# SCOTTS VALLEY FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

**Board of Directors**
**Agenda**
**Wednesday, September 13, 2023, 6:00 P.M.**
**Scotts Valley City Hall**
**One Civic Center Drive, Scotts Valley CA 95066**

Agendas and Board Packets are available on the Scotts Valley Fire Protection District (SVFPD) website at www.scottsvalleyfire.com.

Any person who requires a disability-related modification or accommodation in order to participate in a public meeting should make such a request to Mark Correira, Board Secretary, for immediate consideration.

**1. Call to Order**

1.1 Pledge of Allegiance and Moment of Silence

1.2 Roll Call

**2. Special Presentations and Introductions**

2.1 Sudden Cardiac Arrest Survivor Crew Reunion

**3. Public Comment (GC §54954.3)**

This portion of the meeting is reserved for persons wishing to address the Board on any matter not on the agenda. Any matter that requires Board action will be referred to staff for a report and action at a subsequent Board meeting.

**4. Agenda Amendments (GC §54954.2) – Discussion/Action**

**5. Consent Calendar**

(Consent calendar items will be enacted upon by one motion. There will be no separate discussion on items unless a Board Member, Staff, or member of the public requests the removal of the item for separate action.)

5.1 Minutes: Approve Regular Board Meeting Minutes of August 9, 2023

5.2 Approve SVFPD Claims Disbursements for the Month of August 1, 2023 through August 31, 2023 in the Amount of:

| | |
|---|---|
| Payroll and Benefits: | $513,709.83 |
| General Fund: | $ 85,633.65 |
| Capital Outlay: | $174,228.17 |
| SCHMIT: | $ 4,368.98 |
| TOTAL: | $777,940.63 |

5.3 Review SVFPD CalPERS Safety Plans Annual Valuation Reports as of June 30, 2022 (Classic and PEPRA)

5.4 Review SVFPD CalPERS Miscellaneous Plans Annual Valuation Reports as of June 30, 2022 (Classic and PEPRA)

5.5 Approve Permit/Inspection Fee Waiver Request for the Scotts Valley High School Haunted House

5.6 Approve Permit/Inspection Fee Waiver Request for American Foundation for Suicide Prevention

**6. Closed Session: Government Code §54956.9**

6.1 **Conference with Legal Counsel – Anticipated Litigation**

⇒ Significant exposure to litigation pursuant to § 54956.9: (1 case)

**California Government Code 54956.9(d)(2).** A point has been reached where, in the opinion of the legislative body of the local agency on the advice of its legal counsel, based on existing facts and circumstances, there is a significant exposure to litigation against the local agency, to wit: pursuant to Government Code **54956.9 (e) (4)** A statement was made by a person in an open and public meeting threatening litigation on a specific matter within the responsibility of the legislative body.

**7. Open Session: Government Code §54957.1**

7.1 Report on Closed Session

**8. Discussion Items**

8.1 Branciforte Annexation Update

8.2 7 Erba Lane Property if Measure W Passes

**9. Action Items – Discussion/Action**

9.1 Authorization to Establish a Hiring List

**10. Board of Directors and Administrative Reports – Information/Discussion**

(No action will be taken on any questions raised by the Board at this time.)

10.1 Board of Directors Report – *Directors*

10.2 Administrative Report – *Chief Officers*

**11. Correspondence**

11.1 Incident Thank You Email – Chief Kelley

11.2 Incident Thank You Letter – Marilyn and Keith Humphrey

11.3 Letter Dated 8/28/2023 from Becky Steinbruner

**12. Request for Future Agenda Items**

**13. Adjournment**

Next Regularly Scheduled Board Meeting: <u>Wednesday, October 11, 2023 at 6:00 p.m.</u>

# SCOTTS VALLEY
# FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383


**MINUTES OF THE**
**SCOTTS VALLEY FIRE PROTECTION DISTRICT**
**BOARD OF DIRECTORS**
**REGULAR MEETING OF**
**August 9, 2023**

**1. Call to Order**

The Regular Meeting of the Board of Directors of the Scotts Valley Fire Protection District (SVFPD) was held on Wednesday, August 9, 2023 at the City of Scotts Valley Council Chambers. President Pisciotta called the meeting to order at 6:00 p.m.

1.1 Pledge of Allegiance and Moment of Silence

President Pisciotta called for the Pledge of Allegiance and a Moment of Silence to follow.

1.2 Roll Call

A. Directors Present: Directors Cosner, Hurst, Parker, Patterson and Pisciotta
B. Directors Absent: None
C. Fire District Staff: Chief Correira, Battalion Chief LoFranco and Administrative Services Manager Walton

**2. Special Presentations and Introductions**

2.1 Badge Pinning – Engineer Patrick Shaughnessy

Chief Correira thanked everyone for coming for the badge pinning of Patrick Shaughnessy. The Fire service is deep in many traditions and the badge pinning is significant mark in a person's career, which is why we like to celebrate the event in a public meeting. Historically the pinning of the badge is a modern symbol for the introduction to the fire department or promotion to a new rank but the symbol on the badge dates back to the 11th century. Chief Correira discussed the origin of the Maltese Cross. Tonight, we recognize Partick Shaughnessy for completing his second year or trail period. Patrick Shaughnessy was born in Scotts Valley, attended Vine Hill Elementary School, Scotts Valley Middle School and graduated from Scotts Valley High School. After high school, Patrick attended San Francisco State University and graduated with a Bachelors Degree in Business. Patrick joined the SVFPD as Volunteer on January 13, 2019, was promoted to a Paid Call Firefighter (PCF) on June 26, 2019 and hired as a full-time career Firefighter on May 17, 2021. Patrick worked as a PCF and EMT while attending paramedic training before being hired. Recently Partrick completed his two-year training plan and received his Engineer credential. Tonight, we will be pinning his badge to recognize this accomplishment. Patrick's performance according to his peers, was remarkable during his probation period going above and beyond what was expected. In addition to his fire department family, Patrick is joined tonight by his parents, sister and fiancé Kaila pinning his badge. Chief Correira congratulated Patrick and Kaila pinned his Engineer badge.

**3. Public Comment (GC §54954.3)**

Becky Steinbruner stated that she is a leader of a Fire Wise community in the Aptos Hills and a new Living with Fire guide is available. This is a valuable resource and is available on the Santa Cruz County website.

**4. Agenda Amendments (GC §54954.2) – Discussion/Action**

None

**5. Consent Calendar**

5.1 Minutes: Approve Regular Board Meeting Minutes of July 12, 2023

5.2 Approve SVFPD Claims Disbursements for the Month of July 1, 2023 through July 31, 2023 in the Amount of:

| | |
|---|---|
| Payroll and Benefits: | $1,889,215.68* |
| General Fund: | $ 84,376.42 |
| Capital Outlay: | $ 5,367.50 |
| SCHMIT: | $ 4,042.00 |
| TOTAL: | $1,983,001.60 |

5.3 Adopt Revised Publicly Available Pay Schedule per Government Code §20636

** Includes CalPERS unfunded actuarial liability (UAL) lump-sum prepayment $988,365 Board approved 6/14/2023 to be paid after 7/1/2023*

**On motion of Director Parker seconded by Director Cosner to *Approve the Consent Calendar Items 5.1, 5.2 and 5.3* was approved by the following vote:**

| | |
|---|---|
| **AYES:** | **Cosner, Hurst, Parker, Patterson and Pisciotta** |
| **NOES:** | **None** |
| **ABSENT:** | **None** |
| **ABSTAIN:** | **None** |

**6. Discussion Items**

6.1 Branciforte (BFPD) Annexation Update

Chief Correira reported that on July 20th, he attended the BFPD monthly meeting and they counted the ballots for their benefit assessment, which failed (87% voting against). On July 28th, the SVFPD was invited to a meeting with Congressman Panetta, which I did not attend but Director Patterson did. On August 2nd, LAFCO held the public hearing and approved Resolution 2023-17 to approve the reorganization of the BFPD and SVFPD. I attended the meeting and in addition to Director Patterson and BFPD staff, there were two other people in the audience. One person spoke regarding the Measure T Funds but in the end, the LFACO Board unanimously approved the reorganization. Staff is working on creating a list of items that need to happen between now and when the reorganization is finalized. August 15th will be the next LAFCO Ad Hoc meeting to discuss the next steps in the process including the protest period.

Becky Steinbruner stated that she spoke to the SVFPD Board in June regarding the reorganization plan for service with the BFPD. At that time, I asked the SVFPD Board to consider transiting to district-based board elections and make that amendment in the plan for service, which was not done. I made the same request to the BFPD Board and LAFCO, which was not done as well. Becky Steinbruner explained that she does not live in either District but was concerned that the BFPD residents would not have a voice if district-based elections were not required. Becky Steinbruner stated that the Resolution signed by LAFCO states as not to cause conflict with the California Voting Rights Act, the SVFPD Board may consider district-based board elections but that was too vague for the public. Becky stated that she is putting the SVFPD Board on notice and plans on submitting a petition to reconsider with LAFCO and may need to take legal action. Becky Steinbruner provided the Board with correspondence documents.

**7. Action Items – Discussion/Action**

7.1 Scheduled Public Hearing for the SVFPD Final Budget for Fiscal Year 2023/2024:

| | |
|---|---|
| 685010 General Fund: | $13,173,203 |
| 685030 Capital Outlay Zone A: | $ 1,529,862 |
| 685040 SCHMIT: | $ 524,061 |

Chief Correira stated that the memo in the packet lists the changes between the preliminary and final budget.

President Pisciotta reported that he and Director Hurst met with Chief Correira and reviewed the final budget and discussed the changes.

Chief Correira stated that the preliminary was moved over to the final budget with the following changes:

- The property tax revenue was adjusted to align with the actual review received.
- Additional revenue in the amount of $543,938 was received including $498,601 in onetime unanticipated revenue distributed from redevelopment agency (RDA) funds and used to accommodate additions on the expense side.
- On the expense side, salaries remained equivalent to the preliminary budget with a 3% increase based on the contractual obligations.
- There was a slight increase to radio services in the amount of $669. For equipment, funds were added for Video Laryngoscopes.
- Additional funds were added for strategic planning in 2024 and Firefighter mental health and wellness.
- For the Capital Outlay fund, a new stove for the Erba Station was added and if the Bond Measure is approved, the new stove will be moved to the La Madrona Station. Funds in the amount of $25,000 were added for a fire gear extractor for the Glenwood Station.
- The biggest change in the Capital Outlay Fund was removing the $1 million transfer from the general fund for the La Madrona Fire Station. Keeping the funds budgeted in the same account for the same purpose in the general fund, will eliminate the need to borrow money from the county before the property taxes are received.

7.2 Receive Public Comment and Adopt Resolution 2023-8: Resolution Adopting Final Budget for Fiscal Year 2023/2024

At 6:19 p.m. President Pisciotta opened the public hearing and with no public comment, the public hearing was closed.

**On motion of Director Hurst seconded by Director Cosner to *Accept Public Hearing Action Item 7.1 and 7.2* was approved by the following vote:**

| | |
|---|---|
| **AYES:** | **Cosner, Hurst, Parker, Patterson and Pisciotta** |
| **NOES:** | **None** |
| **ABSENT:** | **None** |
| **ABSTAIN:** | **None** |
| **ABSTAIN:** | **None** |

**8. Board of Directors and Administrative Reports – Information/Discussion**
(No action will be taken on any questions raised by the Board at this time.)

8.1 Board of Directors Report – *Directors*

President Pisciotta stated that the Finance and Planning Committee (Chief Correira, Director Hurst and President Pisciotta) met to review the final budget.

Director Patterson stated that he attended the Zoom Meeting with Congressman Panetta to discuss the BFPD reorganization and if there were any funds available, which their office will look into. Director Patterson also inquired about Santa Cruz County Radio issues and if there was any grant fund available, which their office will look into as well.

Director Patterson reported that the Building Ad Hoc Committee met to discuss public relations, the meeting went well and the committee will be meeting again shortly.

Director Patterson stated that he attended the LAFCO meeting with Chief Correira and that the LAFCO Board voted fully in favor of the reorganization.

8.2 Administrative Report – *Chief Officers*

Chief Correira stated that the Administrative Report was included in the board packet and he wanted to focus on the La Madrona Fire Station Ballot Measure effort. It was great to see a few Board Members at the National Night Out event and for the rest of the Board, it really helps with the efforts if you have a chance to get out in the public. This will be a full SVFPD effort, staff is doing everything possible to move this forward and we are off to a great start. The feedback from the community is positive and we do have more things we will be focusing on moving forward with social media and community outreach.

Chief LoFranco reported that the crews were invited by Jacob's Heart to Mission Springs for a public event for a fire engine demo and to spray water, which was a great event and thanked the crews for participating.

**9. Correspondence**

9.1 Email Dated 7/30/2023 from Becky Steinbruner

The Board received and filed the correspondence.

**10. Request for Future Agenda Items**

None

**11. Adjournment**

The meeting was adjourned at 6:27 p.m.

ATTEST ____________________________

Daron Pisciotta
Board President

____________________________

Mark Correira
Board Secretary

## Actual Transactions

Transaction Type = Actual; Revenues/Expenditures = R,(E; Chart Fields = GLKey,Character,Object
*Post On [8/1/2023..8/31/2023] and Revenues/Expenditures [XP] and GL Key [685010, 685030, 685040]*

| Fiscal Year | Fiscal Month | Post On | Document No | Doc Ref | Revenues/Expenditures | GL Key | Character | Object | Amount | Description | Vendor No | Warrant No |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **GL Key: 685010 – SCOTTS VALLEY FIRE PROT SVC** | | | | | | | | | | | | |
| **Character: 50 – SALARIES AND EMPLOYEE BENEF** | | | | | | | | | | | | |
| **Object: 51000 – REGULAR PAY-PERMANENT** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 51000 | -140,661.37 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 51000 | -141,414.10 | PAYPERIOD 17PAYDATE 08252023 | | |
| Total 51000 – REGULAR PAY-PERMANENT | | | | | | | | | -282,075.47 | | | |
| **Object: 51005 – OVERTIME PAY-PERMANENT** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 51005 | -30,694.02 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 51005 | -19,970.90 | PAYPERIOD 17PAYDATE 08252023 | | |
| Total 51005 – OVERTIME PAY-PERMANENT | | | | | | | | | -50,664.92 | | | |
| **Object: 51010 – REGULAR PAY-EXTRA HELP** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 51010 | -2,387.63 | PAYPERIOD 16PAYDATE 08112023 | | |
| Total 51010 – REGULAR PAY-EXTRA HELP | | | | | | | | | -2,387.63 | | | |
| **Object: 51035 – HOLIDAY PAY** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 51035 | -11,114.15 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 51035 | -11,114.15 | PAYPERIOD 17PAYDATE 08252023 | | |
| Total 51035 – HOLIDAY PAY | | | | | | | | | -22,228.30 | | | |
| **Object: 51040 – DIFFERENTIAL PAY** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 51040 | -7,909.09 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 51040 | -7,909.09 | PAYPERIOD 17PAYDATE 08252023 | | |
| Total 51040 – DIFFERENTIAL PAY | | | | | | | | | -15,818.18 | | | |
| **Object: 52010 – OASDI-SOCIAL SECURITY** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 52010 | -2,944.43 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 52010 | -2,646.72 | PAYPERIOD 17PAYDATE 08252023 | | |
| Total 52010 – OASDI-SOCIAL SECURITY | | | | | | | | | -5,591.15 | | | |
| **Object: 52015 – PERS** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 52015 | -29,553.90 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/23/2023 | GASB68-SD17 | | Expenditures | 685010 | 50 | 52015 | -1,400.00 | BT FOR GASB-68 REPORT SD17 | V116512 | 15421 |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 52015 | -29,810.73 | PAYPERIOD 17PAYDATE 08252023 | | |
| Total 52015 – PERS | | | | | | | | | -60,764.63 | | | |
| **Object: 53010 – EMPLOYEE INSURANCE & BENEFITS** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 53010 | -1,000.00 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 53010 | 1,063.19 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/10/2023 | AUG23HLTH | | Expenditures | 685010 | 50 | 53010 | -65,581.97 | SV FIRE AUG 2023 | V116512 | 15390 |
| 2024 | 02 | 8/14/2023 | DU98849 | DU98849 | Expenditures | 685010 | 50 | 53010 | 91.85 | H.Bustichi Aug23 DentalCK#4122 | C99999 | |
| 2024 | 02 | 8/14/2023 | DU98849 | DU98849 | Expenditures | 685010 | 50 | 53010 | 48.56 | M.Pasquini Aug23 Dental CK1032 | C99999 | |
| 2024 | 02 | 8/14/2023 | DU98849 | DU98849 | Expenditures | 685010 | 50 | 53010 | 48.56 | M.Marsano Aug23 Dental CK#218 | C99999 | |
| 2024 | 02 | 8/15/2023 | 0923SVFD | | Expenditures | 685010 | 50 | 53010 | -4,700.66 | HEALTH CARE EMP SVFD Group 367 | V108670 | 00438219 |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 53010 | 1,063.19 | PAYPERIOD 17PAYDATE 08252023 | | |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 53010 | -1,000.00 | PAYPERIOD 17PAYDATE 08252023 | | |
| 2024 | 02 | 8/24/2023 | DU99145 | DU99145 | Expenditures | 685010 | 50 | 53010 | 137.94 | S.Kovacs Aug23 Dental | C99999 | |
| 2024 | 02 | 8/24/2023 | DU99145 | DU99145 | Expenditures | 685010 | 50 | 53010 | 48.56 | S.Downey Aug23 Dental,CK#2367 | C99999 | |
| Total 53010 – EMPLOYEE INSURANCE & BENEFITS | | | | | | | | | -69,780.78 | | | |
| **Object: 53015 – UNEMPLOYMENT INSURANCE** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 53015 | -38.20 | PAYPERIOD 16PAYDATE 08112023 | | |
| Total 53015 – UNEMPLOYMENT INSURANCE | | | | | | | | | -38.20 | | | |
| **Object: 55021 – OTHER BENEFITS MISC** | | | | | | | | | | | | |
| 2024 | 02 | 8/09/2023 | PAYPERIOD 16 | | Expenditures | 685010 | 50 | 55021 | -2,173.07 | PAYPERIOD 16PAYDATE 08112023 | | |
| 2024 | 02 | 8/23/2023 | PAYPERIOD 17 | | Expenditures | 685010 | 50 | 55021 | -2,187.50 | PAYPERIOD 17PAYDATE 08252023 | | |
| Total 55021 – OTHER BENEFITS MISC | | | | | | | | | -4,360.57 | | | |
| Total 50 – SALARIES AND EMPLOYEE BENEF | | | | | | | | | -513,709.83 | | | |
| **Character: 60 – SERVICES AND SUPPLIES** | | | | | | | | | | | | |
| **Object: 61110 – CLOTHING & PERSONAL SUPPLIES** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 732252 | | Expenditures | 685010 | 60 | 61110 | -87.92 | L N CURTIS & SO SVFD Cust 3627 | V115989 | 00438220 |

# Actual Transactions

Transaction Type = Actual; Revenues/Expenditures = R,(E; Chart Fields = GLKey,Character,Object

*Post On [8/1/2023..8/31/2023] and Revenues/Expenditures [XP] and GL Key [685010, 685030, 685040]*

| Fiscal Year | Fiscal Month | Post On | Document No | Doc Ref | Revenues/Expenditures | GL Key | Character | Object | Amount | Description | Vendor No | Warrant No |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **GL Key: 685010 – SCOTTS VALLEY FIRE PROT SVC** | | | | | | | | | | | | |
| **Character: 60 – SERVICES AND SUPPLIES** | | | | | | | | | | | | |
| **Object: 61110 – CLOTHING & PERSONAL SUPPLIES** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 61110 | -378.28 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61110 – CLOTHING & PERSONAL SUPPLIES | | | | | | | | | -466.20 | | | |
| **Object: 61221 – TELEPHONE-NON TELECOM 1099** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 61221 | -1,623.72 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61221 – TELEPHONE-NON TELECOM 1099 | | | | | | | | | -1,623.72 | | | |
| **Object: 61310 – FOOD** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 61310 | -482.62 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61310 – FOOD | | | | | | | | | -482.62 | | | |
| **Object: 61425 – OTHER HOUSEHOLD EXP-SERVICES** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 270893 | | Expenditures | 685010 | 60 | 61425 | -190.48 | MID VALLEY SUPP SVFD | V481 | 00438221 |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 61425 | -274.88 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61425 – OTHER HOUSEHOLD EXP-SERVICES | | | | | | | | | -465.36 | | | |
| **Object: 61535 – OTHER INSURANCE** | | | | | | | | | | | | |
| 2024 | 02 | 8/04/2023 | 4251206 | | Expenditures | 685010 | 60 | 61535 | -18,848.00 | MCNEIL & COMPAN SVFD | V124152 | 00437510 |
| 2024 | 02 | 8/04/2023 | 4252206 | | Expenditures | 685010 | 60 | 61535 | -5,571.00 | MCNEIL & COMPAN SVFD | V124152 | 00437510 |
| 2024 | 02 | 8/23/2023 | 4250206 | | Expenditures | 685010 | 60 | 61535 | -27,213.00 | MCNEIL & COMPAN SVFD | V124152 | 00438714 |
| Total 61535 – OTHER INSURANCE | | | | | | | | | -51,632.00 | | | |
| **Object: 61720 – MAINT-MOBILE EQUIPMENT-SERV** | | | | | | | | | | | | |
| 2024 | 02 | 8/25/2023 | 249484 | | Expenditures | 685010 | 60 | 61720 | -1,570.52 | ALLSTAR FIRE EQ SVFD | V116911 | 00439035 |
| 2024 | 02 | 8/25/2023 | CS048552 | | Expenditures | 685010 | 60 | 61720 | -644.91 | GOLDEN STATE EM SVFD PIE-0143 | V129826 | 00439037 |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 61720 | -1,051.15 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61720 – MAINT-MOBILE EQUIPMENT-SERV | | | | | | | | | -3,266.58 | | | |
| **Object: 61725 – MAINT-OFFICE EQUIPMNT-SERVICES** | | | | | | | | | | | | |
| 2024 | 02 | 8/04/2023 | 15015 | | Expenditures | 685010 | 60 | 61725 | -1,861.00 | PAGODA TECHNOLO SVFD | V125184 | 00437587 |
| 2024 | 02 | 8/04/2023 | 451894 | | Expenditures | 685010 | 60 | 61725 | -164.63 | MONTEREY BAY SY SVFD | V125978 | 00437586 |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 61725 | -970.74 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61725 – MAINT-OFFICE EQUIPMNT-SERVICES | | | | | | | | | -2,996.37 | | | |
| **Object: 61845 – MAINT-STRUCT/IMPS/GRDS-OTH-SRV** | | | | | | | | | | | | |
| 2024 | 02 | 8/25/2023 | 91610267 | | Expenditures | 685010 | 60 | 61845 | -1,864.40 | AIR EXCHANGE IN SVFD | V114057 | 00439034 |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 61845 | -398.50 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61845 – MAINT-STRUCT/IMPS/GRDS-OTH-SRV | | | | | | | | | -2,262.90 | | | |
| **Object: 62219 – PC SOFTWARE PURCHASES** | | | | | | | | | | | | |
| 2024 | 02 | 8/04/2023 | 42068 | | Expenditures | 685010 | 60 | 62219 | -8,000.00 | STEVEN LEE KELL SVFD | V46000 | 00437588 |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 62219 | -103.49 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 62219 – PC SOFTWARE PURCHASES | | | | | | | | | -8,103.49 | | | |
| **Object: 62223 – SUPPLIES** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 62223 | -2,256.15 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 62223 – SUPPLIES | | | | | | | | | -2,256.15 | | | |
| **Object: 62381 – PROF & SPECIAL SERV-OTHER** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 235808 | | Expenditures | 685010 | 60 | 62381 | -187.50 | VOYA RETIREMENT SVFD | V31933 | 00438147 |
| 2024 | 02 | 8/25/2023 | 202367 | | Expenditures | 685010 | 60 | 62381 | -190.00 | CENTRAL COAST C SVFD | V15383 | 00439036 |
| Total 62381 – PROF & SPECIAL SERV-OTHER | | | | | | | | | -377.50 | | | |
| **Object: 62715 – SMALL TOOLS & INSTRUMENTS** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 62715 | -4,091.39 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 62715 – SMALL TOOLS & INSTRUMENTS | | | | | | | | | -4,091.39 | | | |
| **Object: 62888 – SPEC DIST EXP-SERVICES** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 62888 | -657.58 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 62888 – SPEC DIST EXP-SERVICES | | | | | | | | | -657.58 | | | |

## Actual Transactions

Transaction Type = Actual; Revenues/Expenditures = R,(E; Chart Fields = GLKey,Character,Object
*Post On [8/1/2023..8/31/2023] and Revenues/Expenditures [XP] and GL Key [685010, 685030, 685040]*

| Fiscal Year | Fiscal Month | Post On | Document No | Doc Ref | Revenues/Expenditure: | GL Key | Character | Object | Amount | Description | Vendor No | Warrant No |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **GL Key: 685010 – SCOTTS VALLEY FIRE PROT SVC** | | | | | | | | | | | | |
| **Character: 60 – SERVICES AND SUPPLIES** | | | | | | | | | | | | |
| **Object: 62890 – SUBSCRIPTIONS BOOKS & ED MATER** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 62890 | -175.00 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 62890 – SUBSCRIPTIONS BOOKS & ED MATER | | | | | | | | | -175.00 | | | |
| **Object: 62914 – EDUCATION & TRAINING(REPT)** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 62914 | -1,772.78 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 62914 – EDUCATION & TRAINING(REPT) | | | | | | | | | -1,772.78 | | | |
| **Object: 62920 – GAS, OIL, FUEL** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 841710 | | Expenditures | 685010 | 60 | 62920 | -2,022.74 | WESTERN STATES SVFD | V39738 | 00438224 |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 62920 | -236.20 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 62920 – GAS, OIL, FUEL | | | | | | | | | -2,258.94 | | | |
| **Object: 63070 – UTILITIES** | | | | | | | | | | | | |
| 2024 | 02 | 8/04/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 63070 | -113.90 | CITY OF SCOTTS SVFD | V102713 | 00437509 |
| 2024 | 02 | 8/04/2023 | 0823SVFD1 | | Expenditures | 685010 | 60 | 63070 | -192.31 | CITY OF SCOTTS SVFD | V102713 | 00437509 |
| 2024 | 02 | 8/15/2023 | 0823SVFD1 | | Expenditures | 685010 | 60 | 63070 | -1,033.26 | PACIFIC GAS AND SVFD | V129169 | 00438146 |
| 2024 | 02 | 8/15/2023 | 0823SVFD3 | | Expenditures | 685010 | 60 | 63070 | -887.73 | PACIFIC GAS AND SVFD | V129169 | 00438146 |
| 2024 | 02 | 8/15/2023 | 0823SVFD4 | | Expenditures | 685010 | 60 | 63070 | -73.29 | PACIFIC GAS AND SVFD | V129169 | 00438146 |
| 2024 | 02 | 8/15/2023 | 082SVFD2 | | Expenditures | 685010 | 60 | 63070 | -60.73 | PACIFIC GAS AND SVFD | V129169 | 00438146 |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685010 | 60 | 63070 | -383.85 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 63070 – UTILITIES | | | | | | | | | -2,745.07 | | | |
| Total 60 – SERVICES AND SUPPLIES | | | | | | | | | -85,633.65 | | | |
| Total 685010 – SCOTTS VALLEY FIRE PROT SVC | | | | | | | | | -599,343.48 | | | |
| **GL Key: 685030 – SCOTTS VLY FIRE DIST.-CAPITAL** | | | | | | | | | | | | |
| **Character: 60 – SERVICES AND SUPPLIES** | | | | | | | | | | | | |
| **Object: 61110 – CLOTHING & PERSONAL SUPPLIES** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 249137 | | Expenditures | 685030 | 60 | 61110 | -68,819.84 | ALLSTAR FIRE EQ SVFD | V116911 | 00438217 |
| Total 61110 – CLOTHING & PERSONAL SUPPLIES | | | | | | | | | -68,819.84 | | | |
| **Object: 62381 – PROF & SPECIAL SERV-OTHER** | | | | | | | | | | | | |
| 2024 | 02 | 8/07/2023 | 3001-02-0623 | | Expenditures | 685030 | 60 | 62381 | -23,902.50 | RRM DESIGN GROU SVFD | V126553 | 80058283 |
| 2024 | 02 | 8/25/2023 | 3001-01-0723 | | Expenditures | 685030 | 60 | 62381 | -16,301.25 | RRM DESIGN GROU SVFD | V126553 | 00439038 |
| Total 62381 – PROF & SPECIAL SERV-OTHER | | | | | | | | | -40,203.75 | | | |
| Total 60 – SERVICES AND SUPPLIES | | | | | | | | | -109,023.59 | | | |
| **Character: 80 – FIXED ASSETS** | | | | | | | | | | | | |
| **Object: 86110 – BUILDINGS AND IMPROVEMENTS** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 189633 | | Expenditures | 685030 | 80 | 86110 | -11,709.62 | BIZON GROUP INC SVFD | V38775 | 00438218 |
| Total 86110 – BUILDINGS AND IMPROVEMENTS | | | | | | | | | -11,709.62 | | | |
| **Object: 86204 – EQUIPMENT** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 202312 | | Expenditures | 685030 | 80 | 86204 | -53,494.96 | SANTA CRUZ CO E SVFD | V120732 | 00438223 |
| Total 86204 – EQUIPMENT | | | | | | | | | -53,494.96 | | | |
| Total 80 – FIXED ASSETS | | | | | | | | | -65,204.58 | | | |
| Total 685030 – SCOTTS VLY FIRE DIST.-CAPITAL | | | | | | | | | -174,228.17 | | | |
| **GL Key: 685040 – SV FIRE DIST-REGIONAL HAZ RESP** | | | | | | | | | | | | |
| **Character: 60 – SERVICES AND SUPPLIES** | | | | | | | | | | | | |
| **Object: 61221 – TELEPHONE-NON TELECOM 1099** | | | | | | | | | | | | |
| 2024 | 02 | 8/30/2023 | 0823SVFD | | Expenditures | 685040 | 60 | 61221 | -152.04 | U S BANK CORPOR SVFD 4246-0445 | V992019 | 80059018 |
| Total 61221 – TELEPHONE-NON TELECOM 1099 | | | | | | | | | -152.04 | | | |
| **Object: 61535 – OTHER INSURANCE** | | | | | | | | | | | | |
| 2024 | 02 | 8/23/2023 | 4250206 | | Expenditures | 685040 | 60 | 61535 | -2,555.00 | SVFD | V124152 | 00438714 |
| Total 61535 – OTHER INSURANCE | | | | | | | | | -2,555.00 | | | |

