, proceedings, and bonds of the state government, counties, cities, special districts, and school districts, among other public bodies.

Bill information

Status: 04/10/2025 - Read third time. Urgency clause adopted. Passed. (Ayes 35. Noes 0.) Ordered to the Assembly. In Assembly. Read first time. Held at Desk.

Summary: This bill would enact the Second Validating Act of 2025, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. (Based on 02/21/2025 text)

Location: 04/10/2025 - Assembly DESK

Introduced: 02/21/2025

SB 737 | Committee on Local Government () | HTML | PDF

Validations.

Tracking form

Subject
Other

Notes

CALAFCO Comments

This is one of three annual validating act bills. These bills validate the organization, boundaries, acts, proceedings, and bonds of the state government, counties, cities, special districts, and school districts, among other public bodies.

Bill information

Status: 04/10/2025 - Read third time. Passed. (Ayes 35. Noes 0.) Ordered to the Assembly. In Assembly. Read first time. Held at Desk.

Summary: This bill would enact the Third Validating Act of 2025, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. (Based on 02/21/2025 text)

Location: 04/10/2025 - Assembly DESK

Introduced: 02/21/2025

SB 740 **Rubio (D)** HTML PDF

Municipal wastewater agency: new agreement or amendment.

Tracking form

Subject
Waste Water

Notes

CALAFCO Comments

When a municipal wastewater agency enters into a new agreement or amends an agreement pursuant to Section 13912 of the Water Code, the agency shall, within 30 days after the effective date of the new agreement or amendment, file a copy of the agreement or amendment with the LAFCO in each county where any part of the municipal wastewater agency's territory is located. This bill extended the date of filing from 30 to 40 days.

Bill information

Status: 04/03/2025 - From committee: Do pass and re-refer to Com. on E.Q. with recommendation: To consent calendar. (Ayes 7. Noes 0.) (April 2). Re-referred to Com. on E.Q.

Summary: Current law authorizes a municipal wastewater agency to enter into agreements with entities responsible for stormwater management, including, but not limited to, municipal, industrial, and commercial stormwater dischargers, for the purpose of managing stormwater and dry weather runoff. Current law requires a municipal wastewater agency, if the agency enters into a new agreement or amends an agreement pursuant to those provisions, to file a copy of the agreement or amendment with the local agency formation commission in each county where any part of the municipal wastewater agency's territory is located within 30 days after the effective date of the new agreement or amendment. This bill would extend that filing requirement timeline to 40 days. (Based on 02/21/2025 text)

Location: 04/03/2025 - Senate E.Q.

Introduced: 02/21/2025

Total Measures: 17
Total Tracking Forms: 17

Agenda
Item
No. 6d

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Francisco Estrada, LAFCO Analyst
Subject: Comprehensive Quarterly Report – Third Quarter (FY 2024-25)

SUMMARY OF RECOMMENDATION
This report provides an overview of projects currently underway, the status of the Commission's Multi-Year Work Program, the financial performance of the annual budget, and staff's outreach efforts from January through March. 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 Cortese-Knox-Hertzberg Act delegates LAFCOs with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. **Attachment 1** summarizes how several of these statutory mandates are being met through the consideration of boundary changes, the development of scheduled service reviews, and staff's ongoing collaboration with local agencies.

Respectfully Submitted,

Francisco Estrada
LAFCO Analyst

Attachment:

1. FY 2024-25 Comprehensive Quarterly Report (Third Quarter)

Comprehensive Quarterly Report

FISCAL YEAR 2024-25
THIRD QUARTER
(JANUARY TO MARCH)

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

ACTIVE PROPOSALS

As of March 31, 2025, Santa Cruz LAFCO has two active applications.

1. **<u>"Lockewood Lane/Graham Hill Road Parcel Annexation" (Project No. DA 24-12)</u>:** This application was initiated by landowner petition on July 3, 2024, and proposes to annex a single parcel (APN: 061-441-01) into the San Lorenzo Valley Water District. The purpose of the annexation is for the provision of water services to a single-family unit development from a nearby public agency.

   Latest Status: The Commission approved the annexation at the April 2, 2025 Regular Meeting. The 30-day request for reconsideration ended on May 2nd. The annexation is scheduled to be recorded on May 6, 2025.

2. **<u>"1610 Bulb Avenue Parcel Annexation" (Project No. CA 24-13):</u>** This application was initiated by landowner petition on August 15, 2024, and proposes to annex a single parcel (APN: 031-121-39) into the City of Capitola. The purpose of the annexation is to receive municipal services and land use oversight from the City.

   Latest Status: Opposed by the affected agency. The Capitola City Council considered the proposed annexation and signed a letter of opposition on March 13. The applicant is currently considering their options, but the application may be terminated in the future.

MULTI-YEAR WORK PROGRAM (SERVICE REVIEWS)

A new five-year work program was adopted in 2024 to ensure that service reviews for each local agency under LAFCO's purview are considered within the legislative deadline. The Commission reviews and adopts the work plan on an annual basis. A total of five separate service and sphere reviews will be completed this year. Below is a status update on each scheduled review.

1. **County Service Area 9 (County Public Works) –** The CSA was formed in 1968 to provide public works services to the unincorporated areas and Scotts Valley.

   <u>Latest Update</u>: Completed. The Commission adopted the service and sphere review on March 5, 2025.

2. **Countywide Sanitation Districts (12 local agencies in total) –** The proposed service review will analyze CSA 2, CSA 5, CSA 7, CSA 10, CSA 20, Davenport County Sanitation District, Freedom County Sanitation District, Salsipuedes Sanitary District, Santa Cruz County Sanitation District, and the Bear Creek Estates Wastewater System managed by the San Lorenzo Valley Water District.

   <u>Latest Update</u>: Pending. The Commission will consider adopting the service and sphere review on May 7, 2025.

3. **Pajaro Valley Public Cemetery District –** The district was formed in 1955 to provide cemetery services in south county, including a portion of Monterey County.

   <u>Tentative Hearing Date</u>: The Commission will consider adopting the service and sphere review on June 4, 2025.

4. **Resource Conservation District –** The independent district was formed in 1977 to help people protect, conserve, and restore natural resources through information, education, and technical assistance programs.

   Tentative Hearing Date: The Commission will consider adopting the service and sphere review on August 6, 2025.

5. **Pajaro Valley Health Care District –** The District was formed in 2022 through special legislation to continue with the provision of acute care and emergency services in south Santa Cruz County. State law requires Santa Cruz LAFCO to complete a service and sphere review of the district by December 2025.

   Tentative Hearing Date: The Commission will consider adopting the service and sphere review on November 5, 2025.

OTHER PROJECTS

Santa Cruz LAFCO currently has five other LAFCO-related projects:

1. **CSA 48 Reorganization:** Staff continued to meet and coordinate with representatives from the County and CalFire to develop a plan for the potential reorganization of CSA 48 into an independent fire district during the third quarter (January-March).

2. **Educational Workshops:** Staff participated in the Small Water System Consolidation Workshop hosted by the County of Santa Cruz Water Advisory Commission on April 2. The purpose of the workshop was to provide information on legislation and efforts focused on supporting small water system consolidations and explain LAFCO's role in the process. LAFCO staff is also coordinating with CALAFCO to host three educational webinars open to all commissioners and staff from LAFCOs statewide.

3. **CALAFCO Sustainability:** The statewide organization is still in a transition period. The Executive Officer, as the Coastal Regional Officer, continues to coordinate with the membership to address the ongoing issues. LAFCO staff will be co-hosting a focus group meeting with the Coastal Region in May to evaluate CALAFCO as a valuable organization.

4. **Special Districts Election:** The 20 independent special districts in the county voted in a run-off election to determine the new regular and alternate members on LAFCO. Ballots were due on May 1st. The Commission will consider ratifying the election results on May 7, 2025.

5. **CALAFCO Staff Workshop Presentations:** The annual staff workshop will take place April 30 – May 2 and will be held in Temecula this year. Staff will participate in two sessions: one will focus on Protest Hearings and Elections, and the other will focus on improving the Municipal Service Review process.

6. **Shared Services Agreement with Monterey LAFCO:** As of March 31, Santa Cruz LAFCO has provided Monterey LAFCO with 12 hours of administrative/clerk support. This includes assisting and preparing for the March 24th regular meeting, drafting meeting minutes, learning payroll and recordation protocols, and setting up various user accounts. Monterey LAFCO compensated the Commission with $1,300 in funding for our services during the third quarter.