# Actual Transactions

Transaction Type = Actual; Revenues/Expenditures = R,(E; Chart Fields = GLKey,Character,Object
*Post On [8/1/2023..8/31/2023] and Revenues/Expenditures [XP] and GL Key [685010, 685030, 685040]*

| Fiscal Year | Fiscal Month | Post On | Document No | Doc Ref | Revenues/Expenditure: | GL Key | Character | Object | Amount | Description | Vendor No | Warrant No |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **GL Key: 685040 – SV FIRE DIST-REGIONAL HAZ RESP** | | | | | | | | | | | | |
| **Character: 60 – SERVICES AND SUPPLIES** | | | | | | | | | | | | |
| **Object: 62219 – PC SOFTWARE PURCHASES** | | | | | | | | | | | | |
| 2024 | 02 | 8/15/2023 | 2023056 | | Expenditures | 685040 | 60 | 62219 | -1,661.94 | RIGHTANSWER.COM SVFD | V127994 | 00438222 |
| Total 62219 – PC SOFTWARE PURCHASES | | | | | | | | | -1,661.94 | | | |
| Total 60 – SERVICES AND SUPPLIES | | | | | | | | | -4,368.98 | | | |
| Total 685040 – SV FIRE DIST-REGIONAL HAZ RESP | | | | | | | | | -4,368.98 | | | |
| | | | | | | | | | -777,940.63 | | | |

**California Public Employees' Retirement System**
**Actuarial Office**
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
**888 CalPERS** (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

**July 2023**

**Safety Plan of the Scotts Valley Fire Protection District (CalPERS ID: 4027652040)**
**Annual Valuation Report as of June 30, 2022**

Dear Employer,

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

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

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

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

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

**Required Contributions**

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

| Fiscal Year | Employer Normal Cost Rate | Employer Amortization of Unfunded Accrued Liability |
|---|---|---|
| 2024-25 | 24.33% | $1,232,236 |
| *Projected Results* | | |
| *2025-26* | *24.3%* | *$1,331,000* |

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

**Changes from Previous Year's Valuations**

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

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

**Questions**

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

Sincerely,

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

RANDALL DZIUBEK, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

# Actuarial Valuation
# as of June 30, 2022

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

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

# Table of Contents

# Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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# Plan Specific Information for the Safety Plan of the Scotts Valley Fire Protection District

**(CalPERS ID: 4027652040)**
**(Rate Plan ID: 904)**

# Table of Contents

# Actuarial Certification

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

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

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

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

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

# Highlights and Executive Summary

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

# Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the Safety Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

# Purpose of Section 1

This Section 1 report for the Safety Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

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

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

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

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

**Assessment and Disclosure of Risk**

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

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

# Required Contributions

| Required Employer Contributions | Fiscal Year 2024-25 |
|---|---|
| **Employer Normal Cost Rate** | **24.33%** |
| ***Plus*** | |
| **Required Payment on Amortization Bases**[1] | **$1,232,236** |
| ***Paid either as*** | |
| **1) Monthly Payment** | **$102,686.33** |
| ***Or*** | |
| **2) Annual Prepayment Option*** | **$1,192,362** |

*The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).*

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

| Development of Normal Cost as a Percentage of Payroll | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| Base Total Normal Cost for Formula | 31.82% | 31.99% |
| Surcharge for Class 1 Benefits[2] | | |
| a) FAC 1 | 1.32% | 1.33% |
| Phase out of Normal Cost Difference[3] | 0.00% | 0.00% |
| Plan's Total Normal Cost | 33.14% | 33.32% |
| Offset Due to Employee Contributions | 8.99% | 8.99% |
| Employer Normal Cost Rate | 24.15% | 24.33% |

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

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

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

# Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $1,232,236. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

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

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

**Minimum Required Employer Contribution for Fiscal Year 2024-25**

| Estimated Normal Cost | Minimum UAL Payment | ADP | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|
| $446,928 | $1,232,236 | $0 | $1,232,236 | $1,679,164 |

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

| Funding Horizon | Estimated Normal Cost | Minimum UAL Payment | ADP[1] | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|---|
| 20 years | $446,928 | $1,232,236 | $201,131 | $1,433,367 | $1,880,295 |
| 15 years | $446,928 | $1,232,236 | $439,911 | $1,672,147 | $2,119,075 |
| 10 years | $446,928 | $1,232,236 | $943,542 | $2,175,778 | $2,622,706 |
| 5 years | $446,928 | $1,232,236 | $2,509,422 | $3,741,658 | $4,188,586 |

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

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

# Funded Status – Funding Policy Basis

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Present Value of Benefits | $54,346,477 | $57,214,450 |
| 2. Entry Age Accrued Liability | 50,846,730 | 53,114,826 |
| 3. Market Value of Assets (MVA) | 41,417,299 | 37,247,464 |
| 4. Unfunded Accrued Liability (UAL) [(2) – (3)] | $9,429,431 | $15,867,362 |
| 5. Funded Ratio [(3) / (2)] | 81.5% | 70.1% |

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 | $59,968,325 | $53,114,826 | $47,432,550 |
| 2. Market Value of Assets (MVA) | 37,247,464 | 37,247,464 | 37,247,464 |
| 3. Unfunded Accrued Liability (UAL) [(1) – (2)] | $22,720,861 | $15,867,362 | $10,185,086 |
| 4. Funded Ratio [(2) / (1)] | 62.1% | 70.1% | 78.5% |

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

# Projected Employer Contributions

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

| | **Required Contribution** | **Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)** | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** |
| | Rate Plan 904 Results | | | | | |
| **Normal Cost %** | 24.33% | 24.3% | 24.3% | 24.3% | 24.3% | 24.3% |
| **UAL Payment** | $1,232,236 | $1,331,000 | $1,427,000 | $1,504,000 | $1,682,000 | $1,716,000 |

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

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

# Other Pooled Safety Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 904. 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 Safety Risk Pool are shown below and assume that the total employer payroll within the Safety Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Estimated Combined Employer Contributions for all Pooled Safety Rate Plans** | | |
| Projected Payroll for the Contribution Year | $3,635,619 | $4,194,364 |
| Estimated Employer Normal Cost | $699,101 | $771,309 |
| Required Payment on Amortization Bases | $1,021,417 | $1,258,107 |
| Estimated Total Employer Contributions | $1,720,518 | $2,029,416 |
| Estimated Total Employer Contribution Rate (illustrative only) | 47.32% | 48.38% |

# Cost

**Actuarial Determination of Plan Cost**

Contributions to fund the plan are comprised of two components:

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

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

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

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

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

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

# Changes Since the Prior Year's Valuation

**Benefits**

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

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

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

**Actuarial Methods and Assumptions**

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

# Subsequent Events

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

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

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

## Assets and Liabilities

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

## Breakdown of Entry Age Accrued Liability

| | |
|---|---|
| Active Members | $15,001,547 |
| Transferred Members | 2,671,780 |
| Separated Members | 329,191 |
| Members and Beneficiaries Receiving Payments | 35,112,308 |
| Total | $53,114,826 |

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

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

| | | |
|---|---|---|
| 1. | Plan's Accrued Liability | $53,114,826 |
| 2. | Projected UAL Balance at 6/30/2022 | 9,180,292 |
| 3. | Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.) | 0 |
| 4. | Adjusted UAL Balance at 6/30/2022 for Asset Share | 9,180,292 |
| 5. | Pool's Accrued Liability[1] | 28,855,988,965 |
| 6. | Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1] | 4,262,073,817 |
| 7. | Pool's 2021-22 Investment (Gain)/Loss[1] | 3,300,630,707 |
| 8. | Pool's 2021-22 Non-Investment (Gain)/Loss[1] | 429,637,362 |
| 9. | Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7) | 5,896,242 |
| 10. | Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8) | 790,828 |
| 11. | Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10) | 6,687,070 |
| 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) | 5,896,242 |

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

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

| | | |
|---|---|---|
| 18. | Plan's UAL: (2) + (3) + (11) + (13) + (15) | $15,867,362 |
| 19. | Plan's Share of Pool's MVA: (1) - (18) | $37,247,464 |

# Schedule of Amortization Bases

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

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

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

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

| Reason for Base | Date Est. | Ramp Level 2024-25 | Ramp Shape | Escala-tion Rate | Amort. Period | Balance 6/30/22 | Expected Payment 2022-23 | Balance 6/30/23 | Expected Payment 2023-24 | Balance 6/30/24 | Minimum Required Payment 2024-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment (Gain)/Loss | 6/30/13 | 100% | Up/Down | 2.80% | 21 | 4,387,495 | 315,560 | 4,359,732 | 316,439 | 4,329,173 | 325,300 |
| Non-Investment (Gain)/Loss | 6/30/13 | 100% | Up/Down | 2.80% | 21 | (266,627) | (19,177) | (264,939) | (19,230) | (263,082) | (19,768) |
| Share of Pre-2013 Pool UAL | 6/30/13 | No Ramp | | 2.80% | 13 | 2,832,688 | 255,991 | 2,760,759 | 258,116 | 2,681,743 | 265,343 |
| Assumption Change | 6/30/14 | 100% | Up/Down | 2.80% | 12 | 1,873,623 | 200,798 | 1,793,517 | 203,023 | 1,705,664 | 208,707 |
| Investment (Gain)/Loss | 6/30/14 | 100% | Up/Down | 2.80% | 22 | (3,151,041) | (220,099) | (3,137,852) | (220,524) | (3,123,327) | (226,698) |
| Non-Investment (Gain)/Loss | 6/30/14 | 100% | Up/Down | 2.80% | 22 | 38,317 | 2,676 | 38,157 | 2,682 | 37,980 | 2,757 |
| Investment (Gain)/Loss | 6/30/15 | 100% | Up/Down | 2.80% | 23 | 1,937,509 | 131,689 | 1,933,167 | 131,833 | 1,928,381 | 135,524 |
| Non-Investment (Gain)/Loss | 6/30/15 | 100% | Up/Down | 2.80% | 23 | (6,986) | (475) | (6,970) | (475) | (6,953) | (489) |
| Assumption Change | 6/30/16 | 100% | Up/Down | 2.80% | 14 | 755,108 | 71,942 | 732,108 | 72,603 | 706,860 | 74,635 |
| Investment (Gain)/Loss | 6/30/16 | 100% | Up/Down | 2.80% | 24 | 2,559,170 | 169,555 | 2,557,968 | 169,601 | 2,556,637 | 174,350 |
| Non-Investment (Gain)/Loss | 6/30/16 | 100% | Up/Down | 2.80% | 24 | (411,425) | (27,259) | (411,231) | (27,266) | (411,017) | (28,029) |
| Assumption Change | 6/30/17 | 100% | Up/Down | 2.80% | 15 | 999,346 | 73,676 | 991,162 | 92,860 | 962,596 | 95,460 |
| Investment (Gain)/Loss | 6/30/17 | 100% | Up/Down | 2.80% | 25 | (1,286,025) | (67,393) | (1,303,828) | (84,199) | (1,305,474) | (86,557) |
| Non-Investment (Gain)/Loss | 6/30/17 | 100% | Up/Down | 2.80% | 25 | 32,015 | 1,678 | 32,458 | 2,096 | 32,499 | 2,155 |
| Assumption Change | 6/30/18 | 100% | Up/Down | 2.80% | 16 | 1,524,002 | 83,132 | 1,541,722 | 111,637 | 1,531,189 | 143,454 |
| Investment (Gain)/Loss | 6/30/18 | 100% | Up/Down | 2.80% | 26 | (404,692) | (15,934) | (415,744) | (21,213) | (422,092) | (27,258) |
| Method Change | 6/30/18 | 100% | Up/Down | 2.80% | 16 | 343,556 | 18,741 | 347,550 | 25,166 | 345,176 | 32,339 |
| Non-Investment (Gain)/Loss | 6/30/18 | 100% | Up/Down | 2.80% | 26 | 189,015 | 7,442 | 194,177 | 9,908 | 197,142 | 12,731 |
| Investment (Gain)/Loss | 6/30/19 | 80% | Up Only | 0.00% | 17 | 197,650 | 8,267 | 202,547 | 12,178 | 203,735 | 16,238 |
| Non-Investment (Gain)/Loss | 6/30/19 | No Ramp | | 0.00% | 17 | 215,028 | 20,152 | 208,824 | 19,799 | 202,563 | 19,799 |

## Schedule of Amortization Bases (continued)

| Reason for Base | Date Est. | Ramp Level 2024-25 | Ramp Shape | Escala-tion Rate | Amort. Period | Balance 6/30/22 | Expected Payment 2022-23 | Balance 6/30/23 | Expected Payment 2023-24 | Balance 6/30/24 | Minimum Required Payment 2024-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment (Gain)/Loss | 6/30/20 | 60% | Up Only | 0.00% | 18 | 922,751 | 20,213 | 964,609 | 39,652 | 989,224 | 59,479 |
| Non-Investment (Gain)/Loss | 6/30/20 | No Ramp | | 0.00% | 18 | 161,604 | 14,775 | 157,324 | 14,509 | 153,028 | 14,509 |
| Assumption Change | 6/30/21 | No Ramp | | 0.00% | 19 | 307,773 | (20,326) | 349,707 | 31,447 | 340,988 | 31,447 |
| Net Investment (Gain) | 6/30/21 | 40% | Up Only | 0.00% | 19 | (4,340,484) | 0 | (4,635,637) | (99,642) | (4,847,886) | (199,283) |
| Non-Investment (Gain)/Loss | 6/30/21 | No Ramp | | 0.00% | 19 | (203,908) | 0 | (217,774) | (19,583) | (212,345) | (19,583) |
| Risk Mitigation | 6/30/21 | No Ramp | | 0.00% | 0 | 1,337,717 | (26,011) | 1,455,563 | 1,504,238 | 0 | 0 |
| Risk Mitigation Offset | 6/30/21 | No Ramp | | 0.00% | 0 | (1,362,887) | 0 | (1,455,563) | (1,504,238) | 0 | 0 |
| Investment (Gain)/Loss | 6/30/22 | 20% | Up Only | 0.00% | 20 | 5,896,242 | 0 | 6,297,186 | 0 | 6,725,395 | 144,560 |
| Non-Investment (Gain)/Loss | 6/30/22 | No Ramp | | 0.00% | 20 | 790,828 | 0 | 844,604 | 0 | 902,037 | 81,114 |
| **Total** | | | | | | **15,867,362** | **999,613** | **15,913,303** | **1,021,417** | **15,939,834** | **1,232,236** |

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

# Amortization Schedule and Alternatives

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

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

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

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

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

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

# Amortization Schedule and Alternatives (continued)

| | | | Alternate Schedules | | | |
|---|---|---|---|---|---|---|
| | Current Amortization Schedule | | 15 Year Amortization | | 10 Year Amortization | |
| Date | Balance | Payment | Balance | Payment | Balance | Payment |
| 6/30/2024 | 15,939,834 | 1,232,236 | 15,939,834 | 1,672,147 | 15,939,834 | 2,175,778 |
| 6/30/2025 | 15,750,300 | 1,331,389 | 15,295,678 | 1,672,147 | 14,775,205 | 2,175,778 |
| 6/30/2026 | 15,445,411 | 1,427,335 | 14,607,719 | 1,672,147 | 13,531,381 | 2,175,778 |
| 6/30/2027 | 15,020,634 | 1,504,330 | 13,872,979 | 1,672,147 | 12,202,977 | 2,175,778 |
| 6/30/2028 | 14,487,401 | 1,681,860 | 13,088,277 | 1,672,147 | 10,784,242 | 2,175,778 |
| 6/30/2029 | 13,734,440 | 1,715,758 | 12,250,215 | 1,672,147 | 9,269,033 | 2,175,778 |
| 6/30/2030 | 12,895,249 | 1,750,599 | 11,355,165 | 1,672,147 | 7,650,789 | 2,175,779 |
| 6/30/2031 | 11,962,986 | 1,786,419 | 10,399,251 | 1,672,147 | 5,922,504 | 2,175,778 |
| 6/30/2032 | 10,930,310 | 1,771,185 | 9,378,335 | 1,672,147 | 4,076,696 | 2,175,778 |
| 6/30/2033 | 9,843,153 | 1,754,061 | 8,287,997 | 1,672,148 | 2,105,373 | 2,175,778 |
| 6/30/2034 | 8,699,769 | 1,715,288 | 7,123,515 | 1,672,148 | | |
| 6/30/2035 | 7,518,706 | 1,647,463 | 5,879,848 | 1,672,147 | | |
| 6/30/2036 | 6,327,423 | 1,525,897 | 4,551,613 | 1,672,148 | | |
| 6/30/2037 | 5,180,764 | 1,076,430 | 3,133,057 | 1,672,148 | | |
| 6/30/2038 | 4,420,631 | 991,545 | 1,618,039 | 1,672,148 | | |
| 6/30/2039 | 3,696,530 | 924,020 | | | | |
| 6/30/2040 | 2,992,972 | 882,004 | | | | |
| 6/30/2041 | 2,284,996 | 755,690 | | | | |
| 6/30/2042 | 1,659,413 | 624,313 | | | | |
| 6/30/2043 | 1,127,063 | 1,046,028 | | | | |
| 6/30/2044 | 122,695 | 122,785 | | | | |
| 6/30/2045 | 4,148 | 4,287 | | | | |
| 6/30/2046 | | | | | | |
| 6/30/2047 | | | | | | |
| 6/30/2048 | | | | | | |
| 6/30/2049 | | | | | | |
| **Total** | | **27,270,922** | | **25,082,210** | | **21,757,781** |
| **Interest Paid** | | **11,331,088** | | **9,142,376** | | **5,817,947** |
| **Estimated Savings** | | | | **2,188,712** | | **5,513,141** |

# Employer Contribution History

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

| Fiscal Year | Employer Normal Cost | Unfunded Liability Payment ($) | Additional Discretionary Payments |
|---|---|---|---|
| 2016 - 17 | 17.689% | $322,155 | N/A |
| 2017 - 18 | 17.875% | 405,353 | N/A |
| 2018 - 19 | 18.677% | 526,104 | N/A |
| 2019 - 20 | 20.073% | 659,149 | 0 |
| 2020 - 21 | 21.746% | 761,892 | 0 |
| 2021 - 22 | 21.79% | 906,603 | 0 |
| 2022 - 23 | 21.84% | 1,045,950 | 0 |
| 2023 - 24 | 24.15% | 1,021,417 | |
| 2024 - 25 | 24.33% | 1,232,236 | |

# Funding History

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

| Valuation Date | Accrued Liability (AL) | Share of Pool's Market Value of Assets (MVA) | Unfunded Accrued Liability (UAL) | Funded Ratio | Annual Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2013 | $30,838,361 | $24,852,115 | $5,986,246 | 80.6% | $2,645,863 |
| 06/30/2014 | 32,340,790 | 26,848,441 | 5,492,349 | 83.0% | 2,467,173 |
| 06/30/2015 | 33,840,258 | 26,630,798 | 7,209,460 | 78.7% | 2,601,363 |
| 06/30/2016 | 36,711,005 | 27,023,432 | 9,687,573 | 73.6% | 2,597,650 |
| 06/30/2017 | 39,096,059 | 29,243,555 | 9,852,504 | 74.8% | 2,469,719 |
| 06/30/2018 | 42,761,498 | 31,278,777 | 11,482,721 | 73.1% | 2,266,398 |
| 06/30/2019 | 45,731,110 | 33,562,959 | 12,168,151 | 73.4% | 1,954,922 |
| 06/30/2020 | 47,484,681 | 34,165,434 | 13,319,247 | 72.0% | 1,832,070 |
| 06/30/2021 | 50,846,730 | 41,417,299 | 9,429,431 | 81.5% | 1,794,475 |
| 06/30/2022 | 53,114,826 | 37,247,464 | 15,867,362 | 70.1% | 2,094,350 |

# Risk Analysis

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

# Future Investment Return Scenarios

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

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

| Assumed Annual Return FY 2022-23 through 2041-42 | Projected Employer Contributions | | | | |
|---|---|---|---|---|---|
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
| **3.0% (5th percentile)** | | | | | |
| Normal Cost Rate | 24.3% | 24.3% | 24.3% | 24.3% | 24.3% |
| UAL Contribution | $1,366,000 | $1,531,000 | $1,713,000 | $2,031,000 | $2,242,000 |
| **10.8% (95th percentile)** | | | | | |
| Normal Cost Rate | 24.8% | 25.2% | 25.6% | 26.0% | 26.4% |
| UAL Contribution | $1,299,000 | $1,331,000 | $1,310,000 | $1,349,000 | $1,204,000 |

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

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

The following table shows the effect of a one or two standard deviation investment loss in FY 2022-23 on the FY 2025-26 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2025-26.

| Assumed Annual Return for Fiscal Year 2022-23 | Required Employer Contributions | Projected Employer Contributions |
|---|---|---|
| | 2024-25 | 2025-26 |
| **(17.2)% (2 standard deviation loss)** | | |
| Normal Cost Rate | 24.33% | 24.3% |
| UAL Contribution | $1,232,236 | $1,549,000 |
| **(5.2)% (1 standard deviation loss)** | | |
| Normal Cost Rate | 24.33% | 24.3% |
| UAL Contribution | $1,232,236 | $1,440,000 |

- Without investment gains (returns higher than 6.8%) in FY 2023-24 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2022-23.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2025-26 as well as to model other investment return scenarios.

# Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2022 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

**Sensitivity to the Real Rate of Return Assumption**

| As of June 30, 2022 | 1% Lower Real Return Rate | Current Assumptions | 1% Higher Real Return Rate |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| Price Inflation | 2.3% | 2.3% | 2.3% |
| **Real Rate of Return** | **3.5%** | **4.5%** | **5.5%** |
| a) Total Normal Cost | 41.65% | 33.32% | 26.95% |
| b) Accrued Liability | $59,968,325 | $53,114,826 | $47,432,550 |
| c) Market Value of Assets | $37,247,464 | $37,247,464 | $37,247,464 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $22,720,861 | $15,867,362 | $10,185,086 |
| e) Funded Ratio | 62.1% | 70.1% | 78.5% |

**Sensitivity to the Price Inflation Assumption**

| As of June 30, 2022 | 1% Lower Price Inflation | Current Assumptions | 1% Higher Price Inflation |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| **Price Inflation** | **1.3%** | **2.3%** | **3.3%** |
| Real Rate of Return | 4.5% | 4.5% | 4.5% |
| a) Total Normal Cost | 34.96% | 33.32% | 30.25% |
| b) Accrued Liability | $54,867,459 | $53,114,826 | $48,935,301 |
| c) Market Value of Assets | $37,247,464 | $37,247,464 | $37,247,464 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $17,619,995 | $15,867,362 | $11,687,837 |
| e) Funded Ratio | 67.9% | 70.1% | 76.1% |

# Mortality Rate Sensitivity

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

| As of June 30, 2022 | 10% Lower Mortality Rates | Current Assumptions | 10% Higher Mortality Rates |
|---|---|---|---|
| a) Total Normal Cost | 33.79% | 33.32% | 32.88% |
| b) Accrued Liability | $54,089,698 | $53,114,826 | $52,214,784 |
| c) Market Value of Assets | $37,247,464 | $37,247,464 | $37,247,464 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $16,842,234 | $15,867,362 | $14,967,320 |
| e) Funded Ratio | 68.9% | 70.1% | 71.3% |

# Maturity Measures

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

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

| Ratio of Retiree Accrued Liability to Total Accrued Liability | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Retired Accrued Liability | $34,717,994 | $35,112,308 |
| 2. Total Accrued Liability | 50,846,730 | 53,114,826 |
| 3. Ratio of Retiree AL to Total AL [(1) / (2)] | 0.68 | 0.66 |

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

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

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

| Support Ratio | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Number of Actives | 12 | 13 |
| 2. Number of Retirees | 36 | 36 |
| 3. Support Ratio [(1) / (2)] | 0.33 | 0.36 |

# Maturity Measures (continued)

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

**Asset Volatility Ratio**

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

**Liability Volatility Ratio**

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

| Contribution Volatility | June 30, 2021 | June 30, 2022 |
|---|---:|---:|
| 1. Market Value of Assets | $41,417,299 | $37,247,464 |
| 2. Payroll | 1,794,475 | 2,094,350 |
| 3. Asset Volatility Ratio (AVR) [(1) / (2)] | 23.1 | 17.8 |
| 4. Accrued Liability | $50,846,730 | $53,114,826 |
| 5. Liability Volatility Ratio (LVR) [(4) / (2)] | 28.3 | 25.4 |

# Maturity Measures History

| Valuation Date | Ratio of Retiree Accrued Liability to Total Accrued Liability | Support Ratio | Asset Volatility Ratio | Liability Volatility Ratio |
|---|---|---|---|---|
| 06/30/2017 | 0.50 | 0.77 | 11.8 | 15.8 |
| 06/30/2018 | 0.53 | 0.64 | 13.8 | 18.9 |
| 06/30/2019 | 0.63 | 0.47 | 17.2 | 23.4 |
| 06/30/2020 | 0.67 | 0.37 | 18.6 | 25.9 |
| 06/30/2021 | 0.68 | 0.33 | 23.1 | 28.3 |
| 06/30/2022 | 0.66 | 0.36 | 17.8 | 25.4 |

# Funded Status – Termination Basis

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

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

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

| | Discount Rate: 1.75% Price Inflation: 2.50% | | | Discount Rate: 4.50% Price Inflation: 2.75% | | |
|---|---|---|---|---|---|---|
| **Market Value of Assets (MVA)** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** |
| $37,247,464 | $113,705,963 | 32.8% | $76,458,499 | $74,254,542 | 50.2% | $37,007,078 |

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

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

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

# Participant Data

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| **Active Members** | | |
| Counts | 12 | 13 |
| Average Attained Age | 49.4 | 50.1 |
| Average Entry Age to Rate Plan | 28.6 | 30.0 |
| Average Years of Credited Service | 20.1 | 19.5 |
| Average Annual Covered Pay | $149,540 | $161,104 |
| Annual Covered Payroll | $1,794,475 | $2,094,350 |
| Present Value of Future Payroll | $12,073,042 | $13,366,418 |
| **Transferred Members** | 8 | 9 |
| **Separated Members** | 2 | 2 |
| **Retired Members and Beneficiaries*** | | |
| Counts | 36 | 36 |
| Average Annual Benefits | $68,229 | $70,220 |
| Total Annual Benefits | $2,456,226 | $2,527,934 |

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

* Values include community property settlements.

# List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

## Plan's Major Benefit Options

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

| | **Benefit Group** | | |
|---|---|---|---|
| **Member Category** | Fire | Fire | |
| **Demographics** | | | |
| Actives | Yes | No | |
| Transfers/Separated | Yes | No | |
| Receiving | Yes | Yes | |
| **Benefit Provision** | | | |
| Benefit Formula | 3% @ 55 | | |
| Social Security Coverage | No | | |
| Full/Modified | Full | | |
| Employee Contribution Rate | 9.00% | | |
| Final Average Compensation Period | One Year | | |
| Sick Leave Credit | Yes | | |
| Non-Industrial Disability | Standard | | |
| Industrial Disability | Standard | | |
| Pre-Retirement Death Benefits | | | |
| Optional Settlement 2 | Yes | | |
| 1959 Survivor Benefit Level | Indexed | | |
| Special | Yes | | |
| Alternate (firefighters) | No | | |
| Post-Retirement Death Benefits | | | |
| Lump Sum | $2000 | $2000 | |
| Survivor Allowance (PRSA) | No | No | |
| COLA | 2% | 2% | |

# Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Risk Pool Actuarial Valuation Information

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

**California Public Employees' Retirement System**
**Actuarial Office**
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
**888 CalPERS** (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

**July 2023**

**PEPRA Safety Fire Plan of the Scotts Valley Fire Protection District (CalPERS ID: 4027652040)**
**Annual Valuation Report as of June 30, 2022**

Dear Employer,

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

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

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

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

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

**Required Contributions**

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

| Fiscal Year | Employer Normal Cost Rate | Employer Amortization of Unfunded Accrued Liability | PEPRA Member Contribution Rate |
|---|---|---|---|
| 2024-25 | 13.76% | $25,871 | 13.75% |
| *Projected Results* | | | |
| *2025-26* | *13.8%* | *$26,000* | *TBD* |

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

**Changes from Previous Year's Valuations**

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

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

**Questions**

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

Sincerely,

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

RANDALL DZIUBEK, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

# Actuarial Valuation
# as of June 30, 2022

# for the
# PEPRA Safety Fire Plan
# of the
# Scotts Valley Fire Protection District

**(CalPERS ID: 4027652040)**

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

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# Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Plan Specific Information for the PEPRA Safety Fire Plan of the Scotts Valley Fire Protection District

**(CalPERS ID: 4027652040)**
**(Rate Plan ID: 25848)**

# Table of Contents

# Actuarial Certification

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

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

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

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

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

# Highlights and Executive Summary

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

# Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the PEPRA Safety Fire Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

# Purpose of Section 1

This Section 1 report for the PEPRA Safety Fire Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

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

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

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

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

**Assessment and Disclosure of Risk**

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

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

# Required Contributions

| Required Employer Contributions | Fiscal Year 2024-25 |
|---|---|
| **Employer Normal Cost Rate** | **13.76%** |
| ***Plus*** | |
| **Required Payment on Amortization Bases[1]** | **$25,871** |
| ***Paid either as*** | |
| **1) Monthly Payment** | **$2,155.92** |
| ***Or*** | |
| **2) Annual Prepayment Option*** | **$25,034** |
| **Required PEPRA Member Contribution Rate** | **13.75%** |

*The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).*

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

*For additional detail regarding the determination of the required contribution rate for PEPRA members, see "PEPRA Member Contribution Rates" section.*

| Development of Normal Cost as a Percentage of Payroll | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| Base Total Normal Cost for Formula | 27.29% | 27.51% |
| Surcharge for Class 1 Benefits[2] | | |
| None | 0.00% | 0.00% |
| Phase out of Normal Cost Difference[3] | 0.00% | 0.00% |
| Plan's Total Normal Cost | 27.29% | 27.51% |
| Offset Due to Employee Contributions | 13.75% | 13.75% |
| Employer Normal Cost Rate | 13.54% | 13.76% |

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

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

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

# Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $25,871. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

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

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

**Minimum Required Employer Contribution for Fiscal Year 2024-25**

| Estimated Normal Cost | Minimum UAL Payment | ADP | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|
| $324,381 | $25,871 | $0 | $25,871 | $350,252 |

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

| Funding Horizon | Estimated Normal Cost | Minimum UAL Payment | ADP[1] | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|---|
| 15 years | $324,381 | $25,871 | $4,309 | $30,180 | $354,561 |
| 10 years | $324,381 | $25,871 | $13,399 | $39,270 | $363,651 |
| 5 years | $324,381 | $25,871 | $41,661 | $67,532 | $391,913 |

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

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

# Funded Status – Funding Policy Basis

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Present Value of Benefits | $7,167,714 | $8,376,463 |
| 2. Entry Age Accrued Liability | 1,616,496 | 2,177,558 |
| 3. Market Value of Assets (MVA) | 1,773,541 | 1,963,228 |
| 4. Unfunded Accrued Liability (UAL) [(2) – (3)] | ($157,045) | $214,330 |
| 5. Funded Ratio [(3) / (2)] | 109.7% | 90.2% |

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

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

| | 1% Lower Average Return | Current Assumption | 1% Higher Average Return |
|---|---|---|---|
| Discount Rate | 5.8% | 6.8% | 7.8% |
| 1. Entry Age Accrued Liability | $2,664,187 | $2,177,558 | $1,795,402 |
| 2. Market Value of Assets (MVA) | 1,963,228 | 1,963,228 | 1,963,228 |
| 3. Unfunded Accrued Liability (UAL) [(1) – (2)] | $700,959 | $214,330 | ($167,826) |
| 4. Funded Ratio [(2) / (1)] | 73.7% | 90.2% | 109.3% |

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

# Projected Employer Contributions

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

| | **Required Contribution** | **Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)** | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** |
| | Rate Plan 25848 Results | | | | | |
| **Normal Cost %** | 13.76% | 13.8% | 13.8% | 13.8% | 13.8% | 13.8% |
| **UAL Payment** | $25,871 | $26,000 | $26,000 | $26,000 | $26,000 | $26,000 |

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

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

# Other Pooled Safety Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 25848. 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 Safety Risk Pool are shown below and assume that the total employer payroll within the Safety Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Estimated Combined Employer Contributions for all Pooled Safety Rate Plans** | | |
| Projected Payroll for the Contribution Year | $3,635,619 | $4,194,364 |
| Estimated Employer Normal Cost | $699,101 | $771,309 |
| Required Payment on Amortization Bases | $1,021,417 | $1,258,107 |
| Estimated Total Employer Contributions | $1,720,518 | $2,029,416 |
| Estimated Total Employer Contribution Rate (illustrative only) | 47.32% | 48.38% |

# Cost

**Actuarial Determination of Plan Cost**

Contributions to fund the plan are comprised of two components:

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

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

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

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

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

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

# Changes Since the Prior Year's Valuation

**Benefits**

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

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

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

**Actuarial Methods and Assumptions**

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

# Subsequent Events

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

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

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

## Assets and Liabilities

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

## Breakdown of Entry Age Accrued Liability

| | |
|---|---|
| Active Members | $1,945,214 |
| Transferred Members | 19,850 |
| Separated Members | 456 |
| Members and Beneficiaries Receiving Payments | 212,038 |
| Total | $2,177,558 |

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

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

| | | |
|---|---|---|
| 1. | Plan's Accrued Liability | $2,177,558 |
| 2. | Projected UAL Balance at 6/30/2022 | (127,434) |
| 3. | Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.) | 0 |
| 4. | Adjusted UAL Balance at 6/30/2022 for Asset Share | (127,434) |
| 5. | Pool's Accrued Liability[1] | 28,855,988,965 |
| 6. | Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1] | 4,262,073,817 |
| 7. | Pool's 2021-22 Investment (Gain)/Loss[1] | 3,300,630,707 |
| 8. | Pool's 2021-22 Non-Investment (Gain)/Loss[1] | 429,637,362 |
| 9. | Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7) | 309,342 |
| 10. | Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8) | 32,422 |
| 11. | Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10) | 341,764 |
| 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) | 309,342 |

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

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

| | | |
|---|---|---|
| 18. | Plan's UAL: (2) + (3) + (11) + (13) + (15) | $214,330 |
| 19. | Plan's Share of Pool's MVA: (1) - (18) | $1,963,228 |

## Schedule of Amortization Bases

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

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

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

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

| Reason for Base | Date Est. | Ramp Level 2024-25 | Ramp Shape | Escala-tion Rate | Amort. Period | Balance 6/30/22 | Expected Payment 2022-23 | Balance 6/30/23 | Expected Payment 2023-24 | Balance 6/30/24 | Minimum Required Payment 2024-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fresh Start | 6/30/22 | No | Ramp | 0.00% | 20 | 214,330 | (39,163) | 269,377 | 0 | 287,695 | 25,871 |
| **Total** | | | | | | **214,330** | **(39,163)** | **269,377** | **0** | **287,695** | **25,871** |

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

# Amortization Schedule and Alternatives

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

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

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

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

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

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

# Amortization Schedule and Alternatives (continued)

| | Current Amortization Schedule | | Alternate Schedules: 15 Year Amortization | | Alternate Schedules: 10 Year Amortization | |
|---|---|---|---|---|---|---|
| **Date** | **Balance** | **Payment** | **Balance** | **Payment** | **Balance** | **Payment** |
| 6/30/2024 | 287,695 | 25,871 | 287,695 | 30,180 | 287,695 | 39,270 |
| 6/30/2025 | 280,522 | 25,871 | 276,069 | 30,180 | 266,675 | 39,270 |
| 6/30/2026 | 272,861 | 25,870 | 263,652 | 30,180 | 244,226 | 39,270 |
| 6/30/2027 | 264,680 | 25,870 | 250,391 | 30,180 | 220,250 | 39,270 |
| 6/30/2028 | 255,943 | 25,870 | 236,228 | 30,180 | 194,644 | 39,270 |
| 6/30/2029 | 246,612 | 25,871 | 221,102 | 30,180 | 167,297 | 39,271 |
| 6/30/2030 | 236,645 | 25,870 | 204,948 | 30,180 | 138,089 | 39,271 |
| 6/30/2031 | 226,002 | 25,870 | 187,695 | 30,180 | 106,895 | 39,271 |
| 6/30/2032 | 214,635 | 25,871 | 169,269 | 30,180 | 73,580 | 39,270 |
| 6/30/2033 | 202,494 | 25,870 | 149,590 | 30,181 | 38,000 | 39,271 |
| 6/30/2034 | 189,528 | 25,870 | 128,572 | 30,181 | | |
| 6/30/2035 | 175,681 | 25,871 | 106,125 | 30,180 | | |
| 6/30/2036 | 160,891 | 25,870 | 82,152 | 30,181 | | |
| 6/30/2037 | 145,096 | 25,870 | 56,548 | 30,180 | | |
| 6/30/2038 | 128,227 | 25,870 | 29,204 | 30,181 | | |
| 6/30/2039 | 110,211 | 25,871 | | | | |
| 6/30/2040 | 90,969 | 25,870 | | | | |
| 6/30/2041 | 70,420 | 25,871 | | | | |
| 6/30/2042 | 48,472 | 25,870 | | | | |
| 6/30/2043 | 25,033 | 25,870 | | | | |
| 6/30/2044 | | | | | | |
| 6/30/2045 | | | | | | |
| 6/30/2046 | | | | | | |
| 6/30/2047 | | | | | | |
| 6/30/2048 | | | | | | |
| 6/30/2049 | | | | | | |
| **Total** | | **517,407** | | **452,704** | | **392,704** |
| **Interest Paid** | | **229,712** | | **165,009** | | **105,009** |
| **Estimated Savings** | | | | **64,703** | | **124,703** |

# Employer Contribution History

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

| Fiscal Year | Employer Normal Cost | Unfunded Liability Payment ($) | Additional Discretionary Payments |
|---|---|---|---|
| 2017 - 18 | 11.990% | $0 | N/A |
| 2018 - 19 | 12.141% | 2,057 | N/A |
| 2019 - 20 | 13.034% | 5,047 | 0 |
| 2020 - 21 | 13.044% | 17,747 | 40,907 |
| 2021 - 22 | 13.13% | 22,134 | 0 |
| 2022 - 23 | 12.78% | 915 | 0 |
| 2023 - 24 | 13.54% | 0 | |
| 2024 - 25 | 13.76% | 25,871 | |

# 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 |
|---|---|---|---|---|---|
| 06/30/2015 | $65 | $62 | $3 | 94.8% | $108,822 |
| 06/30/2016 | 59,319 | 54,979 | 4,340 | 92.7% | 234,586 |
| 06/30/2017 | 156,005 | 151,473 | 4,532 | 97.1% | 433,524 |
| 06/30/2018 | 374,975 | 351,415 | 23,560 | 93.7% | 796,211 |
| 06/30/2019 | 679,096 | 632,618 | 46,478 | 93.2% | 1,130,210 |
| 06/30/2020 | 1,067,907 | 985,610 | 82,297 | 92.3% | 1,405,145 |
| 06/30/2021 | 1,616,496 | 1,773,541 | (157,045) | 109.7% | 1,552,088 |
| 06/30/2022 | 2,177,558 | 1,963,228 | 214,330 | 90.2% | 1,766,534 |

# Risk Analysis

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

# Future Investment Return Scenarios

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

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

| Assumed Annual Return FY 2022-23 through 2041-42 | Projected Employer Contributions | | | | |
|---|---|---|---|---|---|
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
| **3.0% (5th percentile)** | | | | | |
| Normal Cost Rate | 13.8% | 13.8% | 13.8% | 13.8% | 13.8% |
| UAL Contribution | $28,000 | $31,000 | $37,000 | $44,000 | $54,000 |
| **10.8% (95th percentile)** | | | | | |
| Normal Cost Rate | 14.1% | 14.5% | 14.3% | 14.7% | 15.0% |
| UAL Contribution | $24,000 | $21,000 | $16,000 | $0 | $0 |

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

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

The following table shows the effect of a one or two standard deviation investment loss in FY 2022-23 on the FY 2025-26 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2025-26.

| Assumed Annual Return for Fiscal Year 2022-23 | Required Employer Contributions | Projected Employer Contributions |
|---|---|---|
| | 2024-25 | 2025-26 |
| **(17.2)% (2 standard deviation loss)** | | |
| Normal Cost Rate | 13.76% | 13.8% |
| UAL Contribution | $25,871 | $37,000 |
| **(5.2)% (1 standard deviation loss)** | | |
| Normal Cost Rate | 13.76% | 13.8% |
| UAL Contribution | $25,871 | $32,000 |

- Without investment gains (returns higher than 6.8%) in FY 2023-24 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2022-23.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2025-26 as well as to model other investment return scenarios.

# Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2022 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

**Sensitivity to the Real Rate of Return Assumption**

| As of June 30, 2022 | 1% Lower Real Return Rate | Current Assumptions | 1% Higher Real Return Rate |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| Price Inflation | 2.3% | 2.3% | 2.3% |
| **Real Rate of Return** | **3.5%** | **4.5%** | **5.5%** |
| a) Total Normal Cost | 34.63% | 27.51% | 22.13% |
| b) Accrued Liability | $2,664,187 | $2,177,558 | $1,795,402 |
| c) Market Value of Assets | $1,963,228 | $1,963,228 | $1,963,228 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $700,959 | $214,330 | ($167,826) |
| e) Funded Ratio | 73.7% | 90.2% | 109.3% |

**Sensitivity to the Price Inflation Assumption**

| As of June 30, 2022 | 1% Lower Price Inflation | Current Assumptions | 1% Higher Price Inflation |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| **Price Inflation** | **1.3%** | **2.3%** | **3.3%** |
| Real Rate of Return | 4.5% | 4.5% | 4.5% |
| a) Total Normal Cost | 29.07% | 27.51% | 24.85% |
| b) Accrued Liability | $2,281,580 | $2,177,558 | $1,976,317 |
| c) Market Value of Assets | $1,963,228 | $1,963,228 | $1,963,228 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $318,352 | $214,330 | $13,089 |
| e) Funded Ratio | 86.0% | 90.2% | 99.3% |

# Mortality Rate Sensitivity

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

| As of June 30, 2022 | 10% Lower Mortality Rates | Current Assumptions | 10% Higher Mortality Rates |
|---|---|---|---|
| a) Total Normal Cost | 27.87% | 27.51% | 27.17% |
| b) Accrued Liability | $2,213,447 | $2,177,558 | $2,144,162 |
| c) Market Value of Assets | $1,963,228 | $1,963,228 | $1,963,228 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $250,219 | $214,330 | $180,934 |
| e) Funded Ratio | 88.7% | 90.2% | 91.6% |

# Maturity Measures

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

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

| Ratio of Retiree Accrued Liability to Total Accrued Liability | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Retired Accrued Liability | $210,089 | $212,038 |
| 2. Total Accrued Liability | 1,616,496 | 2,177,558 |
| 3. Ratio of Retiree AL to Total AL [(1) / (2)] | 0.13 | 0.10 |

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

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

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

| Support Ratio | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Number of Actives | 14 | 16 |
| 2. Number of Retirees | 1 | 1 |
| 3. Support Ratio [(1) / (2)] | 14.00 | 16.00 |

# Maturity Measures (continued)

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

**Asset Volatility Ratio**

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

**Liability Volatility Ratio**

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

| Contribution Volatility | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Market Value of Assets | $1,773,541 | $1,963,228 |
| 2. Payroll | 1,552,088 | 1,766,534 |
| 3. Asset Volatility Ratio (AVR) [(1) / (2)] | 1.1 | 1.1 |
| 4. Accrued Liability | $1,616,496 | $2,177,558 |
| 5. Liability Volatility Ratio (LVR) [(4) / (2)] | 1.0 | 1.2 |

# Maturity Measures History

| Valuation Date | Ratio of Retiree Accrued Liability to Total Accrued Liability | Support Ratio | Asset Volatility Ratio | Liability Volatility Ratio |
|---|---|---|---|---|
| 06/30/2017 | 0.00 | N/A | 0.3 | 0.4 |
| 06/30/2018 | 0.00 | N/A | 0.4 | 0.5 |
| 06/30/2019 | 0.00 | N/A | 0.6 | 0.6 |
| 06/30/2020 | 0.00 | N/A | 0.7 | 0.8 |
| 06/30/2021 | 0.13 | 14.00 | 1.1 | 1.0 |
| 06/30/2022 | 0.10 | 16.00 | 1.1 | 1.2 |

# Funded Status – Termination Basis

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

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

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

| | Discount Rate: 1.75%<br>Price Inflation: 2.50% | | | Discount Rate: 4.50%<br>Price Inflation: 2.75% | | |
|---|---|---|---|---|---|---|
| **Market Value of Assets (MVA)** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** |
| $1,963,228 | $5,043,085 | 38.9% | $3,079,857 | $2,359,086 | 83.2% | $395,858 |

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

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

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

# Participant Data

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| **Active Members** | | |
| Counts | 14 | 16 |
| Average Attained Age | 36.3 | 35.9 |
| Average Entry Age to Rate Plan | 33.0 | 32.1 |
| Average Years of Credited Service | 3.4 | 3.8 |
| Average Annual Covered Pay | $110,863 | $110,408 |
| Annual Covered Payroll | $1,552,088 | $1,766,534 |
| Present Value of Future Payroll | $23,088,080 | $25,662,821 |
| **Transferred Members** | 1 | 2 |
| **Separated Members** | 1 | 1 |
| **Retired Members and Beneficiaries*** | | |
| Counts | 1 | 1 |
| Average Annual Benefits | $12,543 | $12,794 |
| Total Annual Benefits | $12,543 | $12,794 |

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

* Values include community property settlements.

# List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- None

## Plan's Major Benefit Options

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

| | Benefit Group | |
|---|---|---|
| **Member Category** | Fire | |
| **Demographics** | | |
| Actives | Yes | |
| Transfers/Separated | Yes | |
| Receiving | Yes | |
| **Benefit Provision** | | |
| Benefit Formula | 2.7% @ 57 | |
| Social Security Coverage | No | |
| Full/Modified | Full | |
| Employee Contribution Rate | 13.75% | |
| Final Average Compensation Period | Three Year | |
| Sick Leave Credit | Yes | |
| Non-Industrial Disability | Standard | |
| Industrial Disability | Standard | |
| Pre-Retirement Death Benefits | | |
| Optional Settlement 2 | Yes | |
| 1959 Survivor Benefit Level | Indexed | |
| Special | Yes | |
| Alternate (firefighters) | No | |
| Post-Retirement Death Benefits | | |
| Lump Sum | $2000 | |
| Survivor Allowance (PRSA) | No | |
| COLA | 2% | |

# PEPRA Member Contribution Rates

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

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2024, based on 50% of the total normal cost rate as of the June 30, 2022 valuation.

| | | Basis for Current Rate | | Rates Effective July 1, 2024 | | | |
|---|---|---|---|---|---|---|---|
| **Rate Plan Identifier** | **Benefit Group Name** | **Total Normal Cost** | **Member Rate** | **Total Normal Cost** | **Change** | **Change Needed** | **Member Rate** |
| 25848 | Safety Fire PEPRA Level | 27.29% | 13.75% | 27.51% | 0.22% | No | 13.75% |

# Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Risk Pool Actuarial Valuation Information

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

**California Public Employees' Retirement System**
**Actuarial Office**
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
**888 CalPERS** (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

**July 2023**

**Miscellaneous Plan of the Scotts Valley Fire Protection District (CalPERS ID: 4027652040)**
**Annual Valuation Report as of June 30, 2022**

Dear Employer,

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

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

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

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

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

**Required Contributions**

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

| Fiscal Year | Employer Normal Cost Rate | Employer Amortization of Unfunded Accrued Liability |
|---|---|---|
| 2024-25 | 12.52% | $4,949 |
| *Projected Results* | | |
| *2025-26* | *12.5%* | *$8,300* |

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

**Changes from Previous Year's Valuations**

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

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

**Questions**

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

Sincerely,

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

RANDALL DZIUBEK, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

# Actuarial Valuation as of June 30, 2022

# for the Miscellaneous Plan of the Scotts Valley Fire Protection District

**(CalPERS ID: 4027652040)**

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

# Table of Contents

# Section 1



# Plan Specific Information for the Miscellaneous Plan of the Scotts Valley Fire Protection District

**(CalPERS ID: 4027652040)**
**(Rate Plan ID: 903)**

# Table of Contents

# Actuarial Certification

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

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

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

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

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

# Highlights and Executive Summary

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

# Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the Miscellaneous Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

# Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

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

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

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

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

**Assessment and Disclosure of Risk**

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

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

# Required Contributions

| | Fiscal Year 2024-25 |
|---|---|
| **Required Employer Contributions** | |
| **Employer Normal Cost Rate** | **12.52%** |
| ***Plus*** | |
| **Required Payment on Amortization Bases**[1] | **$4,949** |
| ***Paid either as*** | |
| **1) Monthly Payment** | **$412.42** |
| ***Or*** | |
| **2) Annual Prepayment Option*** | **$4,789** |

*The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).*

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

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

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

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

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

# Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $4,949. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

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

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

**Minimum Required Employer Contribution for Fiscal Year 2024-25**

| Estimated Normal Cost | Minimum UAL Payment | ADP | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|
| $14,109 | $4,949 | $0 | $4,949 | $19,058 |

The minimum required contribution above is less than interest on the UAL. With no ADP the UAL is projected to increase over the following year. If the minimum UAL payment were split between interest and principal, the principal portion would be negative. This situation is referred to as **negative amortization**. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY **2027-28**, as shown in the "Amortization Schedule and Alternatives" section of the report (see columns labeled "Current Amortization Schedule").

**Fiscal Year 2024-25 Employer Contribution Necessary to Avoid Negative Amortization**

| Estimated Normal Cost | Minimum UAL Payment | ADP[1] | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|
| $14,109 | $4,949 | $6,394 | $11,343 | $25,452 |

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

| Funding Horizon | Estimated Normal Cost | Minimum UAL Payment | ADP[1] | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|---|
| 20 years | $14,109 | $4,949 | $10,553 | $15,502 | $29,611 |
| 15 years | $14,109 | $4,949 | $13,135 | $18,084 | $32,193 |
| 10 years | $14,109 | $4,949 | $18,582 | $23,531 | $37,640 |
| 5 years | $14,109 | $4,949 | $35,517 | $40,466 | $54,575 |

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

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

# Funded Status – Funding Policy Basis

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Present Value of Benefits | $1,200,558 | $1,298,012 |
| 2. Entry Age Accrued Liability | 1,039,228 | 1,133,598 |
| 3. Market Value of Assets (MVA) | 903,828 | 860,960 |
| 4. Unfunded Accrued Liability (UAL) [(2) – (3)] | $135,400 | $272,638 |
| 5. Funded Ratio [(3) / (2)] | 87.0% | 75.9% |

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 | $1,313,652 | $1,133,598 | $992,409 |
| 2. Market Value of Assets (MVA) | 860,960 | 860,960 | 860,960 |
| 3. Unfunded Accrued Liability (UAL) [(1) – (2)] | $452,692 | $272,638 | $131,449 |
| 4. Funded Ratio [(2) / (1)] | 65.5% | 75.9% | 86.8% |

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

# Projected Employer Contributions

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

| | **Required Contribution** | **Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)** | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** |
| | Rate Plan 903 Results | | | | | |
| **Normal Cost %** | 12.52% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% |
| **UAL Payment** | $4,949 | $8,300 | $12,000 | $15,000 | $18,000 | $18,000 |

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

**The required contribution for FY 2024-25 is less than interest on the UAL**, a situation referred to as **negative amortization**, as explained in the “Additional Discretionary Employer Contributions” section earlier in this report. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY 2027-28, as shown in the “Amortization Schedule and Alternatives” section of the report (see columns labelled “Current Amortization Schedule”).

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

# Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 903. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated contribution amounts and rates for all of the employer's rate plans in the Miscellaneous Risk Pool are shown below and assume that the total employer payroll within the Miscellaneous Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans** | | |
| Projected Payroll for the Contribution Year | $186,171 | $203,770 |
| Estimated Employer Normal Cost | $20,089 | $21,277 |
| Required Payment on Amortization Bases | $22,675 | $6,258 |
| Estimated Total Employer Contributions | $42,764 | $27,535 |
| Estimated Total Employer Contribution Rate (illustrative only) | 22.97% | 13.51% |

# Cost

**Actuarial Determination of Plan Cost**

Contributions to fund the plan are comprised of two components:

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

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

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

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

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

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

# Changes Since the Prior Year's Valuation

**Benefits**

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

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

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

**Actuarial Methods and Assumptions**

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

# Subsequent Events

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

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

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

## Assets and Liabilities

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

# Breakdown of Entry Age Accrued Liability

| | |
|---|---|
| Active Members | $684,580 |
| Transferred Members | 0 |
| Separated Members | 58,737 |
| Members and Beneficiaries Receiving Payments | 390,281 |
| Total | $1,133,598 |

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

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

| | | |
|---|---|---|
| 1. | Plan's Accrued Liability | $1,133,598 |
| 2. | Projected UAL Balance at 6/30/2022 | 121,500 |
| 3. | Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.) | 0 |
| 4. | Adjusted UAL Balance at 6/30/2022 for Asset Share | 121,500 |
| 5. | Pool's Accrued Liability[1] | 22,021,735,002 |
| 6. | Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1] | 2,453,954,297 |
| 7. | Pool's 2021-22 Investment (Gain)/Loss[1] | 2,614,071,182 |
| 8. | Pool's 2021-22 Non-Investment (Gain)/Loss[1] | 309,490,972 |
| 9. | Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7) | 135,207 |
| 10. | Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8) | 15,931 |
| 11. | Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10) | 151,138 |
| 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) | 135,207 |

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

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

| | | |
|---|---|---|
| 18. | Plan's UAL: (2) + (3) + (11) + (13) + (15) | $272,638 |
| 19. | Plan's Share of Pool's MVA: (1) - (18) | $860,960 |

# Schedule of Amortization Bases

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

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

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

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

| Reason for Base | Date Est. | Ramp Level 2024-25 | Ramp Shape | Escala-tion Rate | Amort. Period | Balance 6/30/22 | Expected Payment 2022-23 | Balance 6/30/23 | Expected Payment 2023-24 | Balance 6/30/24 | Minimum Required Payment 2024-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fresh Start | 6/30/19 | No | Ramp | 0.00% | 1 | 197,291 | 203,888 | 0 | 0 | 0 | 0 |
| Investment (Gain)/Loss | 6/30/20 | 60% | Up Only | 0.00% | 1 | 18,895 | 19,527 | 0 | 0 | 0 | 0 |
| Non-Investment (Gain)/Loss | 6/30/20 | No | Ramp | 0.00% | 1 | 3,334 | 3,446 | 0 | 0 | 0 | 0 |
| Assumption Change | 6/30/21 | No | Ramp | 0.00% | 1 | 4,098 | 4,235 | 0 | 0 | 0 | 0 |
| Net Investment (Gain) | 6/30/21 | 40% | Up Only | 0.00% | 1 | (96,777) | (100,013) | 0 | 0 | 0 | 0 |
| Non-Investment (Gain)/Loss | 6/30/21 | No | Ramp | 0.00% | 1 | (4,488) | (4,638) | 0 | 0 | 0 | 0 |
| Risk Mitigation | 6/30/21 | No | Ramp | 0.00% | 0 | 27,316 | 28,229 | 0 | 0 | 0 | 0 |
| Risk Mitigation Offset | 6/30/21 | No | Ramp | 0.00% | 0 | (28,169) | (29,111) | 0 | 0 | 0 | 0 |
| Investment (Gain)/Loss | 6/30/22 | 20% | Up Only | 0.00% | 20 | 135,207 | 0 | 144,401 | 0 | 154,220 | 3,315 |
| Non-Investment (Gain)/Loss | 6/30/22 | No | Ramp | 0.00% | 20 | 15,931 | 0 | 17,014 | 0 | 18,171 | 1,634 |
| **Total** | | | | | | **272,638** | **125,563** | **161,415** | **0** | **172,391** | **4,949** |

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

# Amortization Schedule and Alternatives

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

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

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

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

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

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

# Amortization Schedule and Alternatives (continued)

| | Current Amortization Schedule | | Alternate Schedules: 20 Year Amortization | | Alternate Schedules: 15 Year Amortization | |
|---|---|---|---|---|---|---|
| **Date** | **Balance** | **Payment** | **Balance** | **Payment** | **Balance** | **Payment** |
| **6/30/2024** | 172,391 | 4,949 | 172,391 | 15,502 | 172,391 | 18,084 |
| **6/30/2025** | 178,999 | 8,264 | 168,093 | 15,502 | 165,425 | 18,085 |
| **6/30/2026** | 182,630 | 11,579 | 163,503 | 15,502 | 157,984 | 18,084 |
| **6/30/2027** | 183,082 | 14,894 | 158,601 | 15,502 | 150,038 | 18,084 |
| **6/30/2028** | 180,139 | 18,208 | 153,365 | 15,502 | 141,552 | 18,085 |
| **6/30/2029** | 173,572 | 18,208 | 147,773 | 15,502 | 132,488 | 18,085 |
| **6/30/2030** | 166,558 | 18,208 | 141,801 | 15,502 | 122,807 | 18,084 |
| **6/30/2031** | 159,067 | 18,208 | 135,423 | 15,502 | 112,469 | 18,084 |
| **6/30/2032** | 151,067 | 18,208 | 128,611 | 15,502 | 101,428 | 18,085 |
| **6/30/2033** | 142,522 | 18,208 | 121,336 | 15,502 | 89,635 | 18,084 |
| **6/30/2034** | 133,397 | 18,209 | 113,566 | 15,502 | 77,041 | 18,084 |
| **6/30/2035** | 123,650 | 18,209 | 105,268 | 15,502 | 63,591 | 18,084 |
| **6/30/2036** | 113,240 | 18,208 | 96,406 | 15,502 | 49,226 | 18,084 |
| **6/30/2037** | 102,123 | 18,208 | 86,941 | 15,501 | 33,885 | 18,085 |
| **6/30/2038** | 90,251 | 18,209 | 76,834 | 15,502 | 17,499 | 18,084 |
| **6/30/2039** | 77,570 | 18,208 | 66,038 | 15,502 | | |
| **6/30/2040** | 64,028 | 18,209 | 54,508 | 15,501 | | |
| **6/30/2041** | 49,564 | 18,208 | 42,195 | 15,501 | | |
| **6/30/2042** | 34,118 | 18,209 | 29,045 | 15,502 | | |
| **6/30/2043** | 17,621 | 18,210 | 15,000 | 15,502 | | |
| **6/30/2044** | | | | | | |
| **6/30/2045** | | | | | | |
| **6/30/2046** | | | | | | |
| **6/30/2047** | | | | | | |
| **6/30/2048** | | | | | | |
| **6/30/2049** | | | | | | |
| **Total** | | **331,021** | | **310,037** | | **271,265** |
| **Interest Paid** | | **158,630** | | **137,646** | | **98,874** |
| **Estimated Savings** | | | | **20,984** | | **59,756** |

# Employer Contribution History

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

| Fiscal Year | Employer Normal Cost | Unfunded Liability Payment ($) | Additional Discretionary Payments |
|---|---|---|---|
| 2016 - 17 | 8.880% | $8,629 | N/A |
| 2017 - 18 | 8.921% | 10,186 | N/A |
| 2018 - 19 | 9.409% | 12,435 | N/A |
| 2019 - 20 | 10.221% | 16,476 | 0 |
| 2020 - 21 | 11.031% | 19,557 | 0 |
| 2021 - 22 | 10.88% | 24,061 | 0 |
| 2022 - 23 | 10.87% | 24,780 | 102,841 |
| 2023 - 24 | 12.47% | 22,675 | |
| 2024 - 25 | 12.52% | 4,949 | |

# Funding History

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

| Valuation Date | Accrued Liability (AL) | Share of Pool's Market Value of Assets (MVA) | Unfunded Accrued Liability (UAL) | Funded Ratio | Annual Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2013 | $576,213 | $453,796 | $122,417 | 78.8% | $113,226 |
| 06/30/2014 | 605,694 | 495,736 | 109,958 | 81.9% | 104,818 |
| 06/30/2015 | 635,438 | 499,065 | 136,373 | 78.5% | 91,548 |
| 06/30/2016 | 673,254 | 493,089 | 180,165 | 73.2% | 93,102 |
| 06/30/2017 | 739,373 | 562,619 | 176,754 | 76.1% | 98,248 |
| 06/30/2018 | 834,584 | 629,773 | 204,811 | 75.5% | 97,867 |
| 06/30/2019 | 886,830 | 672,279 | 214,551 | 75.8% | 103,229 |
| 06/30/2020 | 932,678 | 699,915 | 232,763 | 75.0% | 103,928 |
| 06/30/2021 | 1,039,228 | 903,828 | 135,400 | 87.0% | 111,278 |
| 06/30/2022 | 1,133,598 | 860,960 | 272,638 | 75.9% | 119,291 |

# Risk Analysis

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

# Future Investment Return Scenarios

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

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

| Assumed Annual Return FY 2022-23 through 2041-42 | Projected Employer Contributions | | | | |
|---|---|---|---|---|---|
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
| **3.0% (5th percentile)** | | | | | |
| Normal Cost Rate | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% |
| UAL Contribution | $9,100 | $14,000 | $20,000 | $26,000 | $31,000 |
| **10.8% (95th percentile)** | | | | | |
| Normal Cost Rate | 12.8% | 13.0% | 13.3% | 13.5% | 13.8% |
| UAL Contribution | $7,600 | $9,500 | $11,000 | $11,000 | $0 |

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

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

The following table shows the effect of a one or two standard deviation investment loss in FY 2022-23 on the FY 2025-26 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2025-26.

| Assumed Annual Return for Fiscal Year 2022-23 | Required Employer Contributions | Projected Employer Contributions |
|---|---|---|
| | 2024-25 | 2025-26 |
| **(17.2)% (2 standard deviation loss)** | | |
| Normal Cost Rate | 12.52% | 12.5% |
| UAL Contribution | $4,949 | $13,000 |
| **(5.2)% (1 standard deviation loss)** | | |
| Normal Cost Rate | 12.52% | 12.5% |
| UAL Contribution | $4,949 | $11,000 |

- Without investment gains (returns higher than 6.8%) in FY 2023-24 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2022-23.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2025-26 as well as to model other investment return scenarios.

# Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2022 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

**Sensitivity to the Real Rate of Return Assumption**

| As of June 30, 2022 | 1% Lower Real Return Rate | Current Assumptions | 1% Higher Real Return Rate |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| Price Inflation | 2.3% | 2.3% | 2.3% |
| **Real Rate of Return** | **3.5%** | **4.5%** | **5.5%** |
| a) Total Normal Cost | 24.48% | 19.45% | 15.62% |
| b) Accrued Liability | $1,313,652 | $1,133,598 | $992,409 |
| c) Market Value of Assets | $860,960 | $860,960 | $860,960 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $452,692 | $272,638 | $131,449 |
| e) Funded Ratio | 65.5% | 75.9% | 86.8% |

**Sensitivity to the Price Inflation Assumption**

| As of June 30, 2022 | 1% Lower Price Inflation | Current Assumptions | 1% Higher Price Inflation |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| **Price Inflation** | **1.3%** | **2.3%** | **3.3%** |
| Real Rate of Return | 4.5% | 4.5% | 4.5% |
| a) Total Normal Cost | 20.42% | 19.45% | 17.74% |
| b) Accrued Liability | $1,170,981 | $1,133,598 | $1,047,752 |
| c) Market Value of Assets | $860,960 | $860,960 | $860,960 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $310,021 | $272,638 | $186,792 |
| e) Funded Ratio | 73.5% | 75.9% | 82.2% |

# Mortality Rate Sensitivity

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

| As of June 30, 2022 | 10% Lower Mortality Rates | Current Assumptions | 10% Higher Mortality Rates |
|---|---|---|---|
| a) Total Normal Cost | 19.78% | 19.45% | 19.14% |
| b) Accrued Liability | $1,155,469 | $1,133,598 | $1,114,371 |
| c) Market Value of Assets | $860,960 | $860,960 | $860,960 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $294,509 | $272,638 | $253,411 |
| e) Funded Ratio | 74.5% | 75.9% | 77.3% |

# Maturity Measures

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

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

| Ratio of Retiree Accrued Liability to Total Accrued Liability | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Retired Accrued Liability | $382,603 | $390,281 |
| 2. Total Accrued Liability | 1,039,228 | 1,133,598 |
| 3. Ratio of Retiree AL to Total AL [(1) / (2)] | 0.37 | 0.34 |

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

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

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

| Support Ratio | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Number of Actives | 2 | 2 |
| 2. Number of Retirees | 1 | 1 |
| 3. Support Ratio [(1) / (2)] | 2.00 | 2.00 |

# Maturity Measures (continued)

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

**Asset Volatility Ratio**

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

**Liability Volatility Ratio**

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

| Contribution Volatility | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Market Value of Assets | $903,828 | $860,960 |
| 2. Payroll | 111,278 | 119,291 |
| 3. Asset Volatility Ratio (AVR) [(1) / (2)] | 8.1 | 7.2 |
| 4. Accrued Liability | $1,039,228 | $1,133,598 |
| 5. Liability Volatility Ratio (LVR) [(4) / (2)] | 9.3 | 9.5 |

# 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 | 0.50 | 2.00 | 5.7 | 7.5 |
| 06/30/2018 | 0.46 | 2.00 | 6.4 | 8.5 |
| 06/30/2019 | 0.44 | 2.00 | 6.5 | 8.6 |
| 06/30/2020 | 0.41 | 2.00 | 6.7 | 9.0 |
| 06/30/2021 | 0.37 | 2.00 | 8.1 | 9.3 |
| 06/30/2022 | 0.34 | 2.00 | 7.2 | 9.5 |

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

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

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

| | Discount Rate: 1.75% Price Inflation: 2.50% | | | Discount Rate: 4.50% Price Inflation: 2.75% | | |
|---|---|---|---|---|---|---|
| **Market Value of Assets (MVA)** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** |
| $860,960 | $2,226,265 | 38.7% | $1,365,305 | $1,339,830 | 64.3% | $478,870 |

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

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

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

# Participant Data

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| **Active Members** | | |
| Counts | 2 | 2 |
| Average Attained Age | 43.0 | 44.0 |
| Average Entry Age to Rate Plan | 25.7 | 25.7 |
| Average Years of Credited Service | 15.3 | 16.1 |
| Average Annual Covered Pay | $55,639 | $59,646 |
| Annual Covered Payroll | $111,278 | $119,291 |
| Present Value of Future Payroll | $998,047 | $1,017,259 |
| **Transferred Members** | 0 | 0 |
| **Separated Members** | 1 | 1 |
| **Retired Members and Beneficiaries*** | | |
| Counts | 1 | 1 |
| Average Annual Benefits | $31,118 | $32,581 |
| Total Annual Benefits | $31,118 | $32,581 |

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

* Values include community property settlements.

# List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

## Plan's Major Benefit Options

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

| | Benefit Group | |
|---|---|---|
| **Member Category** | Misc | |
| **Demographics** | | |
| Actives | Yes | |
| Transfers/Separated | Yes | |
| Receiving | Yes | |
| **Benefit Provision** | | |
| Benefit Formula | 2% @ 55 | |
| Social Security Coverage | No | |
| 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 | Indexed | |
| Special | No | |
| Alternate (firefighters) | No | |
| Post-Retirement Death Benefits | | |
| Lump Sum | $2000 | |
| Survivor Allowance (PRSA) | No | |
| COLA | 2% | |

# Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

# Risk Pool Actuarial Valuation Information

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

**California Public Employees' Retirement System**
**Actuarial Office**
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
**888 CalPERS** (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

**July 2023**

**PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District (CalPERS ID: 4027652040)**
**Annual Valuation Report as of June 30, 2022**

Dear Employer,

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

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

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

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

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

**Required Contributions**

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

| Fiscal Year | Employer Normal Cost Rate | Employer Amortization of Unfunded Accrued Liability | PEPRA Member Contribution Rate |
|---|---|---|---|
| 2024-25 | 7.87% | $1,309 | 7.75% |
| *Projected Results* | | | |
| *2025-26* | *7.9%* | *$1,300* | *TBD* |

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

**Changes from Previous Year's Valuations**

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

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

**Questions**

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

Sincerely,

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

RANDALL DZIUBEK, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

# Actuarial Valuation
# as of June 30, 2022

# for the
# PEPRA Miscellaneous Plan
# of the
# Scotts Valley Fire Protection District

**(CalPERS ID: 4027652040)**

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

# Table of Contents

# Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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# Plan Specific Information for the PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District

**(CalPERS ID: 4027652040)**
**(Rate Plan ID: 27417)**

# Table of Contents

# Actuarial Certification

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

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

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

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

David Clement

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

## Highlights and Executive Summary

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

# Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

# Purpose of Section 1

This Section 1 report for the PEPRA Miscellaneous Plan of the Scotts Valley Fire Protection District of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

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

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

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

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

**Assessment and Disclosure of Risk**

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

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

# Required Contributions

| Required Employer Contributions | Fiscal Year 2024-25 |
|---|---|
| **Employer Normal Cost Rate** | **7.87%** |
| ***Plus*** | |
| **Required Payment on Amortization Bases**[1] | **$1,309** |
| ***Paid either as*** | |
| **1) Monthly Payment** | **$109.08** |
| ***Or*** | |
| **2) Annual Prepayment Option*** | **$1,267** |
| **Required PEPRA Member Contribution Rate** | **7.75%** |

*The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).*

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

*For additional detail regarding the determination of the required contribution rate for PEPRA members, see "PEPRA Member Contribution Rates" section.*

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Development of Normal Cost as a Percentage of Payroll** | | |
| Base Total Normal Cost for Formula | 15.43% | 15.62% |
| Surcharge for Class 1 Benefits[2] | | |
| None | 0.00% | 0.00% |
| Phase out of Normal Cost Difference[3] | 0.00% | 0.00% |
| Plan's Total Normal Cost | 15.43% | 15.62% |
| Offset Due to Employee Contributions | 7.75% | 7.75% |
| Employer Normal Cost Rate | 7.68% | 7.87% |

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

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

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

# Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $1,309. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

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

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

**Minimum Required Employer Contribution for Fiscal Year 2024-25**

| Estimated Normal Cost | Minimum UAL Payment | ADP | Total UAL Contribution | Estimated Total Contribution |
|---|---|---|---|---|
| $7,168 | $1,309 | $0 | $1,309 | $8,477 |

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

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

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

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

# Funded Status – Funding Policy Basis

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Present Value of Benefits | $126,513 | $156,854 |
| 2. Entry Age Accrued Liability | 33,920 | 47,190 |
| 3. Market Value of Assets (MVA) | 37,132 | 42,458 |
| 4. Unfunded Accrued Liability (UAL) [(2) – (3)] | ($3,212) | $4,732 |
| 5. Funded Ratio [(3) / (2)] | 109.5% | 90.0% |

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 | $63,718 | $47,190 | $35,142 |
| 2. Market Value of Assets (MVA) | 42,458 | 42,458 | 42,458 |
| 3. Unfunded Accrued Liability (UAL) [(1) – (2)] | $21,260 | $4,732 | ($7,316) |
| 4. Funded Ratio [(2) / (1)] | 66.6% | 90.0% | 120.8% |

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

# Projected Employer Contributions

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

| | Required Contribution | Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond) | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** |
| | Rate Plan 27417 Results | | | | | |
| **Normal Cost %** | 7.87% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% |
| **UAL Payment** | $1,309 | $1,300 | $1,300 | $1,300 | $1,300 | $0 |

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

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

# Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 27417. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated contribution amounts and rates for all of the employer's rate plans in the Miscellaneous Risk Pool are shown below and assume that the total employer payroll within the Miscellaneous Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|---|---|---|
| **Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans** | | |
| Projected Payroll for the Contribution Year | $186,171 | $203,770 |
| Estimated Employer Normal Cost | $20,089 | $21,277 |
| Required Payment on Amortization Bases | $22,675 | $6,258 |
| Estimated Total Employer Contributions | $42,764 | $27,535 |
| Estimated Total Employer Contribution Rate (illustrative only) | 22.97% | 13.51% |

# Cost

**Actuarial Determination of Plan Cost**

Contributions to fund the plan are comprised of two components:

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

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

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

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

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

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

# Changes Since the Prior Year's Valuation

**Benefits**

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

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

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

**Actuarial Methods and Assumptions**

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

# Subsequent Events

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

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

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

# Assets and Liabilities

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

## Breakdown of Entry Age Accrued Liability

| | |
|---|---|
| Active Members | $34,646 |
| Transferred Members | 12,544 |
| Separated Members | 0 |
| Members and Beneficiaries Receiving Payments | 0 |
| Total | $47,190 |

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

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

| | | |
|---|---|---|
| 1. | Plan's Accrued Liability | $47,190 |
| 2. | Projected UAL Balance at 6/30/2022 | (2,580) |
| 3. | Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.) | 0 |
| 4. | Adjusted UAL Balance at 6/30/2022 for Asset Share | (2,580) |
| 5. | Pool's Accrued Liability[1] | 22,021,735,002 |
| 6. | Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1] | 2,453,954,297 |
| 7. | Pool's 2021-22 Investment (Gain)/Loss[1] | 2,614,071,182 |
| 8. | Pool's 2021-22 Non-Investment (Gain)/Loss[1] | 309,490,972 |
| 9. | Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7) | 6,649 |
| 10. | Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8) | 663 |
| 11. | Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10) | 7,312 |
| 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) | 6,649 |

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

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

| | | |
|---|---|---|
| 18. | Plan's UAL: (2) + (3) + (11) + (13) + (15) | $4,732 |
| 19. | Plan's Share of Pool's MVA: (1) - (18) | $42,458 |

## Schedule of Amortization Bases

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

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

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

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

| Reason for Base | Date Est. | Ramp Level 2024-25 | Ramp Shape | Escala-tion Rate | Amort. Period | Balance 6/30/22 | Expected Payment 2022-23 | Balance 6/30/23 | Expected Payment 2023-24 | Balance 6/30/24 | Minimum Required Payment 2024-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fresh Start | 6/30/22 | No | Ramp | 0.00% | 5 | 4,732 | (163) | 5,222 | 0 | 5,577 | 1,309 |
| **Total** | | | | | | **4,732** | **(163)** | **5,222** | **0** | **5,577** | **1,309** |

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

# Amortization Schedule and Alternatives

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

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

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

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

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

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

# Amortization Schedule and Alternatives (continued)

| | | | Alternate Schedules | | | |
|---|---|---|---|---|---|---|
| | Current Amortization Schedule | | 0 Year Amortization | | 0 Year Amortization | |
| Date | Balance | Payment | Balance | Payment | Balance | Payment |
| 6/30/2024 | 5,577 | 1,309 | N/A | N/A | N/A | N/A |
| 6/30/2025 | 4,603 | 1,309 | | | | |
| 6/30/2026 | 3,563 | 1,309 | | | | |
| 6/30/2027 | 2,453 | 1,309 | | | | |
| 6/30/2028 | 1,267 | 1,309 | | | | |
| 6/30/2029 | | | | | | |
| 6/30/2030 | | | | | | |
| 6/30/2031 | | | | | | |
| 6/30/2032 | | | | | | |
| 6/30/2033 | | | | | | |
| 6/30/2034 | | | | | | |
| 6/30/2035 | | | | | | |
| 6/30/2036 | | | | | | |
| 6/30/2037 | | | | | | |
| 6/30/2038 | | | | | | |
| 6/30/2039 | | | | | | |
| 6/30/2040 | | | | | | |
| 6/30/2041 | | | | | | |
| 6/30/2042 | | | | | | |
| 6/30/2043 | | | | | | |
| 6/30/2044 | | | | | | |
| 6/30/2045 | | | | | | |
| 6/30/2046 | | | | | | |
| 6/30/2047 | | | | | | |
| 6/30/2048 | | | | | | |
| 6/30/2049 | | | | | | |
| **Total** | | **6,545** | | **N/A** | | **N/A** |
| **Interest Paid** | | **968** | | **N/A** | | **N/A** |
| **Estimated Savings** | | | | **N/A** | | **N/A** |

# Employer Contribution History

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

| Fiscal Year | Employer Normal Cost | Unfunded Liability Payment ($) | Additional Discretionary Payments |
|---|---|---|---|
| 2017 - 18 | 6.533% | $3 | N/A |
| 2018 - 19 | 6.842% | 1,759 | N/A |
| 2019 - 20 | 6.985% | 737 | 0 |
| 2020 - 21 | 7.732% | 1,094 | 0 |
| 2021 - 22 | 7.59% | 96 | 0 |
| 2022 - 23 | 7.47% | 782 | 0 |
| 2023 - 24 | 7.68% | 0 | |
| 2024 - 25 | 7.87% | 1,309 | |

# 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 |
|---|---|---|---|---|---|
| 06/30/2015 | $3,878 | $3,690 | $188 | 95.2% | $42,494 |
| 06/30/2016 | 8,943 | 8,091 | 852 | 90.5% | 73,877 |
| 06/30/2017 | 746 | (521) | 1,267 | -69.9% | 43,304 |
| 06/30/2018 | 12,945 | 10,530 | 2,415 | 81.3% | 38,842 |
| 06/30/2019 | 10,054 | 8,563 | 1,491 | 85.2% | 51,396 |
| 06/30/2020 | 26,311 | 24,507 | 1,804 | 93.1% | 54,477 |
| 06/30/2021 | 33,920 | 37,132 | (3,212) | 109.5% | 60,091 |
| 06/30/2022 | 47,190 | 42,458 | 4,732 | 90.0% | 68,278 |

# Risk Analysis

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

# Future Investment Return Scenarios

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

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

| Assumed Annual Return FY 2022-23 through 2041-42 | Projected Employer Contributions | | | | |
|---|---|---|---|---|---|
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
| **3.0% (5th percentile)** | | | | | |
| Normal Cost Rate | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% |
| UAL Contribution | $1,300 | $1,400 | $1,500 | $1,700 | $610 |
| **10.8% (95th percentile)** | | | | | |
| Normal Cost Rate | 8.1% | 8.3% | 8.5% | 8.7% | 8.4% |
| UAL Contribution | $1,300 | $330 | $0 | $0 | $0 |

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

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

The following table shows the effect of a one or two standard deviation investment loss in FY 2022-23 on the FY 2025-26 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2025-26.

| Assumed Annual Return for Fiscal Year 2022-23 | Required Employer Contributions | Projected Employer Contributions |
|---|---|---|
| | 2024-25 | 2025-26 |
| **(17.2)% (2 standard deviation loss)** | | |
| Normal Cost Rate | 7.87% | 7.9% |
| UAL Contribution | $1,309 | $1,600 |
| **(5.2)% (1 standard deviation loss)** | | |
| Normal Cost Rate | 7.87% | 7.9% |
| UAL Contribution | $1,309 | $1,400 |

- Without investment gains (returns higher than 6.8%) in FY 2023-24 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2022-23.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2025-26 as well as to model other investment return scenarios.

# Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2022 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

**Sensitivity to the Real Rate of Return Assumption**

| As of June 30, 2022 | 1% Lower Real Return Rate | Current Assumptions | 1% Higher Real Return Rate |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| Price Inflation | 2.3% | 2.3% | 2.3% |
| **Real Rate of Return** | **3.5%** | **4.5%** | **5.5%** |
| a) Total Normal Cost | 19.53% | 15.62% | 12.65% |
| b) Accrued Liability | $63,718 | $47,190 | $35,142 |
| c) Market Value of Assets | $42,458 | $42,458 | $42,458 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $21,260 | $4,732 | ($7,316) |
| e) Funded Ratio | 66.6% | 90.0% | 120.8% |

**Sensitivity to the Price Inflation Assumption**

| As of June 30, 2022 | 1% Lower Price Inflation | Current Assumptions | 1% Higher Price Inflation |
|---|---|---|---|
| **Discount Rate** | **5.8%** | **6.8%** | **7.8%** |
| **Price Inflation** | **1.3%** | **2.3%** | **3.3%** |
| Real Rate of Return | 4.5% | 4.5% | 4.5% |
| a) Total Normal Cost | 16.48% | 15.62% | 14.20% |
| b) Accrued Liability | $50,343 | $47,190 | $42,074 |
| c) Market Value of Assets | $42,458 | $42,458 | $42,458 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $7,885 | $4,732 | ($384) |
| e) Funded Ratio | 84.3% | 90.0% | 100.9% |

# Mortality Rate Sensitivity

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

| As of June 30, 2022 | 10% Lower Mortality Rates | Current Assumptions | 10% Higher Mortality Rates |
|---|---|---|---|
| a) Total Normal Cost | 15.89% | 15.62% | 15.37% |
| b) Accrued Liability | $47,916 | $47,190 | $46,516 |
| c) Market Value of Assets | $42,458 | $42,458 | $42,458 |
| d) Unfunded Liability/(Surplus) [(b) - (c)] | $5,458 | $4,732 | $4,058 |
| e) Funded Ratio | 88.6% | 90.0% | 91.3% |

# Maturity Measures

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

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

| Ratio of Retiree Accrued Liability to Total Accrued Liability | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Retired Accrued Liability | $0 | $0 |
| 2. Total Accrued Liability | 33,920 | 47,190 |
| 3. Ratio of Retiree AL to Total AL [(1) / (2)] | 0.00 | 0.00 |

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

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

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

| Support Ratio | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Number of Actives | 1 | 1 |
| 2. Number of Retirees | 0 | 0 |
| 3. Support Ratio [(1) / (2)] | N/A | N/A |

# Maturity Measures (continued)

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

**Asset Volatility Ratio**

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

**Liability Volatility Ratio**

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

| Contribution Volatility | June 30, 2021 | June 30, 2022 |
|---|---|---|
| 1. Market Value of Assets | $37,132 | $42,458 |
| 2. Payroll | 60,091 | 68,278 |
| 3. Asset Volatility Ratio (AVR) [(1) / (2)] | 0.6 | 0.6 |
| 4. Accrued Liability | $33,920 | $47,190 |
| 5. Liability Volatility Ratio (LVR) [(4) / (2)] | 0.6 | 0.7 |

# Maturity Measures History

| Valuation Date | Ratio of Retiree Accrued Liability to Total Accrued Liability | Support Ratio | Asset Volatility Ratio | Liability Volatility Ratio |
|---|---|---|---|---|
| 06/30/2017 | 0.00 | N/A | 0.0 | 0.0 |
| 06/30/2018 | 0.00 | N/A | 0.3 | 0.3 |
| 06/30/2019 | 0.00 | N/A | 0.2 | 0.2 |
| 06/30/2020 | 0.00 | N/A | 0.4 | 0.5 |
| 06/30/2021 | 0.00 | N/A | 0.6 | 0.6 |
| 06/30/2022 | 0.00 | N/A | 0.6 | 0.7 |

# Funded Status – Termination Basis

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

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

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

| | Discount Rate: 1.75%<br>Price Inflation: 2.50% | | | Discount Rate: 4.50%<br>Price Inflation: 2.75% | | |
|---|---|---|---|---|---|---|
| **Market Value of Assets (MVA)** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** | **Termination Liability[1,2]** | **Funded Ratio** | **Unfunded Termination Liability** |
| $42,458 | $104,624 | 40.6% | $62,166 | $42,246 | 100.5% | $(212) |

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

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

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

## Participant Data

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

| | June 30, 2021 | June 30, 2022 |
|---|---|---|
| **Active Members** | | |
| Counts | 1 | 1 |
| Average Attained Age | 27.0 | 28.0 |
| Average Entry Age to Rate Plan | 24.4 | 24.4 |
| Average Years of Credited Service | 2.7 | 3.7 |
| Average Annual Covered Pay | $60,091 | $68,278 |
| Annual Covered Payroll | $60,091 | $68,278 |
| Present Value of Future Payroll | $770,436 | $892,545 |
| **Transferred Members** | 1 | 1 |
| **Separated Members** | 0 | 0 |
| **Retired Members and Beneficiaries*** | | |
| Counts | 0 | 0 |
| Average Annual Benefits | $0 | $0 |
| Total Annual Benefits | $0 | $0 |

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

* Values include community property settlements.

## List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- None

## Plan's Major Benefit Options

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

| | **Benefit Group** | |
|---|---|---|
| **Member Category** | Misc | |
| **Demographics** | | |
| Actives | Yes | |
| Transfers/Separated | Yes | |
| Receiving | No | |
| **Benefit Provision** | | |
| Benefit Formula | 2% @ 62 | |
| Social Security Coverage | No | |
| Full/Modified | Full | |
| Employee Contribution Rate | 7.75% | |
| Final Average Compensation Period | Three Year | |
| Sick Leave Credit | Yes | |
| Non-Industrial Disability | Standard | |
| Industrial Disability | No | |
| Pre-Retirement Death Benefits | | |
| Optional Settlement 2 | Yes | |
| 1959 Survivor Benefit Level | Indexed | |
| Special | No | |
| Alternate (firefighters) | No | |
| Post-Retirement Death Benefits | | |
| Lump Sum | $2000 | |
| Survivor Allowance (PRSA) | No | |
| COLA | 2% | |

# PEPRA Member Contribution Rates

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

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2024, based on 50% of the total normal cost rate as of the June 30, 2022 valuation.

| | | Basis for Current Rate | | Rates Effective July 1, 2024 | | | |
|---|---|---|---|---|---|---|---|
| **Rate Plan Identifier** | **Benefit Group Name** | **Total Normal Cost** | **Member Rate** | **Total Normal Cost** | **Change** | **Change Needed** | **Member Rate** |
| 27417 | Miscellaneous PEPRA Level | 15.43% | 7.75% | 15.62% | 0.19% | No | 7.75% |

# Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

# Risk Pool Actuarial Valuation Information

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

# Fee Waiver Request

Scotts Valley Fire Station 1
7 Erba Lane
Scotts Valley, California 95066

August 29, 2023

Dear Scotts Valley Fire Protection District Board,

This year is the 21st annual Scotts Valley Haunted House. We are returning to the format we have done for the first 17 years, prior to the pandemic, which is a single weekend, indoors with no separate performances for young children. This year's performance nights are October 26, 27, and 28, plus a preview night on October 25.

All proceeds from the Haunted House are donated to the Leukemia and Lymphoma Society each year. Participating students earn community service hours towards their graduation requirement.

Previously, you have waived the $330 fee generated by the permit inspection. All of us in the Haunted House and school community would greatly appreciate your consideration in allowing this waiver again.

Thank you for your continued support.

Sincerely,

Erik Duffy
*Ringleader*

Nora Clifton
*Ringleader*

Lyra Alers
*Safety Manager*

Sarah Gialdini
*Principal, SVHS*

**Alicia Walton**

| | |
|---|---|
| **From:** | Erin Collins <ecollins@scottsvalleyfire.com> on behalf of Erin Collins |
| **Sent:** | Thursday, August 31, 2023 6:25 AM |
| **To:** | Alicia Walton |
| **Subject:** | Fwd: American Foundation Suicide Prevention Walk - Permit |

---------- Forwarded message ---------
From: **Santa Cruz Walk** <afspstacruzctywalk@gmail.com>
Date: Wed, Aug 30, 2023 at 8:15 PM
Subject: American Foundation Suicide Prevention Walk - Permit
To: ecollins@scottsvalleyfire.com <ecollins@scottsvalleyfire.com>

Hello Erin:
Thank you very much for following up with us regarding the permit for our event September 30th at Skypark Scotts Valley.

We are hoping that you will be able to waive our permit fee as we are an NPO focused on mental health issues and suicide prevention. We hope that Scotts Valley Fire will be able to form a walk team and join us for the first annual Santa Cruz County Out Of The Darkness Walk - a hope and healing event.

You can register free here: www.AFSP.org/SantaCruz

Thank you in advance.

--
www.AFSP.org/SantaCruz

In hope,
***Farah Galvez***
Out Of The Darkness Walk - Santa Cruz County
American Foundation Suicide Prevention
(408) 799-9262

American Foundation for Suicide Prevention | OUT OF THE DARKNESS Community Walks

# SCOTTS VALLEY FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383

**Mark Correira**
**Fire Chief**

Date: August 6, 2023

To: Hon. Board of Directors

From: Mark Correira, Fire Chief

Subject: Authorization to Establish a Hiring List

**Recommendation:**

Approve and authorize the Fire Chief to establish a hiring list for the position of Entry Level Firefighter/Paramedic.

**Discussion**:

Recently, the Fire Administration was made aware of a District employee's intent to retire at the end of the 2023. Policy 1501: Entry Level Firefighter or Firefighter Paramedic Hiring requires the Board of Directors authorize the recruitment for the vacant positions amongst the Firefighter ranks. In an effort to prepare for this vacancy, the Fire Chief is requesting Board approval to perform and open recruitment for the vacancy and establish a hiring list for the position of Firefighter/Paramedic.

Policy 1500: Hiring Practices and 1501: Entry Level Firefighter or Firefighter Paramedic Hiring prescribes the hiring process and requirement of the Board to certify the hiring list before a conditional offer of employment can be extended. Similarly, Policy 1709: Paramedic Job Description highlights the minimum qualifications for the recruitment process. These policies will guide the hiring process.

It is important to note Fire Administration's intention to complete the hiring process and certify the hiring list to align with the effective date of the Branciforte Reorganization. Doing so will allow a more efficient onboarding the three existing Branciforte employees and the newly hired employee.

Attachments:

Policies 1500, 1501, 1709

| Scotts Valley Fire Protection District | |
|---|---|
| POLICY: 1500 | SUBJECT: Hiring Practices |
| DATE APPROVED: 12/10/2008 | |
| BOARD CHAIR: R. J. Clark Jr. | FIRE CHIEF: Michael P. McMurry |

## Policy 1500: Hiring Practices

1. The Scotts Valley Fire Protection District shall operate as an equal opportunity employer. There shall be no discrimination in employment against any person because of race, creed, religion, sex or national origin. There shall be no discrimination against any district employee because of his/her activity on behalf of, or membership in, the Scotts Valley Firefighters Association.

2. Applicants must be citizens of the United States or a permanent resident alien who is eligible for citizenship. Residence in California, or in Santa Cruz County, at the time of application is not required.

3. The Scotts Valley Fire Protection District shall in all cases attempt to supply its need for officers and supervisors from its existing personnel. If, for some reason it is not able to do so, an open examination may be given to fill such positions or vacancies upon approval of the Board.

4. Applications shall be received from citizens of good moral character who are over the age of eighteen (18). Applicants must hold a valid California driver's license at the time of appointment.

5. Applicants shall have a minimum of a high school education. Possession of a high school diploma or G.E.D. certificate will be acceptable proof of same.

6. All newly hired employees of the Scotts Valley Fire Protection District will be on Probationary Status for a period of one year, from the date of hire, unless otherwise stated on a specific hiring Policy of the Scotts Valley Fire Protection District.

| Scotts Valley Fire Protection District | |
|---|---|
| POLICY: 1501 | SUBJECT: Entry Level Firefighter or Firefighter/Paramedic Hiring |
| DATE APPROVED: 12/10/2008 | |
| BOARD CHAIR: R. J. Clark Jr. | FIRE CHIEF: Michael P. McMurry |

## Policy 1501: Entry Level Firefighter or Firefighter/Paramedic Hiring

When no current eligibility list exists for the position needing to be filled, the Board of Directors may determine that it is appropriate to recruit for open positions or vacancies in the entry level firefighter positions in the district by soliciting applications solely from paid call members of the district. If the Board does so determine, then the chief shall provide a notice to all district paid call members of the open positions or vacancies available, which notice shall state where applications may be obtained, the final date for filing applications, and how applicants may be chosen to take the tests. All applications received will be processed and applicants shall be qualified or disqualified.

The Board of Directors may also direct that open recruitment and testing for required positions be conducted based on the position(s) needing to be filled. This may be done independently or cooperatively with other agencies testing for similar positions.

In either case the testing components will include the following with successful completion of each component required as a condition of employment:

1. Application screening for minimum requirements based on job description
2. Written test
3. Physical agility test
4. Oral interview
5. Chiefs interview
6. Medical physical

7. Comprehensive background check including report on driving record including insurability with the District's insurance carrier.

In the case of an open testing process, candidates will be required to pass all of the test components as established by the Emergency Medical Services Integration Authority. This process is hereby referenced as the standard for the testing process.