BUDGET REPORT

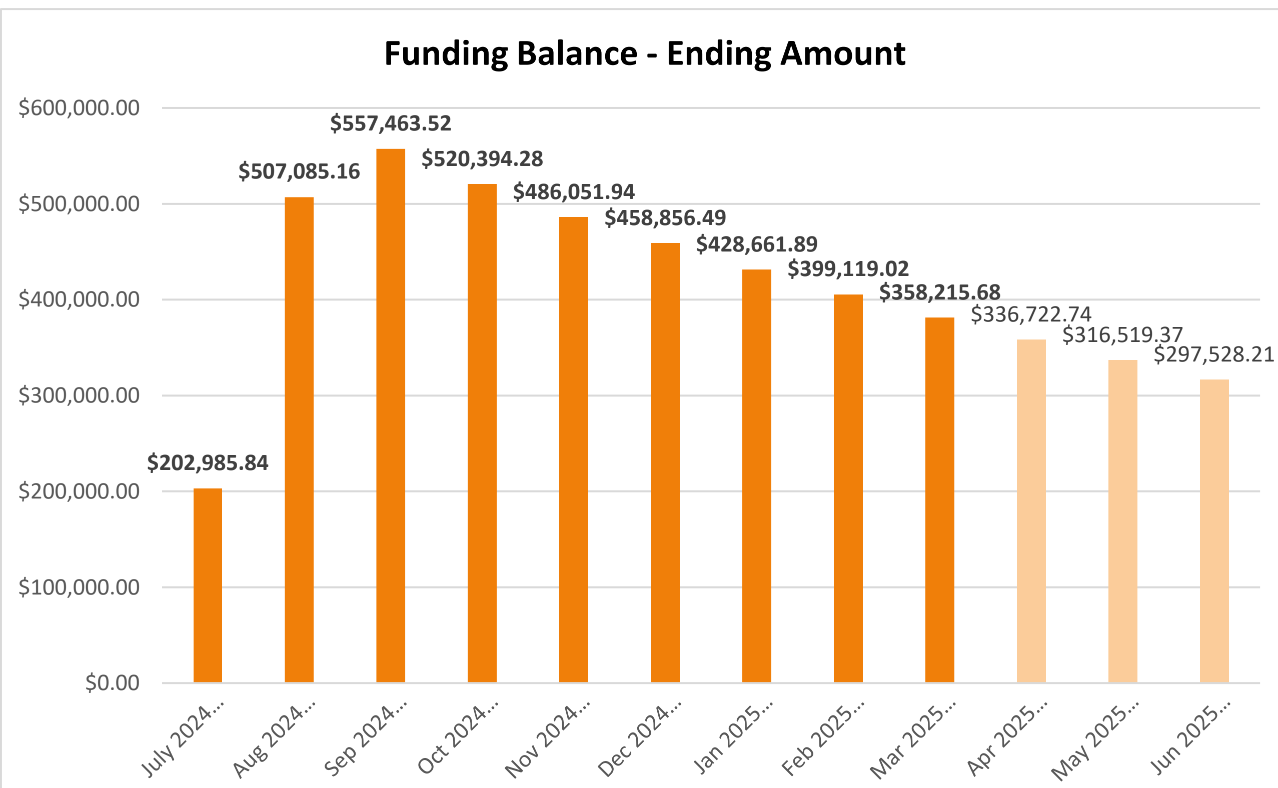
The third quarter of Fiscal Year 2024-25 ended on March 31, 2025. During this three-month period, the Commission received approximately $4,772 in revenue. During the same period, the Commission incurred approximately $104,000 in total expenses. In total, LAFCO has used 51% of the estimated costs for the entire fiscal year, as shown in the table below.

	FY 24-25 (1st Qtr.)	FY 24-25 (2nd Qtr.)	FY 24-25 (3rd Qtr.)	Available Funds	FY 24-25 Total Amt	FY 24-25 Budget	Percent (%)
Total Revenue	$424,113	$9,954	$4,772	$351,385	$790,294	$772,150	102%
Total Expense	$160,277	$108,561	$104,060	-	$393,077	$772,150	51%
Difference	$263,837	($98,607)	($99,287)	$351,385	$397,217	-	-

$358,216 was the ending balance of the Commission's reserves: $351,385 was earmarked to balance the budget and the remaining $6,831 was designated as unrestricted revenue. The unrestricted revenue may be used to address any unanticipated expenses during the fiscal year. A detailed review of LAFCO's financial performance during the first, second, and third quarters (July 2024 to March 2025) is shown on **page 4**.

Fund Balance / Reserves

As of March 31, 2024, the total fund balance ended with approximately $358,000. The following table highlights the fund balance during the entire fiscal year (actual and projected). LAFCO's fund balance typically reaches its peak during the first quarter after receiving all the scheduled apportionments from the funding agencies. The end balance for FY 24-25 will be used to balance the new budget in FY 25-26, if needed.



FY 2024-25 Budget (Financial Performance by Quarter)

FISCAL YEAR 2024-25	FY 24-25 First Qtr. (Jul - Sep)	FY 24-25 Second Qtr (Oct - Dec)	FY 24-25 Third Qtr (Jan - Mar)	FY 24-25 Adopted Budget	FY 24-25 Actual	Difference ($)	Budget Line Item Notes
REVENUES DESCRIPTION							
Interest	$ 4,468	$ 5,439	$ 4,357	$ 1,500	$ 14,264	$ 12,764	Above estimated amount
Contributions from Other Govt Agencies	$ 419,265	$ -	$ -	$ 419,265	$ 419,265	$ -	-
LAFCO Processing Fees	$ -	$ 4,100	$ -	$ -	$ 4,100	$ 4,100	Above estimated amount
Medical Charges-Employee	$ 381	$ 415	$ 415	$ -	$ 1,280	$ 1,280	Above estimated amount
Re-budget from Fund Balance	$ -	$ -	$ -	$ 351,385	$ 351,385	$ 247,985	-
TOTAL REVENUES	**$ 424,113**	**$ 9,954**	**$ 4,772**	**$ 772,150**	**$790,294**	**$ 266,129**	**Additional Funds in Total Revenue**
EXPENDITURES DESCRIPTION							
Regular Pay	$ 54,225	$ 65,667	$ 57,764	$ 260,000	$ 188,217	$ 71,783	Remaining Funds
Holiday Pay	$ 497	$ 3,980	$ 4,975	$ 10,300	$ 9,452	$ 848	Remaining Funds
Social Security	$ 4,186	$ 4,800	$ 4,850	$ 18,000	$ 14,644	$ 3,356	Remaining Funds
PERS	$ 68,863	$ 7,690	$ 6,954	$ 113,000	$ 84,678	$ 28,322	Remaining Funds
Insurances	$ 10,093	$ 9,910	$ 11,132	$ 45,000	$ 34,672	$ 10,328	Remaining Funds
Unemployment	$ -	$ -	$ 882	$ 600	$ 882	$ (282)	Overbudgeted Amount
Workers Comp	$ 1,498	$ -	$ -	$ 1,500	$ 1,498	$ 2	Remaining Funds
Salaries Sub-total	**$ 139,363**	**$ 92,048**	**$ 86,557**	**$ 448,400**	**$ 334,043**	**$ 114,357**	**Remaining Funds in Salaries & Benefits**
Telecom	$ 109	$ 336	$ 335	$ 1,600	$ 780	$ 820	Remaining Funds
Office Equipment	$ -	$ 33	$ 66	$ 200	$ 99	$ 101	Remaining Funds
Memberships	$ 5,541	$ 1,809	$ -	$ 7,500	$ 7,350	$ 150	Remaining Funds
Hardware	$ -	$ -	$ -	$ -	$ -	$ -	Remaining Funds
Duplicating	$ -	$ 1	$ -	$ 500	$ 1	$ 499	Remaining Funds
PC Software	$ 474	$ -	$ -	$ 700	$ 564	$ 136	Remaining Funds
Postage	$ 19	$ -	$ 7	$ 800	$ 26	$ 774	Remaining Funds
Subscriptions	$ 2,050	$ 206	$ 309	$ 3,300	$ 2,669	$ 631	Remaining Funds
Supplies	$ -	$ -		$ 500	$ 159	$ 341	Remaining Funds
Accounting	$ -	$ 5,000	$ 8,750	$ 14,000	$ 13,750	$ 250	Remaining Funds
Attorney	$ 759	$ 1,397	$ 1,693	$ 15,000	$ 3,848	$ 11,152	Remaining Funds
Data Process GIS	$ 2,076	$ 5,481	$ 566	$ 9,500	$ 9,802	$ (302)	Remaining Funds
Director Fees	$ -	$ -	$ -	$ 5,000	$ -	$ 5,000	Remaining Funds
Prof. Services	$ 5,234	$ 650	$ 4,550	$ 40,000	$ 10,434	$ 29,566	Remaining Funds
Legal Notices	$ 288	$ -	$ 387	$ 4,000	$ 675	$ 3,325	Remaining Funds
Rents	$ -	$ -	$ 410	$ 10,000	$ 410	$ 9,590	Remaining Funds
Misc. Expenses	$ 400	$ 525	$ 429	$ 4,000	$ 2,943	$ 1,057	Remaining Funds
Air Fare	$ -	$ -	$ -	$ 600	$ 396	$ 204	Remaining Funds
Training	$ -	$ -	$ -	$ 500	$ -	$ 500	Remaining Funds
Lodging	$ 1,163	$ 1,076	$ -	$ 2,000	$ 2,239	$ (239)	Overbudgeted Amount
Mileage	$ -	$ -	$ -	$ 800	$ -	$ 800	Remaining Funds
Travel-Other	$ -	$ -	$ -	$ 250	$ 89	$ 161	Remaining Funds
Registrations	$ 2,800	$ -	$ -	$ 3,000	$ 2,800	$ 200	Remaining Funds
Supplies Sub-total	**$ 20,914**	**$ 16,514**	**$ 17,503**	**$ 123,750**	**$ 59,034**	**$ 64,716**	**Remaining Funds in Services & Supplies**
TOTAL EXPENDITURES	**$ 160,277**	**$ 108,561**	**$ 104,060**	**$ 572,150**	**$393,077**	**$ 179,073**	**Remaining Funds in Total Expenditures**
RESERVES							
Contingency Reserves	$ 100,000	$ 100,000	$ 100,000	$ 100,000			
Litigation Reserves	$ 100,000	$ 100,000	$ 100,000	$ 100,000			
Unrestricted Funds	$ 357,464	$ 258,856	$ 158,216	$ -			
Total Reserve Balance (as of 4/14/25)	**$ 557,464**	**$ 458,856**	**$ 358,385**	**$ 200,000**			