Upon meeting the minimum qualifications and successful completion of the written test, physical agility test, oral interview and background check, candidates will be placed on an eligibility list. The Board of Directors will certify the list, which will be valid for a period of one year from the date of certification by the Board. The sequence of the list will be based upon the test scores of the successful candidates.

The list will be brought before the Board prior to expiration at which time the Board could consider extending the list for a period to be determined by the Board. The Board may, at its discretion, extend the list or determine that the list will terminate as otherwise defined in this policy.

The Fire Chief is hereby authorized to consider any candidate from the list for each appointment. The Fire Chief may conduct further interviews to make this selection.

The Fire Chief may consider personnel, who are currently Paid Call Firefighters for the Scotts Valley Fire Protection District and in good standing, if they are on a joint agency or open list regardless of their position on the list.

Upon hiring, the Entry Level Firefighter or Firefighter/Paramedic will be on Probationary Status for a period of twenty-four months from the date of hire.

| Scotts Valley Fire Protection District | |
|---|---|
| POLICY: 1709 | SUBJECT: Paramedic Job Description |
| DATE APPROVED: 11/14/2007 | |
| BOARD CHAIR: | FIRE CHIEF: |

# PARAMEDIC

## Job Description

**REPORTS TO:** Company Officer

**SUPERVISES:** Non-Supervisory Position

**BASIC FUNCTION:**

This is a supplemental job description for the positions of Entry Level Firefighter, Firefighter I, Firefighter II, Firefighter III, Engineer I, Engineer II, Engineer III, Captain I, Captain II and Captain III. In addition to meeting all of those qualifications, incumbents must also be able to meet the following minimum qualifications, skills and abilities to qualify as a paramedic.

**ABILITY TO:**

- Observe and evaluate patient status and conditions at scene.
- Determine appropriate BLS and ALS procedures.
- Make decisions rapidly under stressful conditions.
- Perform BLS and ALS life support.
- Communicate technical and medical information effectively.
- Learn and apply Santa Cruz County radio format to transmit medical information to base hospitals.
- Write and maintain records and reports.
- Understand and carry out oral and written directions/orders.

## MINIMUM QUALIFICATIONS:

- Successful completion of an approved State of California Paramedic program recognized by Santa Cruz County would demonstrate possession of requisite knowledge, skills, and abilities.
- Any combination of education and/or experience that demonstrates the possession of and competency in the requisite knowledge, skills and abilities necessary for job performance as a paramedic.
- Possession and maintenance of a valid State of California Paramedic License and accreditation from Santa Cruz County that meets CA State Title 22 and DOT requirements for Paramedics.
- Possession and maintenance of valid ALS and BLS certifications in: CPR, ACLS, PHTLS or BTLS, PALS or PEPP.

## DESIRABLE QUALIFICATIONS:

- Knowledge of physics, chemistry, and mechanics.
- College degree in associated field of study.

# SCOTTS VALLEY
# FIRE PROTECTION DISTRICT

7 Erba Lane, Scotts Valley, California 95066 (831) 438-0211 Fax (831) 438-0383


Date: September 13, 2023

To: Hon. Board of Directors

From: Mark Correira, Fire Chief

Subject: Administrative Report – August 2023

**Administration**

- Fire Administration recruited for paid call firefighter (PCF) positions.
- Administrative and Firefighters attended National Night Out, and hosted the open house on the same evening.
- Administrative Staff supported multiple public outreach events including Festivals, and Chief's Chat.
- Administrative Staff attended the quarterly county meeting to discuss the close of the 2022/2023 fiscal year, which has been completed, closed and ready for audit.
- Admin Services Manager Walton and Chief Correira met with Santa Cruz County Finance Staff to discuss the Branciforte Fire District (BFD) annexation / reorganization; also met with CalPERS regarding the process for merging contracts.

**Operations**

- Staffed one Type 1 Engine for the out of county Strike Team to the Deep Creek Fire – BC LoFranco lead the Countywide Strike Team
- Significant Incident: On August 30, Engine 2511, E2512, Battalion 2501, and AMR Ambulance responded to a two-vehicle head-on collision on Mount Hermon Road. The incident involved four (4) victims with three (3) patients entrapped in one of the vehicles. Crews worked quickly to extricate one of the patients (a juvenile) who was rushed to a nearby landing zone AMR and Scotts Valley Fire Staff, and air-transported to Valley Medical Center (San Jose) with major injuries. The two other occupants were pronounced deceased at the scene. A fourth victim, a solo occupant of the second vehicle, was evaluated and declined medical transport. The roadway was closed for several hours as Scotts Valley Police conducted their investigation. SVFD crews worked with SVPD and Sheriff/Coroner to extricate the two deceased victims. The juvenile was last listed as critical but stable per SVPD media reports.
- FF/Engineer Laine has been busy updating the district two-way portable and mobile radios. The District also took possession of two new BK KNG mobile radios as part of the California State Homeland Security Grant Program (SHSGP) from the 2020/21 fiscal year. The new mobile radios will be installed by an outside vendor in Engines 2512 and 2537.

**Training**

- On August 23, FF/Eng. Crivello, Laine, Avila, and Post, and PCFs Spinger and Kailiani, and Battalion Chief Stubendorff participated in a Prescribed Burn as part of a Moraga-Orinda Fire District's Vegetation Management Program (VMP). The prescribed burn was conducted in Moraga (Contra Costa County) and involved the controlled burning of over 150 acres of grass and brush. Crews were able to train with different agencies across the bay area as well as get sign offs for their specific incident management overhead and supervisory task books.

- All shift participated in extrication training throughout the month of August. A variety of techniques were trained on including vehicle stabilization, shutdown procedures, and patient extrication techniques. Extrication training will continue into the September at a nearby salvage yard.
- A-shift crews participated in a multi-agency drill off of Conference drive on August 12. Crews from Santa Cruz City Fire, Felton Fire, Branciforte Fire, and Central Fire were in attendance. The focus of the drill was on water supply operations in the rural environment. In total there were five (5) engines and two (2) water tenders working together to establish a continual water supply of 200 GPM's. A big thanks to BC Stubendorff for his planning in coordination of this training exercise.
- Crews have been trialing a new hose load that uses 400' of hose (attack line in cross lay) . The new load is designed to aid firefighters with expedient deployment while also simplifying the loading of the hose back onto the engine.

**Fire Prevention**

Deputy Fire Marshall (DFM) Collins completed the following inspections and building plan reviews:

- 2 annual inspections
- 14 construction inspections
- 19 annual re-inspections
- 7 weed abatement complaint follow-up inspection
- 1 overhead and 1 underground sprinkler plan review
- Reviewed 3 commercial tenant improvement plans
- 1 single family remodel plan review

DFM Collins assisted with the Redwood Drive meeting as part of the neighborhood's process to become an official Firewise Community.

DFM Collins and Fire Chief Correira met with board members of the Monte Fiore neighborhoods to discuss and tour hazardous vegetation abatement throughout the subdivision and neighboring parcels. Monte Fiore has invested a remarkable amount of time and energy into protecting their neighborhood, and could be a community model for others to follow.

DFM Collins has been continuing to work with the (former) Valley Gardens property owner with the fire hazard mitigation throughout.

DFM Collins met with three SVHS representatives regarding the annual haunted house and beginning the special event permit and inspection process. This will include a pre-event inspection, fire drill observation and final event inspection.

**EMS**

- The District has purchased and received two new Lifepack 15 (LP 15) cardiac monitors/defibrillators. The LP15's were purchased as part of a large county wide purchase agreement between local agencies, the EMSIA, and AMR to replace our 11+ year old monitors. The new LP15's have since been configured and placed into service. Operationally there are minimal difference between the new LP15's and our current ones but have several improved diagnostic functions.
- New video laryngoscopes have been purchased and will be arriving in early September. After arrival crews will participate in extensive in-service training before being placed in service.

- Medication shortages have been problematic throughout the county and across the country. A central supply manufacturing facility was severely damaged earlier this year in a tornado storm. This has led to large back order of medications for the District. BC Stubendorff is working with the EMSIA and the County EMS Medical Director to come to a resolution that may involve the extension of expiration for certain medications.

**Chief Report**

- Was interviewed for print media, and an on-camera interview with KION regarding Measure W
- Attended LAFCO Meeting and joint District / BFD Ad Hoc Committee. The reorganization continues to move forward and is in the LAFCO reconsiderations Stage. Once this step is completed and if LAFCO does not reconsider, a twenty-four (24) day protest period will be held for BFD residents (September).
- Met with Ms. Becky Steinbrunner to discuss the Branciforte reorganization.
- Presented at the Scotts Valley Rotary Club, and the Senior Center Soup and Salad luncheon. The presentations focused on contemporary issues at the Fire District.
- Met with the President of the Fire Safe Council of Santa Cruz County to discuss Hazard Ignition Zone (HIZ) inspections and encouraging more Firewise Communities in the District. A short article was shared via My Scotts Valley on these topics.
- Held a Joint Labor Management (JLM) meeting with Union Leadership to discuss the BFD reorganization and other topics of interest.
- BC McNeil and the Fire Chief met with RRM Staff to discuss site plan, storm water retention, and administration building layout.
- Attended County Fire Chief's Meeting
- Met with multiple people regarding the next generation radio project in Santa Cruz County. This multi-year project in nearing the bid process but there is disagreement amongst some of the fire agencies on moving to a digital / modern system or stay on the conventional system, as well as the projected cost. We will continue to follow this closely.

*Others Items:*

- None

**From:** Stephen Kelley <Stephen.Kelley@thorntonco.gov>
**Sent:** Wednesday, August 9, 2023 1:19 PM
**To:** info@scottsvalleyfire.com
**Subject:** Scotts Valley Fire Response

Chief Correira,

I would like to express my thanks and gratitude to you and your department. My mother experienced a medical emergency this morning at approximately 2am at her home in Scotts Valley. She was transported to Dominican Hospital and I was able to speak to her today, she expressed how thankful she was for the care she received from Scotts Valley Fire. Please forward my thanks to the crew that responded.

Respectfully,

Steve


**Stephen Kelley**

**FIRE CHIEF**

**Thornton Fire Department**

Main: 303-538-7602

Office: 303-538-7276

Cell: 720-635-4280

Fax: 303-538-7660

stephen.kelley@ThorntonCO.gov

gocot.net/fire

City of Thornton


**<u>SVFPD Crew</u>**
Captain Roshan Todd
Engineer Dan Pedemonte
Engineer Jared Vandiver

August 17, 2023

I would like to take this opportunity to thank the Scotts Valley Fire Department for assistance with my husband's medical emergency on July 26, 2023.

Upon returning home from an outing, my daughter and I found my husband, Keith, experiencing chills, sweating, shivering, and with mental confusion. Within an additional half hour he was unable to stand or support his own weight. His initial symptoms had only begun three hours previously. We called 911. answered the dispatcher's questions and SVFD was sent to our home on believe there were four SVFD responders and two EMTs who quickly made the assessments and sent him to Dominican by ambulance. I cannot remember all of the names except one (Casey), but the team leader quickly took charge and made the necessary decisions. Everyone worked so professionally, efficiently, and with kind sensitivity to my daughter and me.

I want this team to know that it is likely they did save my husband's life. He was admitted with a diagnosis of Urinary Tract Infection with Sepsis. Despite IV antibiotics, the sepsis accelerated into the next day and he remained in the hospital for seven days on potent antibiotics. He is home now with an IV in place and daily IV antibiotics for one month. He is restricted to our property so cannot stop by in person to thank you. Based on laboratory values his prognosis is good. It is important for you to know that this diagnosis leads to rapid physical deterioration and can quickly become fatal. Your quick response and decision-making changed that trajectory for us. Thank you!

Keith, a U S Navy veteran who flew A4s in the Vietnam War to serve our country, and I sincerely appreciate your service to us and to our community.

With appreciation,

Marilyn and Keith Humphrey

**SVFPD Crew**
Captain Garett Grigg
Engineer Casey Avila
Engineer Luke Duncan

3441 Redwood Drive
Aptos, CA 95003
August 28, 2023

Scotts Valley Fire District
7 Erba Lane
Scotts Valley, CA 95066
ATTN: Board of Directors

HAND DELIVERY

Dear Scotts Valley Fire District Board of Directors,

I am hereby providing your Board with a true and correct copy of the REQUEST FOR RECONSIDERATION OF RESOLUTION 2023-17 MAKING DETERMINATIONS AND ORDERING THE "BRANCIFORTE FIRE PROTECTION DISTRICT REORGANIZATION" (LAFCO PROJECT NO. RO 22-07).

I filed this REQUEST FOR RECONSIDERATION with Santa Cruz County LAFCO on August 24, 2023 via hand-delivery to that office at 701 Ocean Street, Suite 318D, Santa Cruz, CA 95060.

I received confirmation of receipt of the document by LAFCO Executive Officer Mr. Joe Serrano in an e-mail dated August 25, 2023, on which Chief Mark Correira and Ms. Alicia Walton as well as Branciforte Fire Protection District Board of Director representatives Chief Nate Lackey and President Larry Pageler were copied.

Sincerely,

Becky Steinbruner,

For Public Benefit

August 24, 2023

Santa Cruz County LAFCO

701 Ocean Street

Suite 318D

Santa Cruz, CA 95060

RE: REQUEST FOR RECONSIDERATION OF RESOLUTION 2023-17

MAKING DETERMINATIONS AND ORDERING

THE "BRANCIFORTE FIRE PROTECTION DISTRICT REORGANIZATION"

(LAFCO PROJECT NO. RO 22-07)

Dear Santa Cruz County LAFCO,

*"A written request for reconsideration of a LAFCO decision must be filed within 30-days of adoption of the Commission's resolution making determinations (56895)"*

*"The Commission can approve or disapprove with or without amendment, wholly, partially, or conditionally, proposals for changes of organization (such as special district dissolutions) Government Code Section 56375(a)"*

Under provision of Gov't Code 56895, I hereby am filing a REQUEST FOR RECONSIDERATION of RESOLUTION 2023-17, "RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION MAKING DETERMINATIONS AND ORDERING THE "BRANCIFORTE FIRE PROTECTION DISTRICT REORGANIZATION" (LAFCO PROJECT NO. RO 22-07) approved by your Commission on August 2, 2023. (Exhibit A) and ask that your Commission make amendments to the RESOLUTION on the following grounds:

1) **<u>The RESOLUTION Approved and Adopted by the LAFCO on August 2, 2023 Has Multiple Incorrect Critical Dates That Cloud the Integrity of the Document, CalPERS and Labor Contract Issues, and the Integrity of the Reorganization Process Itself:</u>**
   a) Page 2 states : *"WHEREAS, a public hearing by the Commission was held <u>on June 14, 2023;</u> and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented."*

b) Page 4, item (f) states*: "After deeming the proposal complete, the Executive Officer advertised the reorganization in the Santa Cruz sentinel* <u>*on May 23, 2023*</u> *and posted the public notice on LAFCO's website and in several locations in the County Governmental Building. The public notice indicated that the reorganization was scheduled for Commission consideration on* <u>*June 14, 2023."*</u>

c) Page 5, states: *"A resolution of intention declaring the agency's intent to amend the contract must be approved by the agency's governing body.* <u>***The approved resolution must be received by CalPERS on or before July 1, 2023.***</u> *If neither of these two conditions are met, an updated cost analysis will be required to merge the contracts.* ***The current cost analysis will expire on July 1, 2023****. An updated cost analysis may be available as early as September 2023.* <u>*Assuming the reorganization*</u> ***is*** <u>***approved by LAFCO in June 2023***</u>*, the following steps* <u>*will*</u> *be completed by the affected fire districts:*

d) *Page 5 item 2. States: "Complete and return the adopted Resolution of Intention to CalPERS* <u>*on or before July 1, 2023*</u>*. Adoption of the Final Resolution/Ordinance by this dates is not required."*

e) *Page 7, Section 7 states: ",,,Any memoranda of understanding, letters of understanding, side letters or related written agreements with any and all employees or bargaining groups (labor contracts) adopted after* <u>*June 14, 2023*</u> *but prior to the date of recordation shall be honored by the successor agency, unless alternative measures are agreed to by all affected parties. ..."*

f) *Page 7, Section 9 states:* <u>*"The Executive Officer will hereby conduct a 30-day request for reconsideration in accordance with Government Code Section 56895.* ***The reconsideration period is scheduled for June 15 to July 14, 2023."***</u>

g) *Page 7, Section 10 states : "The Executive Officer will hereby conduct a 30-day protest proceeding as provided in Government Code Section 57000.* <u>*The protest period is scheduled for July 27 to August 25, 2023. A protest hearing will be held on August 25, 2023."*</u>

h) *Page 7 conclusion states:* <u>*"PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County* ***this 14th day of June 2023****."*</u>

The LAFCO hearing and adoption was on August 2, 2023, not June 14, 2023.

The copy of the RESOLUTION provided me by Mr. Serrano is the correct document. The title page shows *"On the motion of Commissioner Zach Friend duly seconded by Commissioner Justin Cummings the following resolution is adopted:"*

The list of Commissioners approving the Resolution is Jim Anderson, Roger Anderson, Yvette Brooks, Justin Cummings, Zach Friend, Rachel Lather and Allan Timms. The document is signed by LAFCO Chairperson Yvette Brooks, Executive Officer Joe A. Serrano, and LAFCO Counsel Josh Nelson.

The LAFCO errored in approving a Resolution with multiple incorrect dates that cloud the veracity of the document, and therefore, on its face, may be rendered invalid in a court of law.

Therefore, LAFCO should reconsider the approval of RESOLUTION 2023-17 as such and correct all inaccurate dates, especially the date of LAFCO approval.

***2)*** **CalPERS Analysis of Cost is Stale and Has Expired, and Therefore Labor Contract Merger Information May Be Invalid and Has Not Been Approved by Either Board.**

The statements regarding requirements and the CalPERS are of great concern because not only has the cost analysis expired, but also new information from Scotts Valley Fire Chief Mark Correira indicates that a NEW pension cost analysis will not be available until after September 1, 2023, due to a CalPERS black-out of such determinations during the month of August.

The RESOLUTION 2023-17 is invalid because the CalPERS information presented to the LAFCO was stale and expired, rendering the actions to move the Reorganization forward invalid until the new CalPERS cost analysis can be provided to both the Branciforte Fire District Board and the Scotts Valley Fire District Board for approval, before submitting the matter to LAFCO for approval in a RESOLUTION.

Currently, the LAFCO RESOLUTION 2023-17, as approved on August 2, 2023:

a) On page 4, Section 6(c) states: *"The California Public Employees' Retirement System (CalPERS") developed a cost analysis in April 2023 for the proposed reorganization."*
b) Page 5, Section 6(c) continued states: *"SVFPD submitted a request to CalPERS in July 2023 for an updated cost analysis. The updated report will replace the initial analysis included in the Plan for Service prior to the recordation of the reorganization."*
c) Page 5, Section 6(d) *states "Board Action Prior to Reorganization: All decisions or actions affecting the proposed reorganization and made prior to the effective date of reorganization shall require the majority approval of the boards of directors of both fire districts."*

Attachment 12 of the August 2, 2023 LAFCO RESOLUTION 2023-17 documentation confirms the CalPERS cost analysis report expired July 1, 2023. (Exhibit B) Neither the Branciforte Fire District Board nor the Scotts Valley Fire Protection District Board has publicly approved, as an agenda item, any updated CalPERS cost analysis report.

CalPERS did not receive LAFCO'S approved Resolution on or before July 1, 2023, so an updated cost analysis is required to merge the labor contracts.

On August 10, 2023, I met with Scotts Valley Fire Protection District Chief Mark Correira to discuss my concerns regarding the Reorganization of Branciforte Fire District. He let me know that <u>he had just that morning contacted CalPERS staff about the updated cost analysis report, and learned that it will not be possible to obtain such a report until after September 1, 2023 and that analysis may take considerable time to develop.</u>

Until the Boards of both fire districts public discuss and approve this updated labor contract information, neither the Branciforte Fire Protection District staff nor affected public will have complete and accurate information during the formal protest period available (September 4-27, 2023).

The residents of Branciforte Fire District have consistently voiced concerns that the existing staff of Branciforte Fire Department are treated with equity as the Reorganization process is finalized. LAFCO must provide accurate and current information to the Branciforte Fire District Community in order to allow them to make informed decisions relating to the labor contract issues on any potential protest action that is currently set for September 4-27, 2023.

<u>**The updated CalPERS cost analysis information will simply not be ready and available by September 4, 2023.**</u>

Therefore, the LAFCO should reconsider approval of RESOLUTION 2023-17, and in fact vacate it, because it is invalid by right of the inaccurate information relating to the CalPERS and labor contract issues and no party will have an updated cost analysis to meet the currently-approved LAFCO timeline.

This very issue caused delays to the Aptos/La Selva Fire District and Central Fire Protection District consolidation in 2021, because the matter was critical to smooth transition and blending of staff after the consolidation.

Likewise, any and all such CalPERS and labor contract issues must be resolved prior to the LAFCO action to approve the Amended RESOLUTION 2023-17 Reorganization of Branciforte Protection Fire District, or a new Resolution altogether.

LAFCO STAFF REPORT STATES: (Page 9):

*"Pension Obligations*

*The California Public Employees' Retirement System ("CalPERS") developed a cost analysis in April 2023 for the proposed reorganization (refer to Attachment 12). Government Code sections 20463 (b) and (c) require the governing body of a public agency, which requests a contract cost analysis, <u>to provide each affected employee organization with a copy within five days of receipt</u>.*

*Likewise, if a cost analysis is requested by an employee organization, the employee organization is required to provide a copy of the analysis to the public agency within five days of receipt. A resolution of intention declaring the agency's intent to amend the contract must be approved by the agency's governing body.*

*Assuming the reorganization is approved by LAFCO, the following steps <u>will be completed by the affected fire districts</u>:*

*1) Complete and return the Contract Request and Schedule of Agency Actions forms. Within 90 days, CalPERS staff will send the agency the Resolution of Intention form for adoption; and*

*2) Complete and return the adopted Resolution of Intention to CalPERS. SVFPD, in coordination with BFPD and LAFCO, submitted a request to CalPERS in July 2023 for an updated cost analysis. The updated report will replace the initial analysis included in the Plan for Service prior to the recordation of the reorganization."*

The LAFCO should Reconsider your August 2, 2023 approval of RESOLUTION 2023-17 because the CalPERS and potentially other labor contract information and required approval process is flawed.

However, this problem can be corrected by vacating the currently-approved RESOLUTION 2023-17 and amending the dates to comply with the necessary timeline for receiving the updated CalPERS cost analysis to a date that is realistic for CalPERS to provide the updated information to both Fire Districts and their staff and constituents for public presentation, discussion and approval, and adjusting the dates of the Protest Period accordingly.

3) **The Board of Directors of the Branciforte Fire Protection District Should Be Provided Additional Time to Address Constituent Concerns Regarding Continued Measure T Funds Prior to Dissolution in the Reorganization Process.**

At the LAFCO August 2, 2023 hearing, Branciforte Fire Protection District property owner Ms. Kate Anderton testified that she and many other Branciforte residents are concerned that the Measure T monies will transfer directly to the Scotts Valley Fire Protection District upon completion of the Reorganization process, which will dissolve the Branciforte Fire Protection Board.

She clearly stated that she wanted the language in the RESOLUTION 2023-17 (page 6) Section 6(i) Branciforte Fire Protection District Revenue Source amended to omit inclusion of the "Measure T" funds.

*"Upon the effective date of the reorganization, the successor agency will receive the property taxes, benefit assessments, special assessments, special taxes, fees, and charges currently in effect and being collected by BFPD, including Measure T and any new benefit assessment to fund the Branciforte Fire Station. Pursuant to Government Code Section 56886(t), all charges, fees, assessments, or taxes existing within BFPD shall be extended and shall continue to be levied and collected by the successor agency until otherwise determined by the successor agency's board of directors."*

Ms. Anderton made the cogent and reasonable argument that the Measure T ballot language assured the voters in 2016 that only the Branciforte Fire District Board of Directors, *"as the people who established this tax"*, are to have control over the use of Measure T funds, and the taxation can only be amended by the Branciforte Fire Protection Board of Directors and the Branciforte Fire District voters. However, upon completion of the Reorganization, the Branciforte Fire Protection District and it's Board will dissolve and cease to exist.

Measure T Ballot information stated:

*"Section V Authority for Reduced Amounts.*
*The **Board of Directors of the Branciforte Fire Protection District** shall be authorized to annually establish the amount of the increase in the District's Special Tax at or below the amounts set forth at Section IV hereof.*

*Section VI Annual Establishment of Amount.*
*At the time of adoption of its annual final budget, **the Board of Directors of the Branciforte Fire Protection District** shall establish the amount of the increase in the District's Special Tax to be levied during the ensuing fiscal year; provided, however, that such tax shall not exceed the maximum amounts set forth in Section IV hereof."* (Exhibit C)

## *2016 August 30th - Special Election*

### *Measure T*

***Branciforte Fire Protection District***
***Branciforte Fire Protection District***
*Shall the Branciforte Fire Protection District be authorized to increase the special tax within the district and use said funds to maintain financial stability at current level of services to the community? These funds will enable the District to fund the Contingency Fund for unfunded emergencies, the Building Fund and a Vehicle Replacement Fund as determined by the Board of Directors. Such increase will raise an estimated $80,000 dollars per year.*

***Approved.*** *(2/3 majority required)*
*Votes yes: 634*
*Votes no: 78*

***Note:*** *All mail ballot election.*

As Ms. Anderton testified to your Commission on August 2, 2023, and under the provisions of the Measure T ballot language (Exhibit C), only the Board of Directors of the Branciforte Fire Protection District has the legal authority to amend or repeal the Measure T monies.

There is no explicit language in RESOLUTION 2023-17 that addresses this legal fact. The document, as approved, does not provide adequate legal authority of the successor Scotts Valley Fire Protection District Board of Directors to take any action regarding Measure T funds and/or policies related.

Section 6 (a) on page 4 of the RESOLUTION states: *"All laws, ordinances, resolutions, actions, contracts, agreements, rules and regulations, policies and procedure that have been enacted, adopted or passed by the affected fire districts for the successor agency prior to the effective date of the reorganization shall remain in effect after the reorganization until superseded, amended, modified or deleted by the SVFDP Board of Directors."*

However, the Board of Directors for the Branciforte Fire Protection District has not publicly discussed this issue at any meeting. It was not listed on the District's August 17, 2023 agenda and was not discussed, even though the Board held a scheduled public hearing on the BFD Final Budget for Fiscal Year 2023/2024. (Exhibit D)

Therefore, at a minimum, the <u>AMENDED</u> RESOLUTION 2023-17 should require a Resolution approved by the existing Branciforte Fire Protection District Board of Directors granting legal authority to the successor Scotts Valley Fire Protection District Board of Directors to administer any and all Measure T monies and potentially vacate the need for and collection of Measure T tax going forward.

***4)*** **<u>The LAFCO Executive Officer Did Not Provide Complete and Accurate Information to Present to the LAFCO on August 2, 2023 Regarding the Measure T Revenues or the Source of Funding of Branciforte Fire Protection District's Purchase of a New Type 6 Engine Relating to Use of Measure T Monies.</u>**

In response to Ms. Anderton's testimony, Commissioner Manu Koenig, whose County Supervisorial District includes the Branciforte Fire Protection District, inquired about the Measure T monies and whether or not the Commission could make changes to the proposed RESOLUTION, possibly addressing the Measure T monies.

What ensued was an incomplete and inaccurate presentation of information that likely caused the LAFCO to dismiss the importance of Ms. Anderton's concerns and fail to address the Measure T problems with an amendment to RESOLUTION 2023-17.

The 2016 Measure T ballot language stated:

**2016 August 30th - Special Election**

Measure T

**Branciforte Fire Protection District**
**Branciforte Fire Protection District**
Shall the Branciforte Fire Protection District be authorized to increase the special tax within the district and use said funds to maintain financial stability at current level of services to the community? These funds will enable the District to fund the Contingency Fund for unfunded emergencies, the Building Fund and a Vehicle Replacement Fund as determined by the Board of Directors. Such increase will raise an estimated $80,000 dollars per year.

**Approved.** (2/3 majority required)
Votes yes: 634
Votes no: 78

**Note:** All mail ballot election.

The full text of Measure T is included as Exhibit C.

a) **The LAFCO had incomplete and inaccurate information for decision-making regarding the status of the Measure T funds, receiving no actual account data or legal description of restrictions regarding Measure T administration.**

The LAFCO should reconsider approval of the RESOLUTION 2023-17 because the issue of the legal fate of Measure T funds and the amount of the revenues generated by Measure T taxation was not adequately documented in the LAFCO packet nor addressed at the August 2, 2023 meeting, following Ms. Anderton's testimony. The LAFCO Executive Officer was not sure about how much money the Measure T taxation brings in annually for the Branciforte Fire Protection District, and asked Chief Nate Lackey to answer from the audience. Chief Lackey also had no exact figure, but answered with an estimate of *"about $160,000 per year."*

LAFCO Executive Officer Mr. Serrano also stated to the Commission during this discussion of Measure T funds that the Branciforte Fire District is purchasing a new Type 6 engine with Measure T monies. This is not true.

b) **Commissioners were not informed of the existence of the Barnes Family Gift**

Contrary to what the LAFCO Executive Director stated during the August 2, 2023 LAFCO meeting, in further response to Commissioner Koenig (who was sitting in the Alternate's seat and did not even vote on the RESOLUTION 2023-17 even though Branciforte Fire District is within his First District County Supervisorial responsibility), the current Branciforte Fire District's purchase of a new Type 6 engine for rapid wildland response is being made from the one-time $500,000 Barnes Family Gift to the Branciforte Fire Protection District and residents, <u>not</u> from Measure T funds.

The Branciforte Fire administrator has elected to store the Barnes Family gift in the same account as the Measure T funds, but it is a separate source of funding entirely.

I know this because I have attended multiple meetings of the Branciforte Fire District Board of Directors when residents raised the issue, including the July 20, 2023 meeting at which the Board approved spending $105,000 from the Barnes Family Trust to purchase the new Type 6 engine. (Exhibit D)

At the August 17, 2023 Branciforte Fire Protection District Board meeting, Chief Lackey provided the Preliminary Budget for the District during Item 5.1 during the scheduled public hearing on the matter. Page 16 of the agenda packet details the accurate Measure T fund accounting, showing the annual revenue is $155,000. (Exhibit E)

https://branciforte-fire.com/wp-content/uploads/2023/08/BRN-8-17-23-Board-Packet.pdf

During the budget discussion, upon questioning of the public and Director Kuksht, Chief Lackey's oral report stated the Barnes Family Gift is included in the Measure T account but has a separate ledger number. This is not apparent in the Preliminary BFD Final Budget for Fiscal Year 2023/2024.