RECENT & UPCOMING MEETINGS

LAFCO staff values collaboration with local agencies, the public, and other LAFCOs to explore and initiate methods to improve efficiency in the delivery of municipal services. During the third quarter (January – March), staff participated in 38 meetings. For transparency purposes, a summary of those meetings is shown in the following table.

January Meetings			
Topic	**Date**	**Subject Agency(ies)**	**Purpose**
Small Water Systems Proposed Legislation	1/7	Multiple LAFCOs	Staff met with other LAFCOs, UC Berkeley, and water advocacy reps to discuss a possible bill to help private water systems.
CALAFCO Regional Officers	1/7	CALAFCO	Staff met with the other regional officers to discuss CALAFCO-related matters.
Fire Consolidation Study	1/8	Santa Cruz Area Fire Agencies	Staff met with reps from the City of Santa Cruz, Central Fire District, and unions to explore shared services opportunities.
Employee Performance Evaluations	1/8	LAFCO Personnel Committee	Staff met with the Personnel Committee to review staff performance evaluations and consider salary adjustments.
Upcoming Municipal Service Review	1/9	Pajaro Valley Public Cemetery District	Staff met with PVPCD reps to discuss their upcoming service and sphere review.
Upcoming Municipal Service Review	1/9	Santa Cruz Sanitation Districts	Staff met with reps of the sanitation districts to discuss the upcoming countywide report.
Board of Directors Meeting	1/10	CALAFCO	Staff participated in the special CALAFCO Board of Directors meeting held in Sacramento to address member concerns.
LAFCO Special District Member Seat Election	1/13	Special District Candidate	Staff met with one of the candidates to discuss the election process.
Small Water Systems Proposed Legislation	1/13	Multiple LAFCOs	Staff met with other LAFCOs, UC Berkeley, and water advocacy reps to discuss a possible bill to help private water systems.
Potential CSDA Santa Cruz Chapter	1/14	California Special Districts Association	Staff met with representatives of CSDA to discuss establishing a local chapter.
Upcoming Municipal Service Review	1/14	Resource Conservation District of Santa Cruz County	Staff met with RCD reps to discuss their upcoming service and sphere review.
Upcoming Municipal Service Review	1/15	San Lorenzo Valley Water District	Staff met with SLVWD reps to discuss their upcoming service and sphere review.

Shared Services Agreements	1/15	Central Fire District & Scotts Valley Fire Protection District	Staff met with the fire chiefs to discuss how fire districts can share resources.
CALAFCO Coastal Region	1/16	CALAFCO	Staff met with the 15 Coastal Region LAFCOs to discuss the status of CALAFCO.
CALAFCO Central Region	1/16	CALAFCO	Staff attended the meeting of the CALAFCO Central Region group.
Upcoming Municipal Service Review	1/23	County Service Area 9	Staff met with County reps to discuss their upcoming service and sphere review.
CALAFCO Executive Committee	1/24	CALAFCO	Staff attended and participated in the CALAFCO Executive Committee meeting.
Small Water Systems Proposed Legislation	1/27	Multiple LAFCOs	Staff met with other LAFCOs, UC Berkeley, and water advocacy reps to discuss a possible bill to help private water systems.
Appointment of City Representatives	1/27	City Selection Committee	Staff attended the City Selection Committee meeting.
Appointment of County Representatives	1/28	Santa Cruz County Board of Supervisors	Staff attended the Board of Supervisors meeting.

February Meetings			
Topic	**Date**	**Subject Agency(ies)**	**Purpose**
Proposed Haven Development Project	2/4	Santa Cruz County Community Development & Infrastructure Dept.	Staff met with representatives of CDI to discuss the proposed development in unincorporated county territory.
CSA 48 Reorganization	2/4	CSA 48 Stakeholder Group	Staff met with representatives of CalFIRE and the County to continue discussing the potential reorganization of CSA 48.
Board of Directors	2/7	CALAFCO	Staff participated in the special CALAFCO Board of Directors meeting held in Sacramento to address member concerns.
Small Water Systems Proposed Legislation	2/10	Multiple LAFCOs	Staff met with other LAFCOs, UC Berkeley, and water advocacy reps to discuss a possible bill to help private water systems.
CALAFCO Staff Workshop	2/11	CALAFCO	Staff met with participants to discuss an upcoming presentation at the CALAFCO Staff Workshop .

Legislative Committee	2/19	CALAFCO	Staff participated in CALAFCO's legislative committee as the Omnibus Bill Liaison.
Small Water Systems Proposed Legislation	2/24	Multiple LAFCOs	Staff met with other LAFCOs, UC Berkeley, and water advocacy reps to discuss a possible bill to help private water systems.
Succession Strategy	2/24	Nevada LAFCO	Staff met with Nevada LAFCO's Executive Officer to discuss how to effectively prepare for changes in staffing.
Small Water Systems Proposed Legislation	2/26	Senator John Laird	Staff met with other LAFCOs, UC Berkeley, and water advocacy reps to discuss a possible bill to help private water systems.

March Meetings			
Topic	**Date**	**Subject Agency(ies)**	**Purpose**
CSA 48 Reorganization	3/3	CSA 48 Stakeholder Group	Staff met with representatives of CalFIRE and the County to continue discussing the potential reorganization of CSA 48.
CSDA Event for Proposed Chapter	3/4	California Special Districts Association	Staff met with representatives from CSDA to plan and discuss an upcoming event.
County Fire	3/7	Chief Administrative Office	Staff met with the assistant chief administrative officer to discuss fire-related matters.
Water Service Inquiry	3/10	Landowner (Potential Applicant)	Staff met with a parcel owner to discuss the LAFCO process to receive water services from a public agency.
Pajaro Valley Fire Protection District	3/13	CalFire	Staff met with CalFire representatives to discuss upcoming PVFPD board meeting.
Fire Consolidation Discussion	3/13	Santa Cruz Area Fire Agencies	Staff met with reps from the City of Santa Cruz, Central Fire District, Scotts Valley FPD and their union leaders to explore shared services opportunities and a possible feasibility study.
Strategic Plan Retreat	3/20-3/21	CALAFCO	Staff from LAFCO's statewide met in Sacramento to discuss ongoing CALAFCO issues the strategic plan.
Countywide Water	3/24	Santa Cruz Regional Water Mgmt. Group	Staff participated in the regular meeting to discuss water-related issues.
Legislative Committee	3/25	CALAFCO	Staff participated in CALAFCO's legislative committee as the Omnibus Bill Liaison.

Agenda Item No. 7a

LAFCO

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: Letter of Resignation

SUMMARY OF RECOMMENDATION

In April, the Commission received written correspondence from Don Jarvis who has worked for LAFCO as the Commission's fire consultant since March 2022. 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 hired Don Jarvis in 2022 following the influx in fire-related projects in Santa Cruz County. His expertise was instrumental in helping complete the Branciforte Fire Reorganization in 2023. The term of the original contract technically expired in March 2024 but was extended for another year to help with the County Service Area 48 reorganization effort. However, Mr. Jarvis recently indicated that he has other commitments and can no longer provide consulting services to LAFCO at this time. A new contract would be needed if LAFCO decides to rehire Mr. Jarvis in the future. Staff would like to thank Mr. Jarvis for his exceptional service during the past three years.