After the August 2, 2023 LAFCO meeting had adjourned, I did inform Mr. Serrano, Commissioner Roger Anderson and Commissioner Jim Anderson that the Branciforte Fire District Board had approved purchase of a new Type 6 engine, using the Barnes Family Gift, which I know to be true because I have attended many Branciforte Fire District Board meetings when the issue was discussed, most recently being July 20, 2023.

Mr. Serrano and the two Commissioners did not seem aware of the $500,000 Barnes Family Gift and restrictions that the money be used only to benefit the Branciforte

Fire Protection District and residents therein. The Gift is not mentioned in the RESOLUTION 2023-17 or in the Plan for Service.

Therefore, in light of this NEW INFORMATION, the LAFCO should reconsider the August 2, 2023 approval of the RESOLUTION 2023-17 in order to publicly discuss the potential fate and appropriation of those restricted monies that have been in part allocated by approvals of the Branciforte Fire District Board to purchase a new Type 6 engine but likely will not be fully expended before the Reorganization process is completed and the Branciforte Fire District is dissolve.

An AMENDED RESOLUTION 2023-17 must legally recognize the Barnes Family Gift, provide for legal authority of the successor Scotts Valley Fire District Board of Directors to assume control of the Barnes Family Gift funds and the new type 6 engine that is being purchased with the Barnes Family Gift restricted-use monies to only benefit Branciforte Fire District and it's residents. LAFCO must disclose and publicly discuss this issue during a LAFCO meeting.

An AMENDED RESOLUTION that must address this issue clearly and with legal equity to the property owners and residents in the Branciforte Fire District, and fully discuss how the issues relating to the need for organized services, probably future needs (GCS 56668(b)(2)).

5) **<u>The LAFCO Was Provided Inaccurate Information Regarding Percentage of Voters in Branciforte Fire District Area vs. Successor Agency Voter Numbers.</u>**

According to information received from Santa Cruz County Clerk and Elections Manager Ms. Tricia Webber, staff analysis presented to your LAFCO deliberation on August 2, 2023 regarding the number of voters in the existing Branciforte Fire District area vs. number of voters in the successor Scotts Valley Fire District area was inaccurate. This likely influenced deliberation of the need to require future district-based Board elections, causing your Commission to disregard my requests in writing and in oral testimony August 2, 2023, that, in compliance with the California Voting Rights Act, RESOLUTION 2023-17 and the Plan for Service be amended.

During the August 2, 2023 LAFCO meeting, Staff reported that the Branciforte Fire District voters would compose "only 7% of the total vote."

According to this information obtained from Ms. Webber (Exhibit F), the total number of voters for the successor Scotts Valley Fire District would be 15,791. If that is divided into five districts with equal representation, each district would have about 3,158 voters.

**The existing 1,611 Branciforte voters would make up about 51% of the Branciforte Fire Protection District area's representational district on the successor Scotts Valley Fire District Board if there were district-based Board elections.**

The current 1,611 Branciforte voter number would be 10.2% of the combined voter number (1,611 B40 + 14,180 SVFD).

Therefore, I request that your Commission reconsider the approval of RESOLUTION 2023-17 because the issue of representational equity and governance for the Branciforte Fire Protection District voters was not accurately presented to the LAFCO on August 2, 2023.

6) **Governance Issues Must Be Addressed and the RESOLUTION Language Altered to Ensure Adherence to the California Voting Rights Act Because the Successor Agency Likely Will Not, Resulting in Legal Fee Burden on the Successor Agency.**

In *Alexander v. State Personnel Bd.* (1943) 22 Cal. 2d 198 [137 P.2d 433], the court held that "*when the Legislature has provided that a petitioner before an administrative tribunal "may" seek reconsideration or rehearing of an adverse decision of that tribunal, the petitioner always must seek reconsideration in order to exhaust his or her administrative remedies prior to seeking recourse in the courts. The Alexander rule has received little attention since its promulgation, and several legal scholars and at least one Court of Appeal have expressed the belief that the rule has been abandoned or legislatively abrogated. That conclusion was premature; the rule remains controlling law." Sierra Club vs. San Joaquin Local Agency Formation Com. (1999) California Supreme Court, 981 P. 2d 543.*

> Government Code section 56857, subdivision (a) provides: "Any person or affected agency *may* file a written request with the executive officer requesting amendments to [****7] or **reconsideration** of any resolution adopted by the commission making determinations. The request shall state the specific modification to the resolution being requested." (Italics added.) Such requests must be filed within 30 days of the adoption of the **LAFCO** resolution, and no further action may be taken on the annexation until the **LAFCO** has acted on the request. (*Id.*, subds. (b), (c).) Nothing in the statutory scheme explicitly states that an aggrieved party must seek rehearing prior to filing a court action. *Sierra Club vs. San Joaquin Local Agency Formation Com. (1999) California Supreme Court, 981 P. 2d 543*

As I stated in correspondence included in the Commission's August 2, 2023 packet, I intend to take legal action to challenge the inequity of the successor agency's governance, as currently approved. I am requesting that LAFCO reconsider your approval of RESOLUTION 2023-17, and amend it to alter the Plan for Service to include explicit language that will cause the Scotts Valley Fire District to initiate immediate transition to district-based Board elections upon completion of the LAFCO procedure of Reorganization and inherent dissolution of the Branciforte Fire Protection District.

The need for this action is clear upon reading the Santa Cruz County LAFCO Plan for Service.

Operations and Governance proposed by the Santa Cruz County LAFCO August 2, 2023 meeting agenda on page 7 of the Plan for Service (page 20 of the LAFCO agenda) describes that the existing Scotts Valley Fire District Board of Directors will continue to govern the Branciforte Fire District area once dissolved, will be responsible for forming a Branciforte Service Zone and will establish an Advisory Commission. The people of Happy Valley will have no meaningful voice in the matter, once the Reorganization is complete:

***Management & Governance***
*The reorganized Scotts Valley Fire Protection District will include all the territory currently within the boundaries of the Scotts Valley Fire District and all the territory currently within the boundaries of the Branciforte Fire District.* ***The District will be governed by a 5-member Board of Directors, elected at large from the entire district. The Board of Directors of the Scotts Valley Fire Protection District as composed at the time the reorganization is deemed complete will continue to serve until their individual terms expire, at which time the seats will stand for election****. Any registered voter within the reorganized district boundaries may file and run for an open seat on the Board.*

***To avoid conflict with the California Voting Rights Act, SVFPD may consider transitioning to a system of elections by district in the foreseeable future following additional analysis.***

***Branciforte Oversight and Representation***
***The Scotts Valley FPD Board of Directors will establish a Service Zone encompassing the territory of the former Branciforte Fire Protection District, in accordance with Health and Safety Code Section13950. The purpose of the Service Zone is to provide the community with accountability for the use of taxes, assessments, or fees collected solely within the Service Zone (Health and Safety Code Section 13955).***

***Further, the Scotts Valley FPD Board of Directors will adopt a policy forming the Branciforte Advisory Commission and will also appoint members of the Branciforte community to Commission in accordance with Health and Safety Code Section 13956. The purpose of the Advisory Commission will be to review the finances, operations, and projects that directly benefit and/or affect the Branciforte community. The formation of the Branciforte Advisory Commission***

***will be as soon as practical after the recordation of the reorganization. Exhibit F provides the draft policy and bylaws for the proposed advisory commission.***
(See page 81 of August 2, 2023 LAFCO agenda packet: https://santacruzlafco.org/wp-content/uploads/2023/07/Aug-2023-Entire-Agenda-Packet_.pdf

Clearly, there would be no incentive for the Scotts Valley Fire District Board of Directors to CONSIDER transitioning to a system of elections by district once the Reorganization is complete. According to comments stated by Branciforte Fire District Director Marilyn Kuksht at the July 20, 2023 meeting, it is highly unlikely that the Scotts Valley Fire Board would do so. ("…it would be a deal-breaker and we would be back at ground zero.")

*Unlike the Voting Rights Act of 1965, which is a federal law, the CVRA does not require plaintiffs to demonstrate a specific geographic district where a minority is concentrated enough to establish a majority. Certain cities that have never had minority representation or have a history of minority candidate suppression can be liable for triple damages and be forced to make changes within 90 days. That makes it easier for minority voters to sue local governments and eliminate at-large elections. The Act was eventually signed into law on 9 July 2002.*

I have placed both Branciforte Fire District Board and Scotts Valley Fire District Board ON NOTICE that I intend to file legal action for public benefit to force the successor Scotts Valley Fire District Board to initiate action to transition to district-based elections. (Exhibit G)

I will take legal action if necessary.
*"A LAFCO annexation determination is quasi-legislative; judicial review thus arises under the ordinary mandamus provisions of Code of Civil Procedure section 1085, rather than the administrative mandamus provisions of Code of Civil Procedure section 1094.5." ( City of Santa Cruz v. Local Agency Formation Com. (1978) 76 Cal. App. 3d 381, 387, 390 [142 Cal. Rptr. 873].)*

Because LAFCO is indemnified, the successor Scotts Valley Fire District will incur all associated legal fees should the RESOLUTION remain unamended.. (Exhibit H)

The LAFCO can and should remedy this potential legal burden upon the successor Scotts Valley Fire Protection District by amending RESOLUTION 2023-17 to include clear language that the successor Scotts Valley Fire District Board of Directors will immediately take action to begin transition to district-based elections upon completion of the Branciforte Fire Protection District Reorganization process.

7) **The LAFCO-approved RESOLUTION 2023-17 should be amended to give greater inclusion of the Branciforte Advisory Commission in the successor Scotts Valley Fire Protection District governance.**

Pages 8 and 9 of the August 2, 2023 LAFCO BFPD Reorganization Staff Report describes a level of "Governance" and "Branciforte Oversight & Representation" that is meaningless and in effect will strip the Branciforte Fire District residents of all direct representation regarding the use of their monies and assets once their District is dissolved. (Exhibit I)

As approved in RESOLUTION 2023-17, the *"SVFPD Board of Directors will adopt a policy forming the Branciforte Advisory Commission and will also appoint members of the Branciforte Community to said Commission in accordance with Health and Safety Code Section 13956."*

The effective existence of the Branciforte Advisory Commission will likely be short-lived because the actual Branciforte Community will have no ability to choose their own representation to advise the successor Scotts Valley Fire Protection District Board on how their monies and assets (including the Branciforte Fire Station) are used, and will have no assurances that the successor Board would heed the Advisory Commission's recommendations.

Therefore, the Branciforte Advisory Commission must be selected by the residents of the Branciforte Community, not the Chief of the successor Scotts Valley Fire District. The Advisory Commission should create and adopt their own By-Laws, and there should be a dedicated seat reserved at the successor Scotts Valley Fire District Board meetings for a member of the Branciforte Advisory Commission at all Board meetings to actively participate in the meetings.

The AMENDED RESOLUTION 2023-17 must also include the above requests for amendments.

8) **The LAFCO-approved RESOLUTION 2023-17 and the Reorganization inherent creates a map that may exclude some existing Branciforte Fire District property owners from the successor Scotts Valley Fire District service boundary and/or an island of service will be created.**

   Upon examination of the LAFCO August 2, 2023 BFPD Reorganization Staff Report maps on pages 4 and 6, it is apparent that some parcels currently in the Branciforte Fire District service boundaries will be excluded from the successor Scotts Valley Fire District service boundaries. (Exhibit J) and there will be islands of service created.

   This does not comply with the requirements that boundaries are logical, contiguous, not difficult to serve, definite and certain (GCS 56668(f) and Commission Policy 4.3 and 4.11) and that the Reorganization prevents "Islands" (Commission Policy 4.8).

   The LAFCO should reconsider the approved RESOLUTION 2023-17 and amend the proposed Service Boundary Map of the successor Scotts Valley Fire Protection District to comply with all required Codes and Policies.

9) **There has been no feasibility study provided to the Branciforte Fire Protection District, Scotts Valley Fire Protection District, or LAFCO to provide adequate and accurate**

**cost/benefit analysis of the Reorganization action or to explore any other feasible alternative and therefore the Reorganization action may be premature.**
LAFCO must examine the "Effect of alternate courses of action on cost & adequacy of service in area and adjacent areas." (GCS 56668(c)), per the Staff Report presented August 2, 2023. (page 12).

LAFCO has not conducted a Feasibility Study for the Reorganization of Branciforte Fire Protection District to adequately analyze the cost/benefit of such action, or whether there are alternate methods to better fund the existing Branciforte Fire Protection District.

As discussed earlier, the Branciforte Fire District Board has the legal authority to define and alter matters related to the Measure T funds, assessments and uses. That Board has the ability to define "Contingencies" to include staffing support.

However, LAFCO Executive Officer and Consultant Don Jarvis have caused the Branciforte Fire District Board and property owners to focus only on a Special Benefit Assessment ballot and engineer's report to fund full time staffing at the Branciforte Fire Station once the Reorganization process is complete. That very expensive proposed Assessment failed.

The LAFCO should carefully examine the fact that the Branciforte Fire District has successfully operated as a hybrid paid/volunteer rural fire station with a relatively low number of monthly calls for decades. Causing such a drastic change as to dissolve the Branciforte Fire Protection District, surrendering all equipment, assets, tax monies to the successor Scotts Valley Fire District but lose all direct forms of representation. LAFCO needs to conduct a <u>feasibility study</u> that would provide accurate and complete data for all parties' decision-making.

Two Board members of the Branciforte Fire Protection District were pressured to resign and resigned due to the extreme controversy of the Reorganization matter and inherent submissions of control of assets and tax monies, while being pressured by LAFCO to move forward with the Special Benefit Assessment ballot procedure. They were replaced with appointed Directors who have pushed for LAFCO Executive Director's focused Reorganization efforts.

However, having friends in the Branciforte Fire District area, and attending many of the District's Board and Community meetings, I am not convinced that the broad constituency of the Branciforte Fire Protection District area is in agreement with the findings made in LAFCO Director Serrano's report in 2021.

The LAFCO should slow down the pace of this Reorganization effort in general to bring transparency to more members of the affected public for the discussion with complete and accurate data.

For all the reasons stated above, I hereby request that the LAFCO of Santa Cruz County reconsider the August 2, 2023 approval of the RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION MAKING DETERMINATIONS AND ORDERING THE "BRANCIFORTE FIRE PROTECTION DISTRICT REORGANIZATION" (LAFCO PROJECT NO. RO 22-07) and publicly discuss an AMENDED RESOLUTION 2023-17 to include the following:

A) Vacate the August 2, 2023 LAFCO approval of RESOLUTION 2023-17;
B) Postpone any further actions or approvals until all CalPERS and labor contract cost analysis reports are updated and publicly discussed and approved by the Board of Directors of both the Branciforte Fire Protection District and the Scotts Valley Fire Protection District;
C) Postpone any further actions or approvals until the Branciforte Fire Protection District Board of Directors has held a noticed public hearing at a regularly scheduled Board meeting to discuss the fate of the Measure T funds with the property owners, possibly voting to dissolve the Measure T taxation all together.
D) Postpone any actions or approvals until the Branciforte Fire Protection District Board of Directors has held a noticed public hearing at a regularly-scheduled Board meeting to discuss the allocation of the $500, 000 Barnes Family Gift that is to be used only for the benefit of the Branciforte Fire Protection District and affected residents.
E) When all above actions have been taken, LAFCO should consider an AMENDED RESOLUTION 2023-17 incorporating all amendments requested above at a regularly-scheduled and noticed public hearing.

Under penalty of perjury, and the laws of California, I , Becky Steinbruner, declare that the above is true and correct to the best of my knowledge.

I hereby submit this REQUEST FOR RECONSIDERATION of RESOLUTION 2023-17, "RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION MAKING DETERMINATIONS AND ORDERING THE "BRANCIFORTE FIRE PROTECTION DISTRICT REORGANIZATION" (LAFCO PROJECT NO. RO 22-07).

August 24, 2023

___

Becky Steinbruner

For Public Benefit

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# EXHIBIT A

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2023-17

On the motion of Commissioner Zach Friend
duly seconded by Commissioner Justin Cummings
the following resolution is adopted:

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
MAKING DETERMINATIONS AND ORDERING THE
"BRANCIFORTE FIRE PROTECTION DISTRICT REORGANIZATION"
(LAFCO PROJECT NO. RO 22-07)

*******************************************************************************************

WHEREAS, an application by the Branciforte Fire Protection District ("BFPD") for the proposed reorganization involving the Scotts Valley Fire Protection District ("SVFPD" or "Successor Agency") was filed with the Executive Officer of this Local Agency Formation Commission ("LAFCO" or "Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.); and

WHEREAS, the proposed reorganization involves three key actions: (1) dissolution of the Branciforte Fire Protection District, (2) concurrent annexation of the dissolved area into the Scotts Valley Fire Protection District, and (3) sphere amendment to reflect the annexation area; and

WHEREAS, the subject area includes 745 parcels totaling approximately 5,800 acres (9 square miles) and an estimated 1,700 residents; and

WHEREAS, the purpose of the proposal is to facilitate the efficient delivery of fire protection services to individuals and property owners within the affected territory. If approved, the reorganization will preserve the current levels of service, maintain local demand expectations, and continue to use existing funding sources; and

WHEREAS, the proposal area is located within unincorporated county territory. The City of Scotts Valley is within Scotts Valley Fire Protection District's service and sphere boundaries. The application does not propose any changes to the existing land use designations found in the general plans for Scotts Valley or the County; and

WHEREAS, the proposal area is inhabited and involves the unincorporated community known as Branciforte and is located in the central part of Santa Cruz County. A vicinity map of the proposal area is attached and identified as **Exhibit 1**; and

WHEREAS, no other change of organization is required. The proposal area will continue to receive municipal services from the existing service providers, including but not limited to water service from Scotts Valley Water District and the City of Santa Cruz; and

WHEREAS, the vast majority of the subject area is designated as R-M (Mountain Residential) and R-R (Rural Residential) under the County's General Plan. The reorganization will not change the existing land use designations; and

WHEREAS, correspondence summarizing the proposed reorganization and requesting comments was sent on April 28, 2022 to all affected and interested agencies. LAFCO did not receive any opposition following the conclusion of the comment period; and

WHEREAS, California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected agencies before LAFCO can consider a jurisdictional change. The County Board of Supervisors, acting as the authorizing body for the two fire districts regarding property tax adjustments, adopted a property tax exchange agreement on March 28, 2023; and

WHEREAS, the Executive Officer deemed the application complete in accordance with Government Code Sections 56651 and 56658 and signed a Certificate of Filing on May 18, 2023; and

WHEREAS, the Executive Officer advertised the reorganization in the Santa Cruz Sentinel on May 23, 2023 in accordance with Government Code Section 56157; and

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

WHEREAS, a public hearing by the Commission was held on June 14, 2023; and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented; and

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

Section 1. The foregoing recitals are true and correct.

Section 2. The proposed reorganization is categorically exempt under the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15320, Class 20(b) because the two fire protection districts have identical powers and the change in the organization or reorganization of the fire districts does not change the geographical area in which previously existing powers are exercised.

Section 3. The Commission considered the requirements set forth for reorganizations in the Cortese-Knox-Hertzberg Act, Government Code Section 57550, and found the proposal to be consistent with those requirements as set forth below:

a) Initiating Resolution: Pursuant to Government Code Section 56654, the BFPD Board of Directors unanimously adopted a resolution on March 7, 2022 to initiate the reorganization process. The reorganization addresses issues with BFPD's current internal operations, compliance with state laws, inadequate governance structure, and the lack of firefighters and volunteers.

b) Pre-Reorganization Agreement: The two fire districts and LAFCO entered into an agreement in March 2022, as shown in **Exhibit 2**. This Pre-Reorganization Agreement allowed SVFPD and LAFCO to provide administrative and operational support to BFPD during the reorganization process, including but not limited to, payroll and billing services, board meeting and technological support, and other staffing-related assistance.

c) Application: BFPD submitted a signed application, with a copy of the adopted resolution, on April 1, 2022. The applicant does not propose any additional changes to their boundaries other than dissolving the BFPD, concurrently annexing the dissolved area, and amending SVFPD's sphere to reflect the annexation.

d) Plan for Service: Pursuant to Government Code Section 56653, the applicant shall submit a plan for providing services within the affected territory **("Plan for Service")**. The Plan for Service shall include all of the following information and any additional information required by LAFCO: (1) An enumeration and description of the services currently provided or to be extended to the affected territory; (2) The level and range of those services; (3) An indication of when those services can feasibly be extended to the affected territory, if new services are proposed; (4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed; and (5) Information with respect to how those services will be financed. In accordance with the Pre-Reorganization Agreement, the two fire districts and LAFCO developed the Plan for Service in a collaborative effort, as shown in **Exhibit 3**. For an added layer of transparency, the Boards of Directors for BFPD and SVFPD adopted the Plan for Service on June 14, 2023, and June 15, 2023, respectively.

e) Environmental Review: Compliance with CEQA has been met by a categorical exemption pursuant to CEQA Guidelines Section 15320, Class 20(b): Changes in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised, including but not limited to consolidation of two or more districts having identical powers. A Notice of Exemption will be recorded after Commission action.

f) Sphere Determination: The two fire districts have shared one sphere boundary since 1994 indicating that the two fire districts should merge to provide the best level of service to the affected residents. Upon the effective date of the reorganization, the combined sphere will be amended to accurately reflect the annexation area, as shown in **Exhibit 4**.

Section 4. The Commission determined that the proposal is consistent with LAFCO's Policies and Procedures Relating to Proposals and Sphere Amendments as set forth below:

a) Agency Endorsement: The Executive Officer shall not file the application unless the affected public agencies have submitted a written endorsement indicating their willingness to provide services if the Commission approves the request. BFPD, SVFPD, and LAFCO entered into a Pre-Reorganization Agreement in March 2022 indicating support for the reorganization process.

b) Fee Deposit: The applicant submitted a letter on August 25, 2022 seeking a fee waiver request due to its limited staff and dwindling funding source. The reorganization is also directly tied to LAFCO's recommendation found in the 2021 Countywide Fire Service and Sphere Review. Therefore, the fee deposit was waived at the District's request and in part due to a proactive effort to implement LAFCO's recommendation.

c) Map & Legal Description: A map of any proposed boundary changes shall show the present and proposed boundaries of all affected agencies in the vicinity of the proposal site. The Commission shall ensure that any approved boundary changes are definite and certain. The subject area encompasses 9 square miles and involves the unincorporated community known as Branciforte.

d) General Plan/Zoning Designation: The subject area is inhabited and the vast majority of territory located within BFPD is designated as R-M (Mountain Residential) and R-R (Rural Residential) under the County's General Plan. The proposal does not propose any changes to the existing land use designations.

e) Other Municipal Services: No other change of organization is required as part of the reorganization. The subject area will continue to receive municipal services from existing public agencies, including but not limited to water service from the Scotts Valley Water District and the City of Santa Cruz.

f) Commission Hearing: The Commission shall consider the reorganization after it has been placed on the agenda of a Commission meeting. After deeming the proposal complete, the Executive Officer advertised the reorganization in the Santa Cruz Sentinel on May 23, 2023 and posted the public notice on LAFCO's website and in several locations in the County Governmental Building. The public notice indicated that the reorganization was scheduled for Commission consideration on June 14, 2023. Information on how to participate in the LAFCO Meeting was included in the public notice.

Section 5. The applicant shall agree, as a condition of the approval of the reorganization, to be bound by the LAFCO Indemnification and Defense Form signed on April 1, 2022.

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

a) Transfer of Functions and Responsibilities: Upon the effective date of the reorganization, the functions of the Branciforte Fire Protection District will cease and be transferred to the Scotts Valley Fire Protection District as the successor agency. All laws, ordinances, resolutions, actions, contracts, agreements, rules and regulations, policies and procedures that have been enacted, adopted or passed by the affected fire districts for the successor agency prior to the effective date of reorganization shall remain in effect after the reorganization until superseded, amended, modified or deleted by the SVFPD Board of Directors.

b) Transfer of Assets & Liabilities: Upon the effective date of the reorganization, all assets and liabilities of BFPD shall become assets and liabilities of SVFPD at the time the reorganization is deemed complete.

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

A resolution of intention declaring the agency's intent to amend the contract must be approved by the agency's governing body. The approved resolution must be received by CalPERS on or before July 1, 2023. If neither of these two conditions are met, an updated cost analysis will be required to merge the contracts. The current cost analysis will expire on July 1, 2023. An updated cost analysis may be available as early as September 2023. Assuming the reorganization is approved by LAFCO in June 2023, the following steps will be completed by the affected fire districts:

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

SVFPD submitted a request to CalPERS in July 2023 for an updated cost analysis. The updated report will replace the initial analysis included in the Plan for Service prior to the recordation of the reorganization.

d) Board Action Prior to Reorganization: All decisions or actions affecting the proposed reorganization and made prior to the effective date of reorganization shall require the majority approval of the boards of directors of both fire districts.

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

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

g) Branciforte Oversight and Representation: Upon the effective date of the reorganization, the SVFPD Board of Directors will establish a Service Zone encompassing the territory of the former Branciforte Fire Protection District, in accordance with Government Code Section 13950. The purpose of the Service Zone is to provide the community with accountability for the use of taxes, assessments, or fees collected solely within the Service Zone (Government Code

Section 13955). Further, the SVFPD Board of Directors will adopt a policy forming the Branciforte Advisory Commission and will also appoint members of the Branciforte community to the Commission in accordance with Government Code Section 13956. The purpose of the Advisory Commission will be to review the finances, operations, and projects that directly benefit and/or affect the Branciforte community. The formation of the Branciforte Advisory Commission will be completed as soon as practical after the recordation of the reorganization. The Plan for Service document provides the draft policy and bylaws for the proposed advisory commission.

h) Branciforte Fire Station: Prior to recordation, the Branciforte community will determine whether a new benefit assessment is passed by a mailed-in election process to adequately fund the Branciforte Fire Station. If the assessment passes, SVFPD will manage the funds, with consultation from the Branciforte Advisory Commission, to operate the Branciforte Fire Station with a minimum of two firefighters. If the assessment fails, SVFPD will maintain the fire station in a serviceable order and be ready for emergency staffing at any time. The Plan for Service provides additional information about the alternative use for the Branciforte Fire Station.

i) Branciforte Fire Protection District Revenue Source: Upon the effective date of the reorganization, the successor agency will receive the property taxes, benefit assessments, special assessments, special taxes, fees, and charges currently in effect and being collected by BFPD, including Measure T and any new benefit assessments to fund the Branciforte Fire Station. Pursuant to Government Code Section 56886(t), all charges, fees, assessments, or taxes existing within BFPD shall be extended and shall continue to be levied and collected by the successor agency until otherwise determined by the successor agency's board of directors. The successor agency shall have full authority to impose, administer, and collect said special taxes and fire suppression benefit assessments in the same manner as the existing districts within the applicable portions of the successor agency.

j) Successor Agency Revenue Source: If the SVFPD is successful in passing a General Obligation Bond measure in 2023 to fund construction of a new fire station and headquarters office, the obligation for bond payments will not extend to the former BFPD territory. Upon the effective date of the reorganization, the successor agency may consider extending to the former BFPD territory any current and/or new benefit assessments, special taxes, bond measures (except as noted above), fees and charges as may be lawfully imposed upon all territory within the whole of the reorganized district.

k) Plan for Service: Upon the effective date of the reorganization, the successor agency shall serve the affected territory through the implementation of the Plan for Service until it is determined by the successor agency's board of directors that fiscal or service requirements justify changes to the Plan for Service.

l) Automatic Aid Agreements: Upon the effective date of the reorganization, SVFPD must demonstrate that Automatic Aid agreements with the Santa Cruz Fire Department and the Central Fire District have been amended to provide automatic closest-resource dispatching for all types of emergency incidents to all of the former BFPD territory.

m) State Board of Equalization: The reorganization may be subject to a special fee provision of $0 for dissolutions or $300 for entire district/coterminous transactions.

n) LAFCO Processing Fees: The applicant submitted a fee waiver request on August 25, 2022.

Section 7. The successor agency shall honor all memoranda of understanding, letters of understanding, side letters or related written agreements with any and all employees or bargaining groups (labor contracts), in effect when the LAFCO Certificate of Completion is recorded with the Santa Cruz County Recorder's Office, until such agreements expire on their own terms or are superseded by labor contracts negotiated through the collective bargaining process. Any memoranda of understanding, letters of understanding, side letters or related written agreements with any and all employees or bargaining groups (labor contracts) adopted after June 14, 2023 but prior to the date of recordation shall be honored by the successor agency, unless alternative measures are agreed to by all affected parties. All labor contracts shall remain in effect until expiration or until superseded by new labor contracts.

Section 8. The effective date of this reorganization is subject to completion of terms and conditions outlined in this resolution for approval as authorized by Government Code Sections 56886(p) and 57202 and will be effective upon recordation of the Certificate of Completion.

Section 9. The Executive Officer will hereby conduct a 30-day request for reconsideration in accordance with Government Code Section 56895. The reconsideration period is scheduled for June 15 to July 14, 2023.

Section 10. The Executive Officer will hereby conduct a 30-day protest proceeding as provided in Government Code Section 57000. The protest period is scheduled for July 27 to August 25, 2023. A protest hearing will be held on August 25, 2023.

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

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

AYES: Commissioners Jim Anderson, Roger Anderson, Yvette Brooks, Justin Cummings, Zach Friend, Rachél Lather, and Allan Timms

NOES:

ABSTAIN:

YVETTE BROOKS, CHAIRPERSON

Attest:

Joe A. Serrano
Executive Officer

Approved as to form:

Josh Nelson
LAFCO Counsel

# EXHIBIT 1

## VICINITY MAP
## (CURRENT BOUNDARIES)

# EXHIBIT 2

# PRE-REORGANIZATION AGREEMENT

# EXHIBIT 3

# PLAN FOR SERVICE

# EXHIBIT 4

## VICINITY MAP
## (POST-REORGANIZATION)

# EXHIBIT B

CalPERS

**California Public Employees' Retirement System**
**Actuarial Office**
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
**888 CalPERS** (or **888**-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

**April 4, 2023**

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

**Section 20508 Cost Analysis for Merger with Branciforte Fire Protection District**

Dear Requestor:

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

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

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

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

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

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

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

David Clement

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

CalPERS

# Amendment Actuarial Valuation as of June 30, 2021

## for the Safety Plan of the Scotts Valley Fire Protection District

(CalPERS ID: 4027652040)

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

# EXHIBIT C

Voter Information Guide

# Branciforte Fire Protection District Special All-Mail Ballot Election Tuesday, August 30, 2016

This election is conducted only with ballots mailed to all registered voters within the Branciforte Fire Protection District.

The last day to register to vote in this election is August 15. **registertovote.ca.gov**

The enclosed ballot **is the only one you will receive.**
If you lose your ballot or make a mistake you may request a new one.