Respectfully Submitted,

Joe A. Serrano
Executive Officer

Attachment: Letter of Resignation

April 22, 2025

Mr. Joe Serrano

Executive Officer, Santa Cruz LAFCO

701 Ocean Street, Room 318-D

Santa Cruz, CA 95060

Dear Joe,

This letter is to inform you that due to other commitments, I am no longer available to act in the role of your LAFCO Fire Consultant. I find that I do not have the time available at present to give our projects the attention they deserve.

I am hopeful that I will be able to resume my work with Santa Cruz LAFCO at some future time as circumstances allow.

I have thoroughly enjoyed working with you and I'm proud of what we have been ab e to accomplish. I'm confident thanhe efforts we have put forth will eventually resolve with great success.

With best wishes,

Don Jarvis

Fire Reorganization Consulting, LLC

511 Hawk Ridge Lane

Watsonville CA 95076

Agenda Item No. 8a

LAFCO

Santa Cruz Local Agency Formation Commission

Date: May 7, 2025
To: LAFCO Commissioners
From: Francisco Estrada, LAFCO Analyst
Subject: Press Articles during the Month of April

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: "LAFCO Votes to Dissolve South County Fire District Amid Backlash Over Fee Increases and Lack of Consultation". The article, dated April 3, provides the public with an update Santa Clara LAFCO's decision to dissolve the South Santa Clara County Fire District at their April meeting. As a result, taxpayers in certain cities will see rate increases and potentially slower emergency response times. Critics argued that the process has been premature and rushed, but CalFIRE and Central District have until July 1st to have a fully staffed protection plan in place.

Article #2: "Another water district annexes so-called "white lands," the scourge of complying with California's groundwater law". The article, dated April 8, details the annexation 13,000 acres by the Atwell Island Water District to help farmers in the area get access to surface water. Tulare LAFCO approved the annexation, but many residents and a water district protested the action saying that proper notice was not given. Known as "white lands", the annexed area will allow farmers to purchase water when surplus amounts are available and supports efforts to bring the region's aquifers into balance per the Sustainable Ground Water Management Act.

Article #3: "Making Recharge a "Win-Win" for Landowners and Groundwater Agencies". The article, dated April 14, explains how public agencies statewide have incentivized landowners to conduct groundwater recharge on their land to meet the goals of the Sustainable Groundwater Management Act. These incentive programs usually fit into two board categories, monetary or credit, and approaches and models used by agencies such as the Pajaro Valley Water Management Agency have been tailored to the unique local conditions of each county and based on reliable accounting systems for managing groundwater demand. Such programs can help the state capture more water during wet periods to help through the dry periods in the state's increasingly volatile climate.

Article #4: "Soquel Creek Water District Named Organization of the Year". The article, dated April 17, announced that Soquel Creek Water District received the Organization of the Year Award from the Santa Cruz Chamber of Commerce at its annual gala on April 3. The district was recognized for its Pure Water Soquel Groundwater Replenishment and Seawater Intrusion Prevention Project, a solution to the issue of seawater intrusion. The project has also had significant environmental benefits, including diverting millions of gallons of effluent from being disposed of daily in the Monterey Bay National Marine Sanctuary.

Article #5: "Property owners, voters can protest dissolution of South County Fire District". The article, dated April 17, explains to the public the next step in the dissolution of the South Santa Clara County Fire Protection District (SSCCFPD). Santa Clara LAFCO will hold a protest hearing on May 7 to receive and consider written protests regarding a proposal to dissolve the SSCCFPD. The purpose of the reorganization is to address longstanding structural challenges associated with maintaining an adequate and appropriate level of fire protection services, including their structural operating deficit.

Article #6: "Santa Cruz County fire districts team up to study potential consolidation". The article, dated April 17, announces the partnership between the City of Santa Cruz, Scotts Valley Fire District, Central Fire District, and Santa Cruz LAFCO to conduct a regional fire service consolidation feasibility study. The purpose of the study is to explore how regional cooperation can strengthen fire response and enhance public safety for the constituents of each fire protection agency. In the coming weeks, the agencies will select a consultant to conduct the comprehensive assessment through a request for proposals process with the expectation that the assessment will begin later this year.

Article #7: "Watsonville Hospital deficit spending less than $1 million for the first time in years". The article, dated April 21, details the State of the Hospital hosted by the Watsonville Community Hospital, an event to publicly highlight significant budgetary gains and emphasize reliance on strategic local partnerships. Among its achievements, the hospital has managed to cut its deficit spending to under $1 million after posting losses for several years under private ownership. Hospital leaders also touted coming investments including the design phase for an expanded emergency department, new imaging equipment, infrastructure upgrades and green energy projects.

Respectfully Submitted,

Francisco Estrada
LAFCO Analyst

Attachments:
1. "LAFCO Votes to Dissolve South County Fire District Amid Backlash Over Fee…"
2. "Another water district annexes so-called "white lands," the scourge of complying with..."
3. "Making Recharge a "Win-Win" for Landowners and Groundwater Agencies".
4. "Soquel Creek Water District Named Organization of the Year".
5. "Property owners, voters can protest dissolution of South County Fire District".
6. "Santa Cruz County fire districts team up to study potential consolidation".
7. "Watsonville Hospital deficit spending less than $1 million for the first time in years".

8A: ATTACHMENT 1

cupertinotoday.com

LAFCO Votes to Dissolve South County Fire District Amid Backlash Over Fee Increases and Lack of Consultation - Cupertino Today

Staff Writer

6–8 minutes

In a highly charged and contentious meeting on Wednesday, the Santa Clara County Local Agency Formation Commission (LAFCO) – a state-mandated commission responsible for determining boundary changes – voted 6-1 to dissolve the South Santa Clara County Fire District, effectively terminating the County's decades-long fire service contract with CAL FIRE and transferring responsibility to the Santa Clara County Central Fire Protection District. Commissioner Mark Turner, who is also the Mayor of Morgan Hill, cast the lone no vote.

As a result, residents who live in the incorporated cities located in the Central District – which includes cities that were absorbed from CAL FIRE – will now see fee increases for fire service and potentially slower emergency response times since it will cost $4.5 million more to maintain the same level of service as CAL FIRE under Central Fire.

The affected cities that will see rate increases are Cupertino, Morgan Hill, Gilroy, Campbell, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, and Saratoga.

After being pressed by the Commissioners to provide a clear answer on this matter, County Executive James Williams acknowledged that indeed "incorporated areas will likely see fee adjustments… those will be handled through separate negotiations."

He acknowledged that CAL FIRE can provide the same service at a lower cost than Central Fire. "The current baseline rate charged by CAL FIRE is lower than Central Fire's rate," he admitted. "As a result, property owners in the incorporated areas will be charged a higher rate beginning in the 2025–26 fiscal year."

The decision sets in motion a high-stakes and complex transition that must be completed by July 1, 2025, when CAL FIRE's current contract with the County officially ends. By that deadline, the County and Central Fire must finalize a host of unresolved issues: staffing, station handovers, equipment transfers, and crucially, financial agreements with affected cities like Morgan Hill and Gilroy. Without those pieces in place, large areas of South County could be left with unclear or inadequate fire protection coverage.

The decision has left local officials scrambling, particularly in Morgan Hill and Gilroy, which were not included in earlier consultations and now face both new financial burdens and uncertain coverage models.

"We only saw the revised funding tables a day and a half ago," said Morgan Hill City Manager Christina Turner. "It's not acceptable for cities to be handed new financial obligations at the 11th hour."

Turner and others questioned why LAFCO would approve a sweeping jurisdictional change without locked-in financial terms, calling the process "premature" and "deeply flawed."

"This feels like a predetermined outcome with little transparency," said Gilroy City Administrator Jimmy Forbis. "Cities were not meaningfully brought into the planning process until it was too late."

Commissioner Turner, who cast the only dissenting vote, said, "I'm very concerned about the lack of notification and consultation with the cities of Gilroy and Morgan Hill. Decisions like this should not be made without those most directly impacted being at the table."

CAL FIRE officials forcefully rebuked the County's transition plan, warning that it was built on unfounded assumptions and lacked any formal agreement for continued support or shared resources.

"We were never formally consulted about the handoff of service," testified Jake Hess, CAL FIRE Santa Clara Unit Chief and Fire Chief of the South Santa Clara County Fire District. "Our department found out about the contract termination decision through secondhand channels."

Tyler emphasized that CAL FIRE has not agreed to lend any engines, stations, or personnel to Central Fire post-transition, despite the County's plan appearing to rely on such resources.

"We have not agreed to lend equipment, personnel, or stations to Central Fire. Any such understanding is entirely premature and unfounded," Tyler said, calling the County's assumptions a "house of cards."

Without a formal agreement, Central Fire would face significant capital investments to replace CAL FIRE's infrastructure.

Critics argued that the current arrangement with CAL FIRE should remain in place, saying that CAL FIRE is effectively and efficiently serving residents. CAL FIRE Local 2881 member Brandon Barrett summed up his opposition in a public comment saying, "When the stakes are this high, you don't blow up what's working. You protect it."

"LAFCO has a duty to make decisions based on facts and public good, not assumptions," he continued. "This plan is built on hope—not infrastructure."

CAL FIRE emphasized its operational strengths and longstanding ties to the community, arguing that its integration with the state's mutual aid system—along with its wildfire, disaster response, rural coverage capabilities, and institutional knowledge—offered unmatched service quality and coordination.

"We've been here for over 40 years. We know the terrain, the risks, and the people. We're not just a state agency—we're neighbors," said Tyler.

With Central Fire now tasked with building out service capabilities in South County, and with CAL FIRE standing firm in its refusal to share assets without formal deals, the two parties face a potential stalemate in reaching an agreement fraught with logistical, legal, and operational challenges. The July 1 deadline looms large— getting it wrong could cost significant dollars and lives.

Despite the several concerns expressed, LAFCO voted to approve the dissolution of the South County Fire District and the annexation into Central Fire. The vote puts immense pressure on all parties to coordinate a seamless and fully staffed fire protection plan before the July 1 handoff date.

Now that LAFCO has approved the dissolution of the South Santa Clara County Fire District, the next step is a formal protest process. This involves notifying registered voters and landowners within the affected area, who will have the opportunity to submit written objections. If more than 25 percent of registered voters protest, a special election must be held. If 50 percent or more protest, the dissolution is automatically terminated.

The protest hearing is expected to take place later this spring and must occur before the July 1 deadline when CAL FIRE's contract is set to expire and fire service responsibility officially transitions to the Santa Clara County Central Fire Protection District.

8A: ATTACHMENT 2

sjvwater.org

Another water district annexes so-called "white lands," the scourge of complying with California's groundwater law – SJV Water

Lisa McEwen

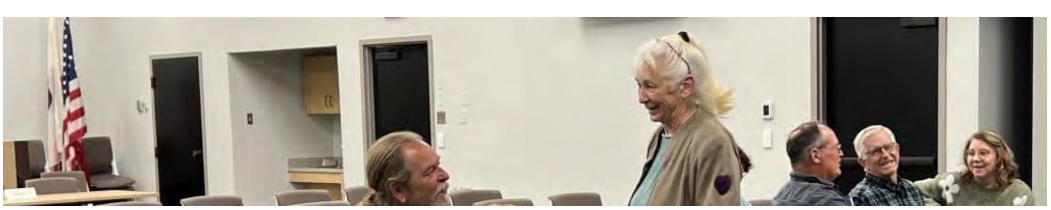
6–8 minutes

A tiny water district in western Tulare County is poised to nearly triple in size by annexing 13,000 acres of land that has become "the stepchild nobody wants" for its lack of surface water.

The Atwell Island Water District, at 7,300 acres, sought the annexation in order to help farmers in the area get access to surface water, said board member Deanna Jackson. Atwell has a small federal contract for water from the Central Valley Project and is a subcontractor for water from the Cross Valley Canal in Kern County as well.

Jackson also runs the overarching Tri-County Water Authority Groundwater Sustainability Agency, tasked with bringing the region's aquifers into balance per the Sustainable Groundwater Management Act (SGMA). Atwell is a member agency of Tri-County, which also brought this acreage into its boundaries.

Groundwater-only lands, also called white lands, have become pariahs under SGMA as they don't have surface water to recharge what they pump. So, getting a water district to take them on is typically seen as a benefit.



At left, Allensworth resident Dennis Hutson speaks with Deanna Jackson, General Manager of Tri-County Water Authority during a Tulare County LAFCo meeting. Tulare County resident Trudy Wischemann is behind Jackson. Lisa McEwen / SJV Water

But several residents and another water district protested the Atwell annexation saying they weren't given proper notice and are concerned about potential groundwater exports.

The Tulare County Local Agency Formation Commission (LAFCo) approved the annexation after two meetings. Now Atwell will begin working with the landowners. A board meeting is set for 10 a.m. Monday, April 21.

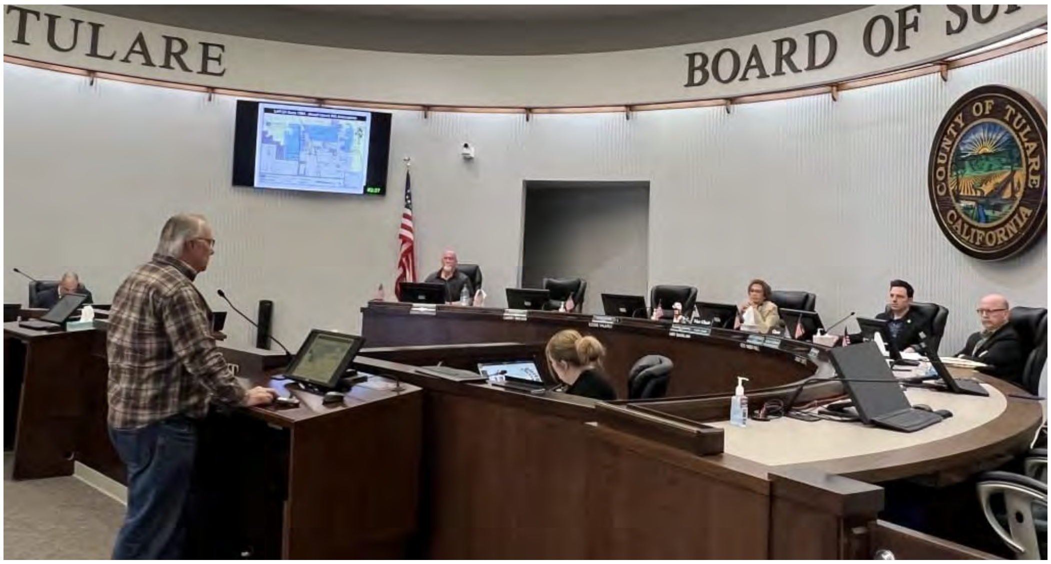
"We'll start looking at what we can do for this area," Jackson said. "Can we purchase water this year? Maybe. We need to have a meeting first."

Lindsay resident and newspaper columnist Trudy Wischemann has spoken at several recent LAFCo meetings, concerned that water districts are annexing lands unchecked and claims their governance structure favors large landowners, leaving small landowners in the lurch. For those and other reasons, she protested the Atwell annexation.

Bruce Howarth, general manager of Alpaugh Irrigation District, Alpaugh Community Services District and Alpaugh GSA shared at LAFCo's second meeting on April 2 that the commission denied a simple request to postpone its January decision. By the time he read the LAFCo notice about the proposed annexation, he could not get his boards together for guidance on how to respond.

He also voiced concern about the annexation violating the California Environmental Quality Act (CEQA).

"We have grave concerns about CEQA. CEQA is a foundation to protect our environment," he said. "I see this all the time working in Alpaugh, where things get pushed through, like High Speed Rail. Our ask is to have another hearing."



Bruce Howarth, general manager of Alpaugh Irrigation District, speaks against allowing Atwell Island Water District to annex 13,000 acres. Lisa McEwen / SJV Water

Because the protests didn't provide new information, per LAFCo rules, there won't be another hearing.

Allensworth Progressive Association and Allensworth Community Services District had initially protested the January vote and filed a request for reconsideration of the annexation.

They cited a lack of proper noticing and California Environmental Quality Act violations but later rescinded their request after speaking with Atwell's Jackson.

Wischemann and the Alpaugh district are still opposed to the annexation.

"I'm not done with it yet," Wischemann wrote in an email.

Competing for water

[Delano-Earlimart Irrigation District GSA] jettisoned more than 7,000 acres of white lands in 2023. Some of that land overlaps land now annexed by Atwell.

Jackson told LAFCo commissioners at their April 2 meeting that the sole purpose for annexing the land is for Atwell to help bring in surface water when available.

"This is an agricultural area that has no ability to purchase water. When surface water is available, they can purchase and bring it in, and possibly continue farming a portion of the area," she said.

Grower representative Steve Jackson (no relation) said farmers outside of water districts can't buy and move water independently.

"It's a competitive environment for surface water and we need the ability to compete. Being in a water district gives us that."

Deanna Jackson added that the district has no planned water storage projects so the annexation is exempt from CEQA.

"Those concerns are speculative at this time," she said. "Really, we've just been working diligently to extend this over the white area so that we could work on something to purchase water when surplus water is available."

"Everybody's looking for hope"

Other Tulare County water districts have also annexed white lands. Those include Ducor, Hope, St. Johns and Consolidated.