## What's in this guide




**Santa Cruz County Elections Department**
701 Ocean Street, Room 210, Santa Cruz
Open Monday - Friday, 8am to 5pm

Information: 831-454-2060
Toll Free: 866-282-5900
TDD: 711
FAX: 831-454-2445

**www.votescount.com**
**info@votescount.com**



Información en español al otro lado ➔

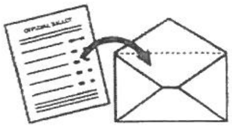
# Branciforte Fire Protection District
# Elección Especial de Boletas Enviadas por Correo
# Martes, 30 de agosto de 2016

Esta elección se llevará a cabo solamente por medio de boletas enviadas por correo a todos los votantes registrados dentro del Distrito de Branciforte Fire Protection.

El último día para registrarse para votar en esta elección es el 15 de agosto.
**registertovote.ca.gov**

La boleta incluida es **la única que recibirá.**
Si usted pierde su boleta o comete un error, puede solicitar una nueva.

## Lo que hay en esta guía



# How to vote by mail



## Make your vote-by-mail ballot count!

### Mark your ballot

Use a blue or black ballpoint pen.
Use a single line to connect the head and tail of the arrow that points to your choice.

If you lose your ballot or make a mistake, you may request a new ballot. You can:

Call the Elections Department at **831-454-2060**

For a new ballot, email **2ndballot@votescount.com**
For assistance, email **info@votescount.com**

### Sign and date the envelope

Remove the top stub from your ballot by tearing at the perforated line.
Place the ballot in the **green** postage-paid return envelope provided.

Write the **address where you live** in Santa Cruz County on the envelope in the space provided.

**Sign** your name on the envelope. If you do not sign your envelope, we cannot count your ballot.
If you cannot sign your name, make a mark and have a witness sign in the line provided.
*Do not let someone else sign your name for you.*
Write the **date** you signed the envelope.

## How to return your vote-by-mail ballot

To be counted your ballot must be **postmarked on or before Election Day, August 30** and received by the Elections Department by Friday, September 2. To return your ballot, you can:

**Mail your ballot early to be sure it is received on time**
Send it by mail to the address on the return envelope. This election is being conducted only with vote-by-mail ballots, so the postage is paid.

\- OR -

**Drop it off at the 24-hour drop box by 8pm on Election Day**
Use the white mail box in front of the County Building

- County Government Center, 701 Ocean Street, Santa Cruz

\- OR -

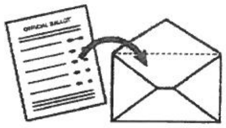
**Return it in person before and including Election Day**
You may personally drop it off at one of the locations below or you can have a relative or someone who lives with you drop it off.

- County Elections: 701 Ocean St., Room 210 Mon – Fri, 8am—5pm 831-454-2060

\- OR -

**Return it in person on Election Day**
We will be open on Election Day from 7am—8pm to assist voters

- County Elections: 701 Ocean St., Room 210, Santa Cruz



# Cómo Votar Por Correo 2

## ¡Haga que su boleta de voto por correo cuente!

**Marque su boleta**
Use un bolígrafo con tinta azul o negra.
Use una sola línea que conecte la cabeza y la cola de la flecha que señale su selección.

Si usted pierde su boleta o comete un error, puede solicitar una nueva boleta. Usted puede:

Llamar al departamento de elecciones **831-454-2060**

Para una boleta nueva, mande correo electrónico **2ndballot@votescount.com**
Para asistencia, mande correo electrónico **info@votescount.com**

**Firme y feche el sobre**
Remueva el talón superior de su boleta desgarrarlo en la línea perforada.
Coloque la boleta en el sobre **verde** con franqueo pagado proporcionado.

Escriba **la dirección de donde usted vive** en el condado de Santa Cruz en el sobre en el espacio proporcionado.

**Firme** su nombre en el sobre. Si usted no firma el sobre, no podemos contar con su voto.
Si no puede firmar su nombre, haga una marca y que un testigo firme en la línea proporcionada.
*No permita que otra persona firme su nombre por usted.*
Escriba la **fecha** en que firmó el sobre.

## Cómo regresar su boleta de voto por correo

Para que su boleta cuente, debe tener el **sello postal en el día o antes del día de las elecciones, 30 de agosto** y ser recibida por el Departamento de Elecciones hasta el viernes, 2 de septiembre. Para regresar su boleta, puede:

**Enviar por correo su boleta de votación anticipadamente para asegurar que se reciba a tiempo**
Envié por correo a la dirección en el sobre de retorno. Esta elección se llevara a cabo únicamente por voto por boletas por correo, así que el franqueo es pagado.

- O -

**Deposítelo en el buzón de 24 horas hasta las 8pm en el día de las elecciones**
Utilice el buzón de correo blanco que está enfrente del edificio del condado.

- County Government Center, 701 Ocean Street, Santa Cruz

- O -

**Regréselo personalmente antes e incluyendo el día de las elecciones**
Puede dejarlo personalmente en una de las localizaciones anotadas abajo o puede dejar que un pariente o alguien que viva con usted lo entreguen por usted.

- County Elections: 701 Ocean St., Room 210 lun – vie, 8am—5pm 831-454-2060

- O -

**Regréselo personalmente en el día de la elección**
Estamos abiertos en la jornada electoral de 7am-8pm para asistir a los votantes

- County Elections: 701 Ocean St., Room 210, Santa Cruz

# Local ballot measure: T 3

# T Branciforte Fire Protection District

## Ballot question

Shall the Branciforte Fire Protection District be authorized to increase the special tax within the district and use said funds to maintain financial stability at current level of services to the community? These funds will enable the District to fund the Contingency Fund for unfunded emergencies, the Building Fund and a Vehicle Replacement Fund as determined by the Board of Directors. Such increase will raise an estimated $80,000 dollars per year.

## Pregunta de boleta

¿Debe ser autorizado el Distrito de Protección de Fuego de Branciforte para incrementar el impuesto especial dentro el distrito y usar estos fondos para mantener estabilidad financiar de servicios a la comunidad a niveles corrientes? Estos fondos permitirán al distrito financiar el Fondo Para Imprevistos para casos de urgencia sin financiación prevista el Fondo Para Construcción y un Fondo de Reemplazo de Vehículos como sea determinado por la Junta Directiva. Tal incremento recaudará un estimado de $80,000 por año.

## What your vote means

| YES | NO |
|---|---|
| A "yes" vote on this measure authorizes the Branciforte Fire Protection District to levy a special tax on real property. The measure requires 2/3 vote for passage. | A "no" vote on this measure is against imposition of the special parcel tax. |

## For and against Measure T

| FOR | AGAINST |
|---|---|
| **Benjamin F. Cahill**<br>Chairman Branciforte Board of Directors<br><br>**James Adkisson**<br>Retired Executive, President Healthy Child Foundation<br><br>**Neal Austin**<br>Vice President and Business Manager, Mercury Systems<br><br>**George I. Purnell**<br>Trustee, Board Chairman, Happy Valley School District<br><br>**Pat O'Connell**<br>Retired Fire Chief, Branciforte Fire Protection District | **No argument against was filed.** |

# Local ballot measure: T



| Argument in favor of Measure T | Argument against Measure T |
|---|---|

The 2015 Santa Cruz County Grand Jury reported that Branciforte Fire Protection District lacks the funds to sustain operations at the present level, leaving its residents vulnerable to a significant reduction in service, or the closing of one or both fire engine locations.

The Grand Jury recommended a merger with Scotts Valley Fire Protection District as well as an increase in the district annual assessment. In October 2015, the District entered into an agreement with Scotts Valley Fire Protection District to provide management oversight, with the Scotts Valley Chief acting as Branciforte Chief. As a result, the Branciforte Fire Protection District was able to renegotiate labor and administrative costs that have enabled the District to operate at near normal levels through Fiscal year 2016.

The District has, and continues to review all possible cost cutting measures. However, Branciforte Fire is operating with insufficient financial reserves. Reliably maintaining service levels requires funding basic contingency monies for unforeseen emergencies such as a serious medical emergency to any staff or volunteer, funding the Building Fund, and creating a Vehicle Replacement program for apparatus nearing their end of life.

In addition, costs such as retirement and Workman's Compensation continue to increase and must be funded. Without the increase, the District runs the risk of reducing service levels, which would impact all citizens, along with potential impact on homeowner's fire insurance.

The District's fire tax has not been increased in 20 years. A YES vote on this measure would increase the assessment fee for the average single family home from $100 to $200 annually. This increase will generate approximately $80,000. When combined with continued cost controls this increase allows Branciforte Fire to continue to operate at current service levels.

We urge you to vote YES on this measure.

**Benjamin F. Cahill**
Chairman Branciforte Board of Directors

**James Adkisson**
Retired Executive, President Healthy Child Foundation

**Neal Austin**
Vice President and Business Manager, Mercury Systems

**George I. Purnell**
Trustee, Board Chairman, Happy Valley School District

**Pat O'Connell**
Retired Fire Chief, Branciforte Fire Protection District

**No argument against was filed.**

## Impartial analysis of Measure T

**Dana McRae,** County Counsel
By Jane M. Scott, Assistant County Counsel

The voters of the Branciforte Fire Protection District ("the District") previously passed ballot measures which imposed a special tax on properties within the District, and made the tax indefinite in duration.

The Directors of the District have called this election for the purpose of submitting to the voters the ballot question identified as Measure T in this ballot pamphlet.

If approved by at least two-thirds of those voting on it, Measure T would enact the increases in the special tax as shown in the Resolution 2016-5 which is printed in this ballot pamphlet. At the adoption of each annual final budget, the District's Board of Directors would establish the exact amount of increase in the special tax to be levied during the ensuing fiscal year, not to exceed the maximum amounts shown in the Resolution.

The special tax will continue to be collected by the County of Santa Cruz in the same manner as other taxes collected by it on behalf of the District. Appeals regarding application of the tax amounts set out in the Resolution will be resolved by the District's Board of Directors pursuant to rules it establishes for such appeals.

A "yes" vote is in favor of Measure T.

A "no" vote is opposed to Measure T.

## Full text of Measure T

**BRANCIFORTE FIRE PROTECTION DISTRICT**

**RESOLUTION 2016-5**

**RESOLUTION REQUESTING THAT THE DISTRICT'S SPECIAL TAX BE INCREASED IN ORDER TO MAINTAIN FINANCIAL STABILITY AT THE CURRENT LEVEL OF SERVICE TO THE COMMUNITY. THESE FUNDS WILL ENABLE THE DISTRICT TO FUND CONTINGENCIES FOR UNFUNDED EMERGENCIES, THE BUILDING FUND, AND A VEHICLE REPLACEMENT FUND, AS DIRECTED BY THE BOARD.**

The people residing in the Branciforte Fire Protection District of the County of Santa Cruz, State of California, do resolve as follows:

Section I

The Board of Directors of the Branciforte Fire Protection District deem and determine it necessary to increase the District's Special Tax to fund Contingencies for unfunded emergencies, Building Fund, and a Vehicle Replacement Fund, which the District is authorized to under Fire Protection District Law of 1987, as amended, as set forth at Health and Safety Code Sec. 13800 and following.

Section II

**Duration.** If said change is approved by the voters for use in District operations as determined by the Board of Directors on a permanent basis.

Section III

**Priorities.** To the extent that additional revenues are received from the District as a result of the adoption of this resolution, the District may use the revenues for Contingency Funds, Vehicle Replacement Funds, and Building Maintenance and Construction Funds. Because the exact nature of additional tax revenues cannot be predicted and major unforeseen events can force a reordering of priorities, the Board of Directors shall have final responsibility for determining the time, financing and extent of expenditures pursuant to the established priorities.

Section IV

**Increase of the Special Tax Upon Voter Approval**. The Board of Directors of the Branciforte Fire Protection District hereby enact a resolution authorizing the increase of the District's Special Tax to be submitted on August 30, 2016, to the voters voting upon said resolution. The cognation of the Special Tax thereby authorized to be imposed by the District shall be as follows:

| Category | Current Amount | Proposed Increase To: |
|---|---|---|
| Land/Parcel less than 10,000 square feet | $10 | $20 |
| Land/Parcel greater than 10,000 square feet and less than 25 acres | $40 | $80 |
| Land/Parcel greater than 25 acres | $60 | $120 |
| Improved Residential per single family dwelling unit | $60 | $120 |
| **Special Charges** | **Current Amount** | **Proposed Increase To:** |
| Residential Care Facility per licensed bed | $20 | $100 |
| Commercial Campground/Trailer Park per space | $20 | $25 |
| Hotel, Motel, Hostel or Apartment per sleeping room | $20 | $25 |

The current typical cost for a Single Family Home at $40 for a parcel with more than 10,000 square feet **plus** $60 for a single dwelling unit will equal $100 per year.

The proposed typical cost for a Single Family Home if the increase is approved will be $80 for a parcel with more than 10,000 Square feet but less than 25 acres **plus** $120 per single family dwelling unit will equal $200 per year.

(a) **Land.** The maximum amount of the increase in the District's Special Tax imposed annually upon each parcel of land in the District which does not exceed 10,000 square feet in size shall be an amount not to exceed an additional $10.00. The maximum amount of the increase in the District's Special Tax imposed annually upon each parcel of land in the District which is larger than 10,000 square feet and less than 25 acres in size shall be an amount not to exceed an additional $40.00.The maximum annual amount of the increase in the District's Special Tax imposed upon each parcel of land in the District which is 25 acres or more in size shall be an amount not to exceed an additional $60.00. The term 'parcel of land', as used herein, shall mean any unit of land as shown on the last equalized secured assessment roll of the County of Santa Cruz. The following additional amounts shall be added to the amount due for the parcel, as applicable to each individual parcel.

(b) **Improved Residential Property.** The maximum amount of the increase in the District's Special Tax imposed annually upon improved residential property shall be an amount not exceeding an additional $60.00 per dwelling unit. This amount shall be in addition to the amount imposed upon the parcel. The term 'dwelling unit' as used herein shall mean any structure, including mobile home, composed of one or more rooms, habitable for humans, which is occupied or is intended or designated to be occupied by one or more persons with complete independent facilities for living, sleeping, cooking, eating and sanitation. Hotels, motels, hostels and apartment structures are excluded from the term 'dwelling unit'.



(c) **Special Charges.** There shall be special charges imposed upon occupancies of parcels as listed below. The maximum amount of the increase in the District's Special Tax imposed upon each residential care facility annually shall be an amount not to exceed an additional $80.00 per licensed bed in such facility. The maximum amount of the increase in the District's Special Tax imposed upon each commercial campground or travel trailer park shall be an amount not to exceed an additional $5.00 per camping/travel trailer/motor home space. The maximum amount of the increase in the District's Special Tax imposed upon each hotel, motel, hostel or apartment structure annually shall be an amount not to exceed an additional $5.00 per sleeping room.

Section V

**Authority for Reduced Amounts.** The Board of Directors of the Branciforte Fire Protection District shall be authorized to annually establish the amount of the increase in the District's Special Tax at or below the amounts set forth at Section IV hereof.

Section VI

**Annual Establishment of Amount.** At the time of adoption of its annual final budget, the Board of Directors of the Branciforte Fire Protection District shall establish the amount of the increase in the District's Special Tax to be levied during the ensuing fiscal year; provided, however, that such tax shall not exceed the maximum amounts set forth in Section IV hereof.

Section VII

**Collection.** The revenues collected by the way of the permanent increase in the District's Special Tax imposed by this resolution shall be collected with and in the same manner as, and be subject to the same penalty as, other taxes fixed and collected by the County of Santa Cruz on behalf of the Branciforte Fire Protection District. The County of Santa Cruz may deduct its reasonable costs incurred for such service before remittal of the balance to the Branciforte Fire Protection District.

Section VIII

**Regulations.** The Board of Directors of the Branciforte Fire Protection District may from time to time adopt regulations necessary or convenient for the administration and enforcement of the increase in the District's Special Tax provided herein; provided that any such regulation be consistent with the purpose and intent of this resolution.

Section XI

**Appeals.** The Board of Directors of the Branciforte Fire Protection District is established as the Board of Appeals for any and all appeals to the application of various charges listed in Section IV hereof. The Board shall establish the rules relating to such appeals and the method of processing same.

Section X

**Amendment to Conform with Judgment of Court.** If any part of this resolution is held invalid or unenforceable by the final judgment of any court, that part may be amended by majority vote of the Board of Directors of the Branciforte Fire Protection District to conform with the judgment of such court, provided that such amendment be consistent with the purpose and intent of this resolution.

Section XI

**Severability.** If any part of this resolution is for any reason held to be invalid by the final judgment of any court, such judgment shall not effect the validity of the remaining portion of this resolution. The people of the Branciforte Fire Protection District hereby declare that they would have adopted this resolution and each and every section, subsection, sentence, phrases, clauses, or parts may be declared invalid.

Section XII

**Estimated Revenue.** Estimated revenue from this Resolution, if approved by the voters, will be approximately Eighty Thousand dollars ($80,000.00) per year.

EXHIBIT D

**Branciforte Fire Protection District**
**Board of Directors Meeting MINUTES for July 20, 2023**

6.0 **Items – Discussion/Action**

**6.1 Discuss and Approve the Purchase of Dodge Ram Cab and Chassis for the New Type 6 Engine, not to exceed $105,000.00**

Interim Chief Lackey advised that the manufacturer advised that if the District secured their own cab and chassis, that the production of the New Type 6 Engine would move closer to the beginning of the production line; and, advised that the cost of the Cab and Chassis will range between $75,000.00-$80,000.00, and that he was requesting the Board's approval not to exceed $105,000.00 due to taxes and other charges.

Discussion ensued regarding whether the boxes were included in this request for funding; the timeframe for completion; that the new Engine is being funded by a gift from the Barnes Family Trust; that the new Engine will be operated by Scotts Valley; where the new Engine will be stored; whether the new Engine is being kept in Scotts Valley because it won't fit in the Branciforte Station; the new Engine's ability to access a lot of the properties in the Branciforte community; whether the Branciforte Station will be staffed, and if it is staffed, when the Station would be staffed; and, the use of the monies gifted from the Barnes Family Trust.

Director O'Connell made a motion to approve the Purchase of Dodge Ram Cab and Chassis for the New Type 6 Engine, not to exceed $105,000.00.The motion was seconded by Director Kuksht.

**The motion passed with 5-Ayes.**

7.0 **Other Business – Information/Discussion**

**7.1 Contract with Central Cost Critical incident Team (CCCIT)**

Interim Chief Lackey advised that this is an informational item, and gave an overview of the contract and the need to enter into a contract with CCIT; and, mentioned that Scotts Valley uses a different, but similar company.

**7.2 Fire Chief's Operational Update**

Interim Chief Lackey advised that the RFP for the repair of the Fire Station had gone out, and advised that the bids are to be delivered by 5:00 p.m., August 17, 2023; advised that there is some damage to one of the apparatus bays, and a company has been contacted to come out do repairs; and, advised that the final number for Workers Compensation Coverage have been received, and the quote is $20,000.00 less than originally estimated.

**7.3 Receive a Status Update on the Reorganization Process**

Interim Chief Lackey advised that there had been no recent meetings of the AdHoc Committee; and, advised that staff had been focusing on moving the Benefit Assessment Process moving forward.

Chair Pageler reiterated that LAFCO will be addressing the annexation matter at their August 2, 2023 Meeting.

Becky Steinbruner addressed the Board, inquiring about why the Board wasn't pushing for the annexation with Scotts Valley to include a District Based Board Election Process; stated that the Branciforte residents would have a much better voice on the Scotts Valley Board, and that the residents in Branciforte are going to suffer without representation; and, advised that she believed the Branciforte Board needed to insist on their being District Based Board Elections.

**7.4 Staff Reports**

**7.4a. Staffing Report 7.4b. Incident Report 7.4c. Apparatus Report**

Interim Chief Lackey mentioned that the reports in the Board Packet.

**8.0 Correspondence**

**8.1 Email from Dick Landon – Status of the Two BFD Board Members**

**8.2 Email from Becky Steinbruner -Please Amend District plan for Services for Branciforte Reorganization**

Chair Pageler mentioned the two pieces of correspondence received.

Dick Landon addressed the Board, inquiring about names on the PDF list of owners of properties in the Branciforte Community; and, inquired about why Pete Vannerus "was kicked off the Board".

There was discussion about whether Mr. Landon's questions were agendized items, and how his questions should be addressed, which included a lot of people talking over each other.

A member of the public inquired about whether there were stipulations attached to the monies gifted to the Branciforte District by the Barnes Family.

Discussion ensued about discussion having been had about putting a plaque on the new Engine acknowledging the Barnes Family; the renovations that need to be done to the Branciforte Station, to include repairs that are necessary, as well as work to the conference room so that it can be more accessible for public use/meetings, and that a plaque could be put up naming the conference room after the Barnes, etcetera; and, that when the monies were gifted to the District by the Barnes Family, that there was a stipulation that the monies were to be used for the Branciforte District, but at the time of the gifting, there was no discussion of annexation.

The Regular Meeting of the Board of Directors ended at 7:16 p.m., and moved the meeting to a recess until the Tabulation Process is completed.

**2.6 Announcement of the Results of the Proposition 218 Ballot**

Chair Pageler called for a Report of the Results at 8:33 p.m.

At 8:33 p.m., County Clerk/Elections, Tricia Webber, announced that 434 ballots were returned; 53 Ballots or 103393.05% voted yes; 379 Ballots or 875554.23% voted No; and 2 Ballots or 1868.87% were considered invalid, as they did not contain a vote.

## 9.0 Adjournment

The meeting was adjourned at 8:34 p.m.

This will certify that the foregoing is a true copy of discussion during the Branciforte Fire Protection District Special Board of Directors Meeting held July 20, 2023, as prepared by me.

__________________________ Dated:
Donna J. Steward

ATTEST: _____________________ Dated:
Board Chair

**Next Regularly Scheduled Board Meeting Thursday, August 17, 2023 at 6:00 p.m.**

# EXHIBIT E

2. **Agenda Amendments (GC §54954.2) – Discussion/Action**
   **This is an opportunity for the Board to make any necessary amendments to the current agenda, provided that no action may be taken on an Off- Agenda Item(s) unless authorized by law.**

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

4. **Consent Agenda**
   Consent Calendar items will be enacted upon by one motion. There will be no separate discussion on items unless a Board Member, staff, or member of the public requests the removal of the item for separate action.

   4.1 Approve Regular Board Meeting Minutes of July 20, 2023

   4.2 Approve BFPD Claims Disbursements for the Month of July 1, 2023 through July 31, 2023, in the amount of:

| | |
|---|---|
| Payroll and Benefits: | $311,943.71 |
| General Fund: | $ 36,255.40 |
| Measure T: | $ 2,130.99 |
| TOTAL: | $350,330.10 |

5. **Items – Discussion/Action**
   Action items may require board action regarding the District's policies, operations, or other business matters. Members of the public may provide comments after staff presentations but before board actions.

   5.1 Scheduled Public Hearing for the BFD Final Budget for Fiscal Year 2023/2024:

| | | |
|---|---|---|
| 681110 | General Fund | $1,301,983 |
| 681120 | Measure T Fund | $ 1,104,551 |

   Public Hearing Process: BFD staff will make a summary of the proposed budget. The Board President will ask for public comment. Each speaker should raise their hand, state their name and address. Each speaker will be allowed three (3) minutes in an effort to have as much public input as possible. Upon completion of the public hearing, the matter will be brought before the Board.

   5.2 Receive Public Comment and Adopt Resolution 2023-08: Resolution Adopting Final Budget for Fiscal Year 2023/2024

# BRANCIFORTE FIRE PROTECTION DISTRICT

## RESOLUTION NO. 2023-08

## RESOLUTION ADOPTING FINAL BUDGET FOR FISCAL YEAR 2023/2024

WHEREAS, In compliance with Sections 13890, 13891 and 13893 of the California Health and Safety Code;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Final Budget of the Branciforte Fire Protection District of Santa Cruz County for which the Board of Directors is the governing board, for fiscal year 2023/2024 be and is hereby adopted in accordance with the following:

Preliminary Branciforte Fire Protection District Budget

| | | |
|---|---|---|
| General Fund | Index 681110 | $ 1,301,983 |
| Measure "T" | Index 681120 | $ 1,104,551 |

BE IT FURTHER RESOLVED that the appropriations for each budget unit which constitute the respective totals for each of the objects of the expenditures listed are attached hereto and known as the Preliminary Budget (on file with the Secretary of the Board).

PASSED AND ADOPTED BY THE Board of Directors of the Branciforte Fire Protection District, County of Santa Cruz, State of California, at a regular meeting held on August 17, 2023, by the following vote:

| | AYES | NOES | ABSENT | ABSTAIN |
|---|---|---|---|---|
| Director Tim Dodds | | | | |
| Director Marilyn Kuksht | | | | |
| Director Larry Pageler | | | | |
| Director Patrick O'Connell | | | | |
| Director Fareed Rayyis | | | | |

ATTEST: ______________________

Nate Lackey
Board Secretary

______________________

Larry Pageler
Board Chair

cc: County Auditor/Controller

# Branciforte Fire Protection District

## Measure T Fund (681120)

### Preliminary 2023/2024 Budget

**Revenue Summary**

| Account # | Revenue Description | | Revenue Amount |
|---|---|---|---|
| 40196 | Fire Protection Tax - Measure T | $ | 155,000 |
| 40430 | Interest | $ | 3,000 |
| 42372 | Contributions and Donations | $ | - |
| 42384 | Other Revenue - Grants | $ | - |
| | Total Revenue | $ | 158,000 |
| | Beginning Fund Balance | $ | 946,551 |
| | Total Measure T Revenue | $ | 1,104,551 |

**Expenditure Summary**

| Account # | Expense Category | | Expense Amount |
|---|---|---|---|
| 60000 | Service & Supplies | $ | 132,500 |
| 86000 | Fixed Assets | $ | 829,551 |
| | Total Expenditures | $ | 962,051 |
| | Contingencies | $ | 50,000 |
| | General Reserves | $ | 92,500 |
| | **Total Meassure T / Capital Fund Budget** | **$** | **1,104,551** |

Shall the Branciforte Fire Protection District be authorized to increase the special tax within the District and us funds to maintain financial stability at current level of services to the Community? These funds will enable the District to fund the Contingency Fund for unfunded emergencies, the Building Fund and a Vehicle Replacemen Fund as determined by the Board of Directors. Such increase will raise an estimated $80,000 dollars per year.

# Branciforte Fire Protection District
## General Fund (681110)
### Preliminary 2023/2024 Budget

**Revenue Summary**

| Account # | Revenue Description | | Revenue Amount |
|---|---|---|---|
| 40100 | Prop Tax-Current Secured | $ | 894,968 |
| 40110 | Prop Tax-Current Unsecured | $ | 16,000 |
| 40130 | Prop Tax-Prior Unsecured | $ | - |
| 40142 | Penalties for Delinquent Taxes | $ | - |
| 40143 | Redemption Penalties for Delinquent | $ | - |
| 40150 | Supplemental Prop Tax-Current Secured | $ | - |
| 40151 | Supplemental Prop Tax-Current Unsecured | $ | - |
| 40160 | Supplemental Property Tax-Prior Secured | $ | - |
| 40330 | Permit Fees | $ | 2,500 |
| 40430 | Interest | $ | 6,000 |
| 40830 | St-Homeowners' Prop Tax Relief | $ | 1,000 |
| 40894 | ST-Aid Others | $ | 30,000 |
| 42384 | Other Revenue | $ | 1,000 |
| 42390 | Stale Dated Checks - Escheated | $ | - |
| | **Total Revenue** | $ | 951,468 |
| | **Beginning Fund Balance** | $ | 310,515 |
| | **Total General Fund Revenue** | $ | 1,261,983 |

**Expenditure Summary**

| Account # | Expense Category | | Expense Amount |
|---|---|---|---|
| 50000 | Salaries & Benefits | $ | 1,074,921 |
| 60000 | Services & Supplies | $ | 185,107 |
| 75000 | Other Charges | $ | 1,955 |
| | Total Expenditures | $ | 1,261,983 |
| | Contingencies | $ | 30,000 |
| | Reserves - Undesignated | $ | 10,000 |
| | **Total General Fund Budget** | **$** | **1,301,983** |

**Notes:**

1. Schedule of Revenue: 50% in December, 45% in April and 5% in June
2. Account 40330 - Revenue from Permits, Plan Checks and Inspections
3. Account 40894 - Revenue from Statewide Strike Teams and Overhead Assignments
4. Account 42384 - Revenue from CPR Classes, Donations and Misc. Revenue
5. Fund Balan Fund Balance as of July 1, 2023
6. Other Charges are for the annual LAFCO Fees.
7. Reserves = Fund Balance minus amount needed to balance the Expenditures Budget.
8. Account 40100 reflect a 4.0% increase as per Santa Cruz County Auditor's Office.