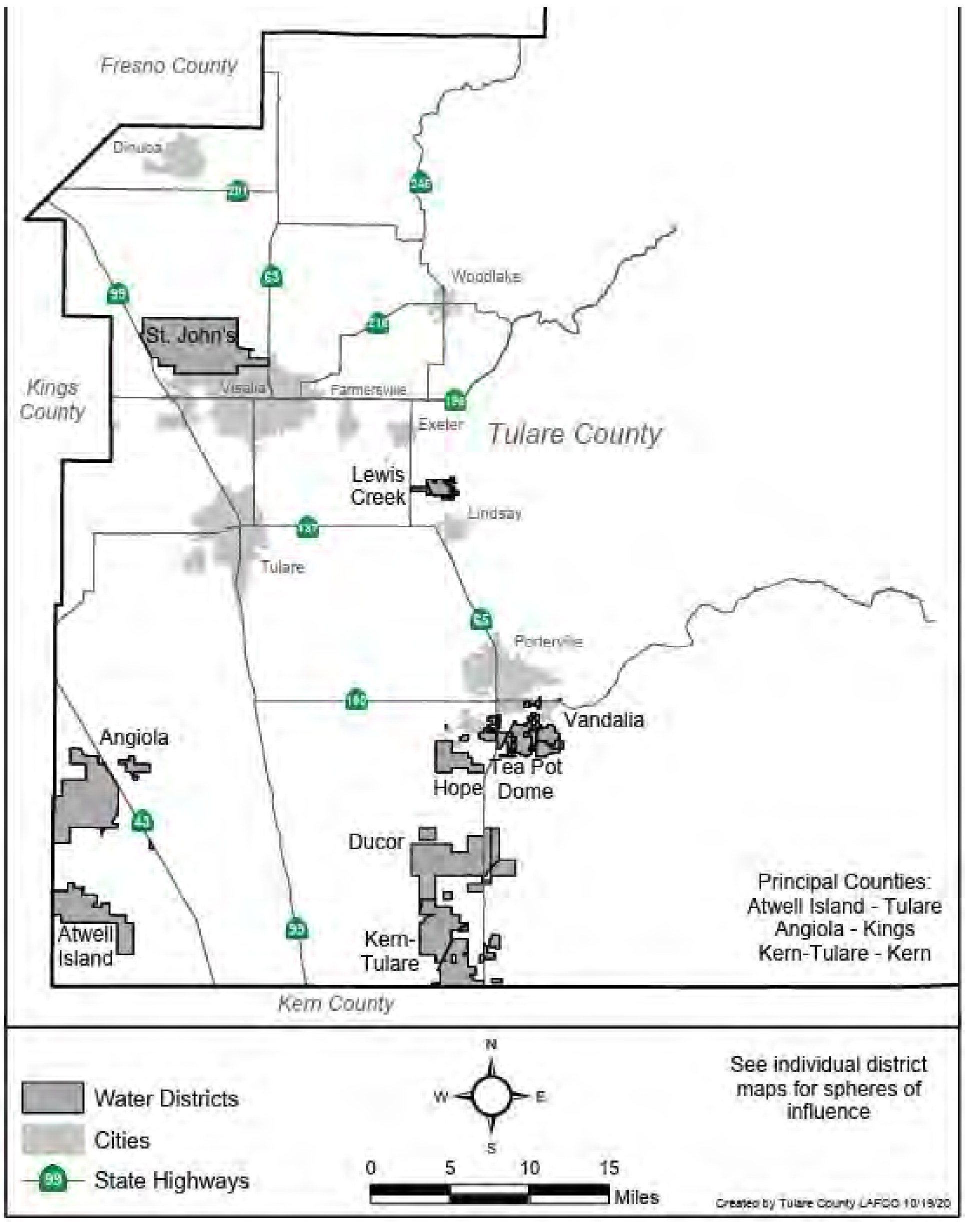
James Silva, general manager of Consolidated People's Ditch and 14 other ditch companies, has spearheaded the effort to form Consolidated Water District. Four private ditch companies propose to cover 84,000 acres in northern Tulare County's flatlands, 24,000 of which are totally groundwater dependent.

The proposal was approved by Tulare's LAFCo and the Tulare County Board of Supervisors has approved submitting the proposal to a vote of the landowners. That mail-in ballot election will be on May 6. Five landowners have filed papers to fill board seats, he said.

"Everybody is excited to get this district formed and going," Silva said. "For groundwater dependent growers, this is one way to get a lifeline for the future."

The proposed Consolidated Water District has indicated it will use land assessment fees to buy surface water and build systems to convey surface water throughout the district.

"This trend is really because there are a lot of people facing the end of their farms," Deanna Jackson said. "Everybody's looking for hope and that's what these annexations are about. White area folks can't do it on their own, they need help from a district. If we can save some people, why wouldn't we try?"



ppic.org

Making Recharge a "Win-Win" for Landowners and Groundwater Agencies

7–9 minutes

The tenth anniversary of the Sustainable Groundwater Management Act (SGMA) last year put a spotlight on the challenges of implementing this landmark legislation. Agencies in both the San Joaquin and Sacramento Valleys have scaled up efforts to replenish aquifers in recent years, but they still need ways to better harness the water received in wet years.

Spreading water on privately owned land so it can penetrate the soil and refill below-ground aquifers—a process known as groundwater recharge—is one way to make the most of surplus water when it's available. This can include methods such as spreading water on farmland or on land that's set aside solely for recharge. Landowners may recharge using their own water and land, an irrigation district's water on their private land, or their own water on an irrigation district's land.

In a previous blog post, we explained how establishing groundwater accounting is a necessary first step for creating recharge incentives, and we explored several local agencies' accounting methods. In this post, we outline how these agencies incentivize landowners to conduct recharge.

Incentivizing groundwater recharge

Groundwater recharge incentive programs fit into two broad categories: monetary incentives and pumping credits. Monetary incentives are just what they sound like: a grower who recharges receives a monetary payment. Pumping credits are slightly different: in areas where groundwater pumping is limited, growers can receive credits to pump additional water if they conduct recharge on their land. We explore both types of incentives, using examples from specific agencies.

Monetary incentives. Recharge can be incentivized by paying landowners money for each acre-foot recharged. For example:

- Westlands and Arvin-Edison have both paid landowners to take surplus district water and recharge it on their land. These payments have ranged from $30–100 per acre-foot recharged.
- Pajaro Valley Water provides rebates on groundwater pumping fees for recharge. The rebate amounts to half of the current pumping fee, which is currently of $323–$452 per acre-foot.
- Westlands offers a hybrid incentive program that compensates landowners with a partial pumping credit combined with a monetary payment.

Pumping credits. Some groundwater sustainability agencies have groundwater allocations in place—that is, caps on the amount of groundwater that can be pumped each year per acre of irrigated land. Agencies with groundwater allocations use pumping credits to incentivize landowner recharge. Landowners who conduct recharge will receive 50–90% of the volume of the water they divert for that purpose as a credit for future pumping. These credits may appeal to farmers concerned about water reliability, because the credits increase how much groundwater they can pump in the future.

The share of water applied for recharge but not credited to the landowner is commonly referred to as the “leave-behind.” The leave-behind accounts for the fact that not all water diverted for recharge makes it underground, and not all water that makes it underground stays put. The amount of leave-behind varies depending on physical factors such as how much water is lost to evaporation, how suitable the land is for recharge, and the time of year. Other factors include recharge method, surface water source, and recharge location.

Regardless of whether an agency uses pumping credits or monetary incentives, most agencies base the landowner’s compensation on the amount of surface water diverted for recharge. If a district provides surface water for recharge, the groundwater sustainability agency—the local agency charged with implementing SGMA—typically uses district meter data to calculate the amount diverted. If floodwater or another surface water source is used for recharge, then the agency cannot depend on district data. In this case, landowners are typically required to meter their diversions and provide the meter data as evidence of their recharge.

Choosing the right incentive structure

Two factors help determine which incentive structure works best: whether or not the agency is using a tool like groundwater allocations or pumping fees to reduce pumping, and whether or not landowners have access to surface water.

For agencies with allocations in place, pumping credits are feasible to implement. In our 2023 survey of groundwater recharge in the San Joaquin Valley, we found that agencies with allocations were primed to receive floodwater diversions and were able to better take advantage of opportunities for recharge.

Some agencies without groundwater allocations in place, like Pajaro Valley Water, impose pumping fees. For such agencies, a rebate on fees based on amount of water recharged could be effective. If neither pumping allocations nor fees are in place, then a fixed monetary payment per acre-foot recharged may be most suitable, like that which Arvin-Edison employs. However, any agency could choose to provide fixed payments in addition to other incentives. For example, Westlands provides both pumping credits and fixed payments. Providing both pumping credits and monetary incentives may encourage more recharge by appealing to landowners in different situations.

Whether a landowner has access to surface water also matters. Landowners with surface water access can rely on existing conveyance infrastructure to move excess water to private land for recharge during wet periods. In some areas, most landowners may have access to district-provided surface water, but agencies have not yet set up pumping or monetary incentives. In that case, agencies may prefer to make fixed payments to landowners who take water for recharge during surplus conditions.

Developing good accounting systems is a prerequisite for managing groundwater demand, and it can also fast-track incentives for boosting groundwater supplies through recharge on private land. The agency approaches described here can help other agencies across the state develop their own programs while tailoring them to local conditions. Such programs can help the state capture more water during wet periods to help get through the dry periods in California's increasingly volatile climate.

This blog post is based on a review of publicly available documents and/or correspondence with managers of seven local water management agencies: Arvin-Edison Water Storage District, Lower Tule River Irrigation District Groundwater Sustainability Agency (GSA), Pixley Irrigation District GSA, the Madera County GSAs, Mid-Kaweah GSA, Westlands Water District GSA, and Pajaro Valley Water Management Agency (PV Water).

Topics

agriculture groundwater groundwater sustainability incentivizing recharge SGMA Water Supply Water, Land & Air

8A: ATTACHMENT 4

tpgonlinedaily.com

Soquel Creek Water District Named Organization of the Year

See Below

~4 minutes

Soquel Creek Water District received the Organization of the Year award from the Santa Cruz Chamber of Commerce at its Annual Community Recognition Gala April 3.

The district's Pure Water Soquel Groundwater Replenishment and Seawater Intrusion Prevention Project, identified as a solution to seawater intrusion, was constructed last year, a milestone in the effort to replenish the critically overdrafted groundwater basin and prevent contamination of groundwater wells that are the sole source of drinking water.

The district has 14,400 water connections in Aptos, La Selva Beach, Rio Del Mar, Seascape, Seacliff Beach, Soquel, and part of Capitola, serving 40,000+ residents, supplies water to businesses that support approximately 18,000 jobs, and provides water for 22 parks and 18 schools.

The Pure Water Soquel facility — now undergoing final testing before full operation — will take treated, recycled municipal wastewater and use advanced treatment processes to produce 1,500 acre-feet of purified water per year.

This purified water will be used to replenish the groundwater basin, providing a barrier against seawater contamination and creating a reliable, safe, clean supply of water.

The project also has the significant environmental benefit of diverting millions of gallons of effluent from being disposed of daily in the Monterey Bay National Marine Sanctuary.

The District's participation in the Chamber's community leadership activities, which involved a tour of the Pure Water Soquel facility, along with its commitment to building a better future for all who live and work in the region, were another factor in the award.

"Our Board and staff are truly gratified to be recognized with this award, and we thank the Santa Cruz Chamber of Commerce for this honor," said Rachél Lather, president of the District's Board of Directors. "A reliable water supply is fundamental to the health and vitality of the entire community. We work hard to ensure our customers are provided with clean, safe, reliable water every day. And with the Pure Water Soquel project coming online soon, we can assure our community of a sustainable water supply for generations to come."

District General Manager Melanie Mow Schumacher said, "The District is all about partnerships – including with the community, with businesses, with local, state, and federal officials, and with other local and regional agencies. It's gratifying to be recognized by the Chamber for our efforts on behalf of the community we serve, and we count the Chamber among our valued partners."

Soquel Creek Water District has in the past received a Top Workplace Award, an Award of Excellence in Outreach & Education, and a Transparency Award, among others. It is also known throughout the water industry for its creative and successful community outreach programs.

•••

Other Honorees

- Person of the Year: U.S Rep. **Jimmy Panetta**, 19th District
- Business of the Year: **West Coast Community Bank** (Formerly Santa Cruz County Bank)
- Small Business: **Sante Adairius Rustic Ale**
- Lifetime Achievement: **Zach Friend**, Santa Cruz County Supervisor (2013 – 2025)

TOP PHOTO: Soquel Creek Water District Board of Directors (from left): Dr. Bruce Jaffe, Jennifer Balboni, Carla Christensen, President Rachél Lather, Vice President Dr. Tom LaHue.

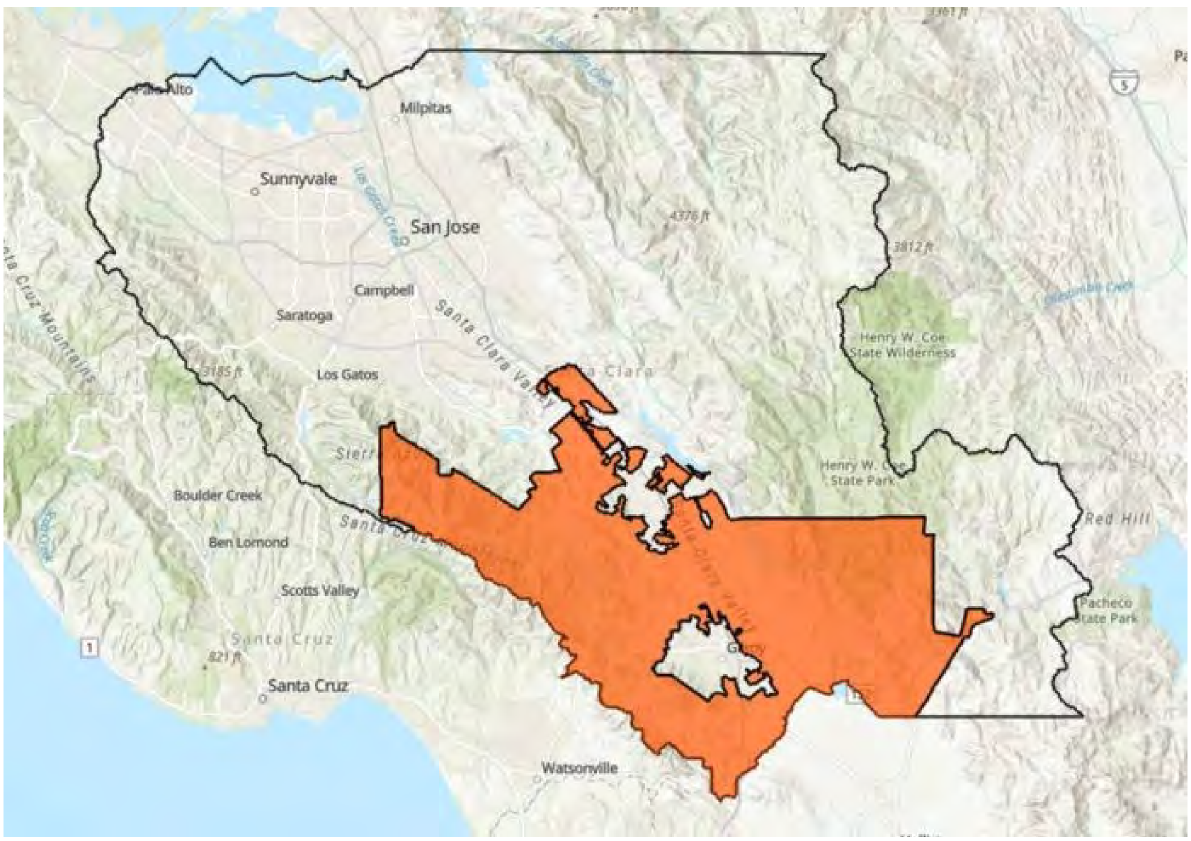
8A: ATTACHMENT 5

gilroydispatch.com

Property owners, voters can protest dissolution of South County Fire District | Gilroy Dispatch | Gilroy, California

Staff Report

3–4 minutes



The area shaded in orange in the map above, posted on the LAFCO website, encompasses the South Santa Clara County Fire Protection District. Photo: LAFCO

A Santa Clara County commission will hold a hearing on May 7 to receive written protests regarding a proposal to dissolve the South Santa Clara County Fire Protection District.

The protest hearing, conducted by the Local Agency Formation Commission of Santa Clara County (LAFCO), will take place at 9:30am at the County Government Center, Room No. 157, 70 West Hedding Street in San Jose.

To find out if you own land or are a registered voter in the SCFD, or to download a protest form, visit the LAFCO site at https://tinyurl.com/2s46by3a.

On February 6, LAFCO received an application initiated by SCFD and the Santa Clara County Fire Protection District (CCFD) proposing the reorganization of the two districts that includes dissolution of the SCFD. The application also includes the annexation of SCFD territory into the CCFD; and a Sphere of Influence (SOI) amendment for the CCFD to include the SCFD SOI, says a LAFCO staff report.

The fire district reorganization proposal was previously approved by the Santa Clara County Board of Supervisors.

SCFD's boundary encompasses about 288 square miles of unincorporated areas surrounding the cities of Morgan Hill and Gilroy, and extending to the Santa Clara-Santa Cruz County line in the southwest, and the Santa Clara-San Benito County line in the south. The territory includes the unincorporated area of Coyote Valley in the north, and portions of the Diablo range to the east.

"The purpose of the reorganization is to address longstanding structural challenges associated with maintaining an adequate and appropriate level of fire protection for SCFD territories, including addressing SCFD's structural operating deficit," says the staff report.

At a public hearing on April 2, the LAFCO board approved the reorganization proposal, subject to terms that include additional public review and the protest hearing scheduled for May 7.

The Cal Fire SCU Local 2881 union has advocated against the dissolution of the SCFD. In an April 13 social media post, the union cited a recent vegetation fire as an example of how the current district boundaries ensure that adequate resources are available to quickly respond to incidents in the unincorporated, sometimes remote South County jurisdiction.

Following the dissolution of SCFD, "The agency will be forced to rely heavily on mutual aid from incorporated cities, straining their resources with extended commitment times," Cal Fire SCU Local 2881 posted on social media.

Written protests against the reorganization can be filed by any landowner or registered voter within the SCFD territory, according to LAFCO.

Written protests may be mailed or delivered to the Santa Clara LAFCO Office at 777 North First Street, Suite 410, San Jose, CA 95112. Written protests submitted by mail must be received by LAFCO no later than the conclusion of the protest hearing. Alternatively, written protests may be submitted to the LAFCO Executive Officer at the protest hearing.

santacruzsentinel.com

Santa Cruz County fire districts team up to study potential consolidation

Aric Sleeper

3–4 minutes

SANTA CRUZ — The city of Santa Cruz, Scotts Valley Fire District and Central Fire District announced Thursday that they are partnering to conduct a regional fire service consolidation feasibility study, which is slated to begin later this year.

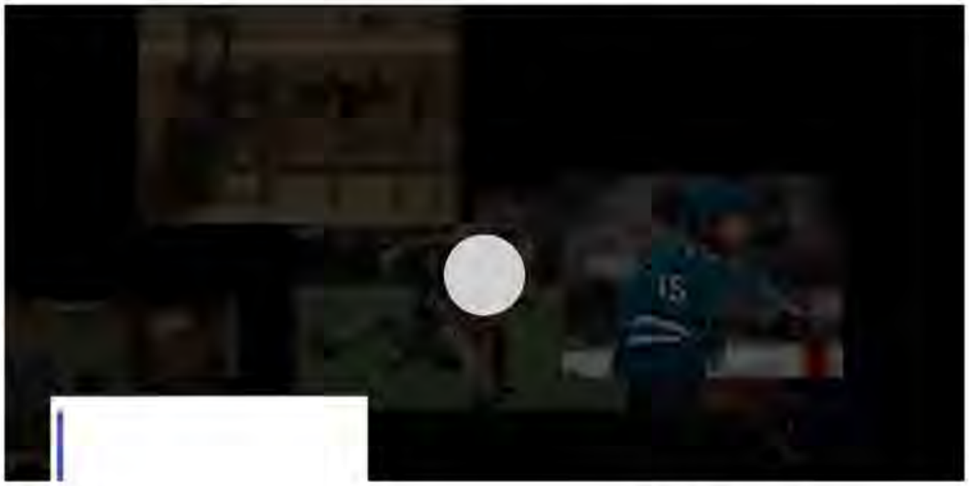
"Residents rely on fire services during their most critical moments and it is our responsibility to ensure they receive the highest standard of emergency care," said Santa Cruz Fire Chief Rob Oatey in a statement. "As our communities continue to grow, fire protection services must evolve to meet their needs. This study is an important step in exploring how regional cooperation could strengthen fire response and enhance public safety."

The three fire agencies, alongside the Santa Cruz Local Agency Formation Commission or LAFCO, recently signed a memorandum of understanding to begin studying how they can better work together to share resources and improve fire services across jurisdictions.

In the coming weeks, the agencies will select a consultant to conduct the comprehensive assessment through a request for proposals process.

"Public safety is our top priority, and this study allows us to explore ways to enhance fire protection services across our region," said Santa Cruz City Manager Matt Huffaker. "By working together, we can identify solutions that improve response times, maximize resources, and ensure long-term sustainability for our fire departments."

According to a statement from the city of Santa Cruz, the assessment will include an analysis of each agency's current operations, including staffing, policies, finances, facilities and equipment. The study will evaluate avenues for the agencies to share equipment and other resources while remaining separate administrative entities.



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The consultant conducting the study will also weigh the pros and cons of merging the fire districts or modifying the current district boundaries to enhance fire service. Ultimately, the assessment will compare multiple consolidation approaches and provide recommendations to best increase operational efficiency across jurisdictions.

A consultant will be chosen in the coming weeks with the expectation that the assessment will begin later this year. According to the statement, the agencies will provide updates and opportunities for the public to give feedback as the study progresses.

An item to authorize the memorandum of understanding between the agencies will be considered at the Santa Cruz City Council meeting Tuesday.

To view the meeting's agenda, visit cityofsantacruz.com.

8A: ATTACHMENT 7

santacruzsentinel.com

Watsonville Hospital deficit spending less than $1 million for first time in years

PK Hattis

5–6 minutes

WATSONVILLE — More than two years after it was returned to public ownership, Watsonville Community Hospital hosted its inaugural State of the Hospital to highlight significant budgetary gains and emphasize reliance on strategic local partnerships.

“Our hospital belongs to this community, and everything we do is guided by that principle,” Stephen Gray, CEO of Watsonville Community Hospital, said in a media release. “These past two years have shown what’s possible when local voices lead the way. We’re proud of the progress we’ve made — and we’re just getting started.”

Among the revelations shared at the event, held Friday at Watsonville Civic Plaza in downtown Watsonville, was that the hospital has managed to cut its deficit spending to under $1 million after posting losses several orders of magnitude larger only a couple years prior.

The hospital experienced a $30 million loss in 2022 as it navigated the bankruptcy process and, in turn, a massive fundraising effort that brought it back from the brink of dissolution. That deficit was cut by more than half the following year with a loss of $13 million. But in 2024, the hospital exceeded expectations by recording a spending deficit of $800,000.

“To ensure long-term stability, we must continue to build up cash reserves,” Gray said. “This will allow us to reinvest in essential services and protect against future uncertainties.”

The hospital and its public owner, the Pajaro Valley Health Care District, scored a major victory in this effort last November when it managed to purchase its own hospital buildings and the 27 acres of land they sit on for $40 million, saving the district $3 million annually on lease payments. That purchase was made possible by the passage of Measure N, a $116 million bond initiative passed with 68% support from district voters last March.

Other cost saving strategies that have helped eat away at the deficit include renegotiated payor contracts, inventory management and competitive vendor pricing.

Hospital leaders also used the public-facing event to tout coming investments including the design phase for an expanded emergency department, new imaging equipment such as a CT scanner and MRI machine, infrastructure upgrades and green energy projects. In terms of the care it provides, the hospital also plans to expand its palliative treatments and cancer care along with enhanced screenings and diagnostic capabilities meant to support early detection and better outcomes.

Because, according to the release, heart and vascular disease remain among the leading causes of death in Santa Cruz County, the Watsonville-based hospital has made investments in cardiovascular care with new offerings that include diagnostics, minimally invasive treatments and a new cardiac catheterization lab that will come online later this year.

Still, spokesperson Nancy Gere told the Sentinel hospital leadership will keep on their toes given how unforeseen outside issues can quickly change the financial picture.

"For example, the cyber incident we experienced last November forced us to operate on a paper-based system for several weeks, causing delays in how we sent bills and received payments. Or the current threats to Medicaid coverage, which if implemented, could drastically reduce our revenues," Gere wrote in an email. "These are the realities hospitals face, so we must remain committed to financial stewardship, continually evaluating where we are, and doing the best we can to be efficient with spending, while never sacrificing quality, and meeting the needs of our community."

Encouraging as the financial windfall and care investments are, they are unfurling amid an uncertain health care landscape at the national level. The hospital's event came only a few days after local health leaders, including Gray, detailed how efforts by the White House and Republican majorities in Congress to dramatically cut Medicaid — or Medi-Cal, as its known in California — spending will increase the number of uninsured residents and decimate preventative care initiatives.

"The uninsured rate is 3% to 9% in Central and Northern Santa Cruz

County. It ranges from 7% to 30% in the Pajaro Valley," Gray said at the event. "If we make it harder for (residents) to sign up for Medi-Cal or we make them ineligible altogether due to factors that politicians from outside of our county decide on, what do you think will happen to the uninsured numbers then?"

Watsonville Hospital and other community-based organizations emphasized the need for collaborative partnerships as federal funding and grant programs disappear. One that has proven successful is Nourish, a food pantry established inside the hospital itself in partnership with Second Harvest Food Bank Santa Cruz County.

The initiative was born out a Community Health Needs Assessment the hospital completed in 2023, which informed a three-year strategic plan to address various challenges.

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