# Branciforte Fire Protection District

## Measure T Fund (681120)

### Preliminary 2023/2024 Budget

**Expenditure Accounts**

| Account # | Category | | Amount |
|---|---|---|---|
| **Services and Supplies** | | | |
| 61110 | Personal Protective Equipment | $ | 28,000 |
| 61720 | Maintenance Mobile Equipment | $ | 42,500 |
| 61845 | Maintenance Building & Grounds | $ | 22,000 |
| 62111 | Miscellaneous | $ | 15,000 |
| 62223 | Computer Equipment | $ | 3,000 |
| 62715 | Small Tools and Instruments | $ | 22,000 |
| | **Total Services & Supplies** | **$** | **132,500** |
| **Fixed Assets** | | | |
| 86110 | Buildings | $ | 429,551 |
| 86209 | Mobile Equipment | $ | 400,000 |
| | **Total Fixed Assets** | **$** | **829,551** |
| **Appropriation for Contingencies** | | | |
| 98700 | Contingencies | $ | 50,000 |
| | **Total Contingencies** | **$** | **50,000** |
| General Reserves | | | |
| 98695 | Fund Balance - Undesignated | $ | 202,500 |
| | Total General Reserves | $ | 92,500 |
| | **Total Expenditures** | **$** | **1,104,551** |

# Branciforte Fire Protection District

## General Fund (681110)

### Preliminary 23/24 Budget

**Expenditure Accounts**

| Account # | Category | | Amount |
|---|---|---|---|
| **Salaries and Benefits** | | | |
| 51000 | Regular Pay, Permanent | $ | 328,471 |
| 51005 | Overtime and Strike Team Pay | $ | 107,674 |
| 51010 | Extra Help and Volunteer Stipends | $ | 189,200 |
| 52010 | Social Security and Medicare Tax | $ | 49,392 |
| 52015 | Retirement | $ | 123,558 |
| 53010 | Employee Group Insurance | $ | 60,653 |
| [redacted] | [redacted] | | |
| 54010 | Workers' Compensation Insurance | $ | 199,500 |
| 55020 | Regular Pay: Sick Leave Incentive | $ | 10,473 |
| | **Total Salaries and Benefits** | **$** | **1,074,921** |
| **Services and Supplies** | | | |
| 61110 | Clothing and Personal Supplies | $ | - |
| 61125 | Uniforms | $ | 2,000 |
| 61215 | Radio Services | $ | 7,990 |
| 61221 | Telephone and Telegraph | $ | 4,700 |
| 61310 | Food/ Emergency Meals | $ | 1,200 |
| 61425 | Household Expense | $ | 250 |
| 61535 | Insurance | $ | 22,000 |
| 61720 | Maintenance, Mobile Equipment | $ | - |
| 61725 | Maintenance, Office Equipment | $ | 3,050 |
| 61730 | Maintenance, Other Equipment | $ | 5,550 |
| 61845 | Maintenance, Structure/Grounds | $ | - |
| 61920 | Medical Supplies | $ | 1,500 |
| 62020 | Memberships | $ | 4,350 |
| 62219 | Computer Software | $ | 4,307 |
| 62223 | Office Expense | $ | 1,000 |
| 62301 | Accounting & Auditing Fees | $ | 10,600 |
| 62327 | Directors Fees | $ | 3,300 |
| 62358 | Laundry Service | $ | 500 |
| 62367 | Medical Services | $ | 12,000 |
| 62381 | Professional/Special Services | $ | 55,800 |
| 62420 | Publications and Legal Notices | $ | 1,000 |
| 62715 | Small Tools and Instruments | $ | - |
| 62826 | Education & Training | $ | 8,850 |
| 62886 | Employee Service Awards | $ | 500 |
| 62888 | Special District Expense | $ | 1,010 |
| 62920 | Gas, Oil and Fuel | $ | 15,650 |
| 63070 | Utilities | $ | 18,000 |
| | **Total Services & Supplies** | **$** | **185,107** |
| **Other Charges** | | | |
| 75231 | LAFCO Contributions | $ | 1,955 |
| | **Total Other Charges** | **$** | **1,955** |
| **Appropriation for Contingencies** | | | |
| 98700 | Contingencies | $ | 30,000 |
| | **Total Contingencies** | **$** | **30,000** |
| **General Reserves** | | | |
| 98965 | Undesignated Fund Balance | $ | 10,000 |
| | **Total Reserves** | **$** | **10,000** |
| | **TOTAL EXPENDITURES** | **$** | **1,301,983** |

# Revenue/Expenditure Balances

As Of = @prior-month-end; Years = 1; Balances = Adopted Budget,Adjusted Budget,Month-To-Date Actual,Year-To-Date Actual; Revenues/Expenditures = R,E

*GL Key [681110]*

Run: 2023-08-11 10:31 AM

| | | | FY 2024 | | | |
|---|---|---|---|---|---|---|
| GL Key | Object | GL Object Title | Adopted Budget | Adjusted Budget | Month-To-Date Actual | Year-To-Date Actual |
| 681110 | 40100 | PROPERTY TAX-CURRENT SEC-GEN | 894,968.00 | 894,968.00 | 0.00 | 0.00 |
| 681110 | 40110 | PROPERTY TAX-CURRENT UNSEC-GEN | 16,000.00 | 16,000.00 | 0.00 | 0.00 |
| 681110 | 40130 | PROPERTY TAX-PRIOR UNSEC-GEN | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 40150 | SUPP PROP TAX-CURRENT SEC | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 40151 | SUPP PROP TAX-CURRENT UNSEC | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 40160 | SUPP PROP TAX-PRIOR SEC | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 40330 | OTHER LICENSES & PERMITS | 2,500.00 | 2,500.00 | 0.00 | 0.00 |
| 681110 | 40430 | INTEREST | 6,000.00 | 6,000.00 | 957.27 | 957.27 |
| 681110 | 40830 | ST-HOMEOWNERS' PROP TAX RELIEF | 1,000.00 | 1,000.00 | 0.00 | 0.00 |
| 681110 | 40894 | ST-OTHER | 30,000.00 | 30,000.00 | 0.00 | 0.00 |
| 681110 | 42384 | OTHER REVENUE | 1,000.00 | 1,000.00 | 0.00 | 0.00 |
| 681110 | 42390 | UNCLAIMED MONEY-ESCHEATED | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 51000 | REGULAR PAY-PERMANENT | 328,471.00 | 328,471.00 | 18,672.18 | 18,672.18 |
| 681110 | 51005 | OVERTIME PAY-PERMANENT | 107,674.00 | 107,674.00 | 3,017.76 | 3,017.76 |
| 681110 | 51010 | REGULAR PAY-EXTRA HELP | 90,200.00 | 90,200.00 | 12,915.00 | 12,915.00 |
| 681110 | 52010 | OASDI-SOCIAL SECURITY | 41,818.00 | 41,818.00 | 2,699.19 | 2,699.19 |
| 681110 | 52015 | PERS | 123,558.00 | 123,558.00 | 70,116.94 | 70,116.94 |
| 681110 | 53010 | EMPLOYEE INSURANCE & BENEFITS | 60,653.00 | 60,653.00 | 5,081.55 | 5,081.55 |
| 681110 | 53015 | UNEMPLOYMENT INSURANCE | 6,000.00 | 6,000.00 | 95.09 | 95.09 |
| 681110 | 54010 | WORKERS COMPENSATION INSURANCE | 213,000.00 | 213,000.00 | 199,346.00 | 199,346.00 |
| 681110 | 55020 | SICK LEAVE RESERVE | 10,473.00 | 10,473.00 | 0.00 | 0.00 |
| 681110 | 61110 | CLOTHING & PERSONAL SUPPLIES | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 61125 | UNIFORM REPLACEMENT | 2,000.00 | 2,000.00 | 0.00 | 0.00 |
| 681110 | 61215 | RADIO | 8,200.00 | 8,200.00 | 2,857.00 | 2,857.00 |
| 681110 | 61221 | TELEPHONE-NON TELECOM 1099 | 4,700.00 | 4,700.00 | 638.00 | 638.00 |
| 681110 | 61310 | FOOD | 1,200.00 | 1,200.00 | 0.00 | 0.00 |
| 681110 | 61425 | OTHER HOUSEHOLD EXP-SERVICES | 250.00 | 250.00 | 0.00 | 0.00 |
| 681110 | 61535 | OTHER INSURANCE | 23,000.00 | 23,000.00 | 21,906.00 | 21,906.00 |
| 681110 | 61720 | MAINT-MOBILE EQUIPMENT-SERV | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 61725 | MAINT-OFFICE EQUIPMNT-SERVICES | 3,050.00 | 3,050.00 | 0.00 | 0.00 |
| 681110 | 61730 | MAINT-OTH EQUIP-SERVICES | 5,550.00 | 5,550.00 | 876.44 | 876.44 |

| GL Key | Object | GL Object Title | Adopted Budget | Adjusted Budget | Month-To-Date Actual | Year-To-Date Actual |
|---|---|---|---|---|---|---|
| 681110 | 61845 | MAINT-STRUCT/IMPS/GRDS-OTH-SRV | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 61920 | MEDICAL, DENTAL & LAB SUPPLIES | 1,500.00 | 1,500.00 | 0.00 | 0.00 |
| 681110 | 62020 | MEMBERSHIPS | 4,350.00 | 4,350.00 | 1,502.51 | 1,502.51 |
| 681110 | 62219 | PC SOFTWARE PURCHASES | 4,200.00 | 4,200.00 | 57.60 | 57.60 |
| 681110 | 62223 | SUPPLIES | 1,000.00 | 1,000.00 | 0.00 | 0.00 |
| 681110 | 62301 | ACCOUNTING AND AUDITING FEES | 12,411.00 | 12,411.00 | 472.50 | 472.50 |
| 681110 | 62327 | DIRECTORS' FEES | 3,300.00 | 3,300.00 | 0.00 | 0.00 |
| 681110 | 62358 | LAUNDRY SERVICES | 500.00 | 500.00 | 0.00 | 0.00 |
| 681110 | 62367 | MEDICAL SERVICES-OTHER | 12,000.00 | 12,000.00 | 0.00 | 0.00 |
| 681110 | 62381 | PROF & SPECIAL SERV-OTHER | 55,800.00 | 55,800.00 | 4,714.95 | 4,714.95 |
| 681110 | 62420 | LEGAL NOTICES | 1,000.00 | 1,000.00 | 0.00 | 0.00 |
| 681110 | 62715 | SMALL TOOLS & INSTRUMENTS | 0.00 | 0.00 | 0.00 | 0.00 |
| 681110 | 62826 | EDUCATION AND/OR TRAINING | 8,850.00 | 8,850.00 | 538.25 | 538.25 |
| 681110 | 62886 | EMPLOYEE SVCS AWARDS | 500.00 | 500.00 | 0.00 | 0.00 |
| 681110 | 62888 | SPEC DIST EXP-SERVICES | 1,010.00 | 1,010.00 | 0.00 | 0.00 |
| 681110 | 62920 | GAS, OIL, FUEL | 15,650.00 | 15,650.00 | 2,439.95 | 2,439.95 |
| 681110 | 63070 | UTILITIES | 18,000.00 | 18,000.00 | 252.20 | 252.20 |
| 681110 | 75231 | CONTRIB TO OTHER AGENCIES-OTH | 1,600.00 | 1,600.00 | 0.00 | 0.00 |
| 681110 | 98695 | FUND BALANCE-UNDESIGNATED | 50,000.00 | 50,000.00 | 0.00 | 0.00 |
| 681110 | 98700 | APPROP FOR CONTINGENCIES | 30,000.00 | 30,000.00 | 0.00 | 0.00 |
| | | | -300,000.00 | -300,000.00 | -347,241.84 | -347,241.84 |

# Rev EXP 681120 FY23-24

As Of = @prior-month-end; Years = 1; Balances = Adopted Budget,Adjusted Budget,Month-To-Date Actual,Year-To-Date Actual,Year-To-Date Encumbrances; Revenues/Expenditures = R,E

*GL Key [681120]*

Run: 2023-08-11 10:06 AM

| | | | FY 2024 | | | |
|---|---|---|---|---|---|---|
| GL Key | Object | GL Object Title | Adopted Budget | Adjusted Budget | Month-To-Date Actual | Year-To-Date Actual |
| 681120 | 40196 | FIRE PROTECTION TAX | 160,000.00 | 160,000.00 | 0.00 | 0.00 |
| 681120 | 40430 | INTEREST | 3,000.00 | 3,000.00 | 2,369.54 | 2,369.54 |
| 681120 | 42372 | CONTRIBUTIONS AND DONATIONS | 0.00 | 0.00 | 0.00 | 0.00 |
| 681120 | 42384 | OTHER REVENUE | 0.00 | 0.00 | 0.00 | 0.00 |
| 681120 | 61110 | CLOTHING & PERSONAL SUPPLIES | 28,000.00 | 28,000.00 | 0.00 | 0.00 |
| 681120 | 61720 | MAINT-MOBILE EQUIPMENT-SERV | 42,500.00 | 42,500.00 | 1,786.24 | 1,786.24 |
| 681120 | 61845 | MAINT-STRUCT/IMPS/GRDS-OTH-SRV | 22,000.00 | 22,000.00 | 270.00 | 270.00 |
| 681120 | 62111 | MISCELLANEOUS EXPENSE-SERVICES | 15,000.00 | 15,000.00 | 0.00 | 0.00 |
| 681120 | 62223 | SUPPLIES | 3,000.00 | 3,000.00 | 0.00 | 0.00 |
| 681120 | 62715 | SMALL TOOLS & INSTRUMENTS | 22,000.00 | 22,000.00 | 74.75 | 74.75 |
| 681120 | 86110 | BUILDINGS AND IMPROVEMENTS | 242,000.00 | 242,000.00 | 0.00 | 0.00 |
| 681120 | 86209 | MOBILE EQUIPMENT | 400,000.00 | 400,000.00 | 0.00 | 0.00 |
| 681120 | 98695 | FUND BALANCE-UNDESIGNATED | 192,500.00 | 192,500.00 | 0.00 | 0.00 |
| 681120 | 98700 | APPROP FOR CONTINGENCIES | 100,000.00 | 100,000.00 | 0.00 | 0.00 |
| | | | -904,000.00 | -904,000.00 | 238.55 | 238.55 |

# EXHIBIT F

RE: Requesting Number of Voters Registered in Scotts Valley Fire Protection District and Branciforte Fire Protection District

From: Tricia Webber (tricia.webber@santacruzcounty.us)

To: ki6tkb@yahoo.com; helen.ruiz-thomas@santacruzcounty.us

Date: Sunday, August 20, 2023, 6:34 PM PDT

Hi Becky –

Here are the number of registered voters you are requesting:
Branciforte Fire Protection District – 1,611
Scotts Valley Fire Protection District – 14,180

Tricia

**From:** Becky Steinbruner <ki6tkb@yahoo.com>
**Sent:** Friday, August 18, 2023 6:06 PM
**To:** Helen Ruiz-Thomas <Helen.Ruiz-Thomas@santacruzcounty.us>
**Cc:** Tricia Webber <Tricia.Webber@santacruzcounty.us>; Becky Steinbruner <ki6tkb@yahoo.com>
**Subject:** Requesting Number of Voters Registered in Scotts Valley Fire Protection District and Branciforte Fire Protection District

****CAUTION:**This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.****

Dear Ms. Ruiz-Thomas,

I came to the County Election Dept. a few days ago, requesting the number of registered voters in the Scotts Valley Fire Protection District and Branciforte Fire Protection District. Staff informed me that you are the contact for that information, and relayed my request to you in a note, as you are working remotely.

I have not received the information yet, but need it as soon as possible because I am filing a legal appeal that requires knowing the number of registered voters in each fire district.

Can you please provide the information by Monday, August 21st?

Thank you for your help.

Sincerely,

Becky Steinbruner

# EXHIBIT G

# Placing Branciforte Fire District Board ON NOTICE re: Potential Future Violation of California Voting Rights Act Regarding Reorganization Plan for Service With Scotts Valley Fire District

From: Becky Steinbruner (ki6tkb@yahoo.com)

To: natel@branciforte-fire.com; larryp@branciforte-fire.com

Cc: tim@happyvalleycc.org; kuksht112@gmail.com; pato@branciforte-fire.com; fareed.rayyis@gmail.com; joe.serrano@santacruzcounty.us; manu.koenig@santacruzcounty.us; ki6tkb@yahoo.com

Date: Sunday, July 30, 2023, 8:48 PM PDT

Dear Branciforte Fire District Board of Directors,
I am hereby placing your Board ON NOTICE that if the Plan for Service regarding the Reorganization of Branciforte Fire District and Scotts Valley Fire District is not altered immediately to include transition of Scotts Valley Fire District to district-based elections for all seats on the Board, I will pursue legal action to uphold the Fair Voting Rights Act and take the matter to court, on behalf of Public Benefit for Branciforte Fire District residents and property owners.

I will seek an injunction against the LAFCO process of Reorganization and thereby halt the dissolution of the Branciforte Fire District and merger with the Scotts Valley Fire District until such agreement to alter the Plan for Service to include explicit language that will cause the Scotts Valley Fire District to initiate immediate transition to district-based Board elections upon completion of the LAFCO procedure of Reorganization.

The need for this action is clear upon reading the Santa Cruz County LAFCO Plan for Service.

Operations and Governance proposed by the Santa Cruz County LAFCO August 2, 2023 meeting agenda on page 7 of the Plan for Service (page 20 of the LAFCO agenda) describes that the existing Scotts Valley Fire District Board of Directors will continue to govern the Branciforte Fire District area once dissolved, will be responsible for forming a Branciforte Service Zone and will establish an Advisory Commission. The people of Happy Valley will have no meaningful voice in the matter, once the Reorganization is complete:

***Management & Governance***
*The reorganized Scotts Valley Fire Protection District will include all the territory currently within the boundaries of the Scotts Valley Fire District and all the territory currently within the boundaries of the Branciforte Fire District.* ***The District will be governed by a 5-member Board of Directors, elected at large from the entire district. The Board of Directors of the Scotts Valley Fire Protection District as composed at the time the reorganization is deemed complete will continue to serve until their individual terms expire, at which time the seats will stand for election.*** *Any registered voter within the reorganized district boundaries may file and run for an open seat on the Board.*

***To avoid conflict with the California Voting Rights Act, SVFPD may consider transitioning to a system of elections by district in the foreseeable future following***

***additional analysis.***

***Branciforte Oversight and Representation***
***The Scotts Valley FPD Board of Directors will establish a Service Zone encompassing the territory of the former Branciforte Fire Protection District, in accordance with Health and SafetyCode Section13950. The purpose of the Service Zone is to provide the community with accountability for the use of taxes, assessments, or fees collected solely within the Service Zone (Health and SafetyCode Section13955).***

***Further, the Scotts Valley FPD Board of Directors will adopt a policy forming the Branciforte Advisory Commission and will also appoint members of the Branciforte community to Commission in accordance with Health and SafetyCode Section13956. The purpose of the Advisory Commission will be to review the finances, operations, and projects that directly benefit and/or affect theBranciforte community. The formation of the Branciforte Advisory Commission will be as soon as practicalafter the recordation of the reorganization. Exhibit Fprovides the draft policy and bylaws for the proposed advisory commission.***
(See page 81 of August 2, 2023 LAFCO agenda packet: https://santacruzlafco.org/wp-content/uploads/2023/07/Aug-2023-Entire-Agenda-Packet_.pdf

Clearly, there would be no incentive upon completion of the Reorganization for the Scotts Valley Fire Board to CONSIDER transitioning to a system of elections by district, and according to comments stated by Branciforte Fire District Director Marilyn Kuksht at the July 20, 2023, it is highly unlikely that the Scotts Valley Fire Board would do so.

Happy Valley residents and property owners will effectively lose their representation in the governance of their fire protection district because current at-large Scotts Valley Fire Board elections would favor the interests of the larger number of Scotts Valley Fire voters.

The smaller disadvantaged population of the dissolved Branciforte Fire District voters would not have an equal ability to gain a member on the Board to ensure their interests would be well-represented on the Scotts Valley Fire Board after the Reorganization is complete.

Furthermore, "Exhibit F" information in the August 2, 2023 LAFCO agenda packet regarding the proposed Branciforte Advisory Commission Draft Policy and By-Laws has never appeared on the Branciforte Fire District Board agenda for public discussion with the affected property owners and residents. (page 112 of LAFCO agenda).
https://santacruzlafco.org/wp-content/uploads/2023/07/Aug-2023-Entire-Agenda-Packet_.pdf

Chief Lackey failed to even notify the many residents gathered at the July 20, 2023 District meeting that LAFCO would be meeting August 2, 2023 to discuss and approve the final Resolution regarding the Reorganization efforts. He instead said there was "nothing really to report because we've been focused on the Special Benefit Assessment ballots."

It is unacceptable that the Happy Valley residents and property owners will have NO voice in the appointment of the proposed Advisory Commission members who would supposedly provide oversight of their tax monies, Measure T monies and use of other assets to benefit the dissolved Branciforte Fire District area.

Instead, the power would be solely in the hands of the Scotts Valley Fire Chief to be responsible for recommending to the Scotts Valley Fire District Board whom to appoint to the Advisory Commission:

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

THEREFORE, as a concerned member of the Public with friends in the Branciforte Fire District who will be significantly and potentially adversely affected by the complete loss of representation in matters of governance and operations under the current LAFCO recommendations and Plan for Service, I am compelled to take legal action if there is no explicit requirement for the Scotts Valley Fire District to immediately begin transitioning to district-based governance elections, under the California Voting Rights Act, and to provide that the members of the proposed Advisory Commission are selected by vote of the Branciforte Fire District property owners once the District is dissolved.

I use the following as legal support and cause for Declaratory Relief:
1) The people of Happy Valley will be placed at unfair disadvantage in future representation of their former Branciforte Fire District assets, monies and representation after their District is dissolved and they will no longer have representatives they have elected or that would fairly represent their area of the new Scotts Valley Fire boundaries.

*To' plead a cause of action for declaratory relief, Plaintiff must plead the following elements: (1) person interested under a written instrument or a contract; or (2) a declaration of his or her rights or duties (a) with respect to another or (b) in respect to, in, over or upon property; and (3) an actual controversy. (CCP § 1060; Ludgate Ins. Co. v. Lockheed Martin Corp. (2000) 82 Cal. App. 4th 592, 605-06, 98 Cal. Rptr. 2d 277; Bennett v. Hibernia Bank (1956) 47 Cal. 2d 540, 549, 305 P.2d 20; Stonehouse Homes v. City of Sierra Madre (2008) 167 Cal.App.4th 531, 542, 84 Cal. Rptr. 3d 223* ***("For declaratory relief, the party must show it has either suffered or is about to suffer an injury of 'sufficient magnitude reasonably to assure that all of the relevant facts and issues will be adequately presented.")****; Pellegrini v. Weiss (2008) 165 Cal.App.4th 515, 529, 81 Cal.*

*Rptr. 3d 387 ("The question whether declaratory relief is appropriate in a given case is addressed to the trial court's discretion.").)*

2) The residents and property owners of the Branciforte Fire District will be placed at significant and adverse economic and representational disadvantage after the Reorganization is complete unless Scotts Valley Fire District transitions immediately from at-large Governance to district-based Governance.

They are a disadvantaged community, as defined by Water Code 79505.5, and their votes for representation will be overwhelmed by votes of existing Scotts Valley Fire District voters who are not familiar with or understand the Happy Valley Community needs and/or do not care about the Happy Valley Community and their needs.

To do otherwise would be in violation of the California Voting Rights Act.

*"At-large method of election" means one of the following methods are used to elect members of the governing body of the political subdivision: (1) voters of the entire district elect the members of the governing body; (2) candidates are required to reside within given areas of the jurisdiction and voters of the entire jurisdiction elect the members of the governing body; or (3) one that combines at-large elections with district-based elections." Elec. Code § 14026(a) (1)- (3).*

*"'District-based elections' means a method of electing members to the governing body of a political subdivision in which the candidate must reside within an election district that is a divisible part of the political subdivision and is elected only by voters residing within that election district." Elec. Code § 14026(b).*

*"'Political subdivision' means a geographic area of representation created for the provision of government services, including, but not limited to, a general law city, general law county, charter city, charter county, charter city and county, school district, community college district, **or other district organized pursuant to state law." Elec. Code § 14026(c).***

***The CVRA is intended to provide a broader cause of action for voter dilution than is provided under federal law. (Sanchez v. City of Modesto (2006) 145 Cal.App.4th 660, 669, 51 Cal. Rptr. 3d 821)(the legislative history of the CVRA indicates it was intended to provide a broader cause of action for voter dilution than federal law provides).***

3) Therefore, continued at-large elections of the Scotts Valley Fire District Board of governance subsequent to the Reorganization under LAFCO will be in violation of the California Voting Rights Act.

*Unlike the Voting Rights Act of 1965, which is a federal law, the CVRA does not require plaintiffs to demonstrate a specific geographic district where a minority is concentrated enough to establish a majority. Certain cities that have never had minority representation or have a history of minority candidate suppression can be liable for triple damages and be forced to make changes within 90 days. That makes it easier for minority voters to sue local governments and eliminate at-large elections.[2] The Act was eventually signed into law on 9 July 2002.[1]*

4) Standing

I have standing to take legal action in this matter, for Public Benefit. I have testified many times throughout this Reorganization process and throughout the recent Branciforte Fire District Special Benefits Assessment ballot procedure, for public benefit and in interest of my friends who own property within the existing Branciforte Fire District boundaries. I submitted written corresponsdence to your Board on this matter June 18, 2023.

I also testified on behalf of my friends and for public benefit before the Scotts Valley Fire Board on June 14, 2023 regarding the need for existing at-large Board elections to convert to district-based elections allowing Happy Valley residents to benefit by fair representation once the Reorganization is complete, and also sent written correpondence on June 14, 2023, following my testimony. I provided this correspondence to your Board on June 18, 2023.

*"A determination of standing rests upon the particular facts of the case." Braude v. City of Los Angeles (1990) 226 Cal.App.3d 83, 88, 276 Cal. Rptr. 256.*

5) Legal Challenges of this nature are nearly always granted by the Courts when a Cause of Action is the violation of the California Voting Rights Act,

Election Code 14027, Article 1, Section 7 of the California Constitution and Section 2 of the Fourteenth Amendment to the U.S. Constitution. This very issue caused Central Fire District to pursue the recent transition from at-large elections of Board members to district-based election upon completion of the consolidation with the Aptos/ La Selva Fire District.

For Public Benefit, I will indeed bring this Cause of Action to the Court unless the Plan for Service and District Plan for Services for Branciforte Fire Reorganization are amended and approved by both Branciforte Fire District Board and the Scotts Valley Fire Board before the completion of the Reorganization process, and approved by Santa Cruz County LAFCO to make the changes I have requested above, for Public Benefit of the existing residents and property owners in the Branciforte Fire District.

Please contact Mr. Joe Serrano, Director of Santa Cruz County LAFCO, regarding this situation before the August 2, 2023 Commission meeting. I will be testifying at that meeting, and present my concerns and NOTICE to the Commissioners. I will also immediately provide this correspondence to the Santa Cruz County LAFCO.

Please acknowledge receipt of this message. I will also send a copy of this message to your Board via Certified Mail within the next 24 hours.

Sincerely,
Becky Steinbruner

I do not wish to cause expensive court time and legal costs by taking this matter to the Courts and thereby respectfully request that the Board of Directors for the Branciforte Fire District and Scotts Valley Fire District amend the current Plan for Service that Santa Cruz County LAFCO presented in June, 2023 and that was approved without any modification at all by the Branciforte Fire District Board on June---, 2023 and by the Scotts Valley Fire District Board on June----, 2023.

I demand that both Boards make the amendment to include language in the Plan for Service that will cause the Scotts Valley Fire District to begin transition to district-based governance elections immediately upon completion of LAFCO's Reorganization process that would dissolve the existing Branciforte Fire District and that District's elected Board.

# Placing Scotts Valley Fire District ON NOTICE re: Reorganization and Governance Issues

From: Becky Steinbruner (ki6tkb@yahoo.com)

To: mcorreira@scottsvalleyfire.com; awalton@scottsvalleyfire.com

Cc: joe.serrano@santacruzcounty.us; francisco.estrada@santacruzcounty.us; natel@branciforte-fire.com; larryp@branciforte-fire.com; ki6tkb@yahoo.com

Date: Wednesday, August 9, 2023, 5:18 PM PDT

Dear Scotts Valley Fire District Board and Clerk of the Board,
I am hereby placing the Scotts Valley Fire District ON NOTICE regarding the Plan for Service and impending Reorganization of Scotts Valley Fire District and inherent dissolution of Branciforte Fire Protection District, for the following reasons:
1) On June 14, 2023, I personally attended your Board meeting and testified in support of future transition to district-based Board elections upon completion of the Branciforte Fire Protection District Reorganization process overseen by Santa Cruz County LAFCO.

2) On June 18, 2023, I sent your Board e-mail correspondence as a follow-up to the points in my testimony, and asked that your Board agendize the issue of district-based Board elections for discussion at your July 12, 2023 Board meeting.

3) On July 12, 2023, your Board agenda did not include the issue of possible transition to district-based Board elections:
https://www.scottsvalleyfire.com/wp-content/uploads/2023/07/7.12.2023-Board-Packet-1.pdf
and according to the Draft Minutes, the matter was not discussed.

4) On July 30, 2023, I submitted e-mail correspondence to your Board regarding my action to place the Branciforte Fire Protection District ON NOTICE due to my continued concerns for property owners and residents in that District who will, upon completion of the Reorganization, will effectively have no representation regarding finances, use of assets, and level of service in their area. This correspondence is listed in your August 9, 2023 agenda packet.

5) On August 2, 2023, I attended and testified before the Santa Cruz County LAFCO, and urged them to amend the Resolution RO22-07 for the Reorganization. The Commissioners did not make any amendments that I asked for and did not make any amendments requested by Branciforte Fire District property owner Ms. Kate Anderton, regarding Measure T funds.

Therefore, I am hereby placing the Scotts Valley Fire District and your Board ON NOTICE that I will bring legal challenge, for Public Benefit, regarding the California Voting Rights Act and requirements inherent to pursue the matter of equitable representation for the property owners and residents of the current Branciforte Fire Protection District.

Sincerely,

Becky Steinbruner

# EXHIBIT H

Local Agency Formation Commission of Santa Cruz County
Governmental Center
701 Ocean St. #318 D
Santa Cruz CA 95060

PROJECT NUMBER: RO 22-07
TITLE: "Branciforte Fire Protection District Reorganization"

## INDEMNIFICATION AND DEFENSE

The undersigned applicant for the above-referenced application ("Applicant"), as a condition of submission of this application, approval of the application and any subsequent amendment of the approval which is requested by the Applicant, hereby agrees to defend, using counsel reasonably acceptable to the Local Agency Formation Commission of Santa Cruz County ("LAFCO"), indemnify, and hold harmless LAFCO, its officers, employees, and agents, from and against any claim, demand, damages, costs or liability of any kind (including attorneys' fees) against LAFCO arising from or relating to this application or any approval or subsequent amendment to the approval thereof, subject to the conditions set forth below.

A) Notification and Cooperation
LAFCO shall notify the Applicant of any claim, action, or proceeding against which LAFCO seeks to be defended, indemnified, or held harmless. LAFCO shall reasonably cooperate in such defense.

B) Fees and Costs:
Nothing contained herein shall prohibit LAFCO from participating in the defense of any claim, action, or proceeding if either of the following occur:

1) LAFCO bears its own attorneys' fees and costs; or
2) LAFCO and the Applicant agree in writing to the Applicant paying part or all of the Commission's attorneys' fees and costs.

C) Settlement:
When representing LAFCO, the Applicant shall not enter into any stipulation or settlement modifying or affecting the interpretation or validity of any of the terms or conditions of the approval without the prior written consent of LAFCO.

D) Successors Bound:
The obligations of the Applicant under this Indemnity and Defense agreement are specifically associated with and shall run with the land that is the subject of the application and/ or aporoval and shall be binding upon the applicant and the successor(s) in interest, transferee(s), and assign(s) of the applicant in the land.

E) Recordation:
At any time after submission of the application, LAFCO may, at its sole option, record in the office of the Santa Cruz County Recorder a memorandum of agreement which incorporates the provisions of this condition, or this approval shall become null and void.

| | |
|---|---|
| (Signature of LAFCO Executive Officer) | Larry Pageler<br>(Signature of Applicant) |
| Joe A. Serrano<br>(Printed Name) | LARRY PAGELER<br>(Printed Name) |
| April 1, 2022<br>(Date) | JULY 12, 2023<br>(Date) |

EXHIBIT
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### Property Tax Exchange Agreement

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement involving the affected agencies before LAFCO can consider a jurisdictional change. LAFCO staff requested that a property tax exchange agreement be placed on a future agenda for adoption by the County Board of Supervisors. The County Administrative Office scheduled the proposed tax agreement on March 28, 2023. The Board of Supervisors, acting as the authorizing body for the two fire districts in regards to property tax adjustments, adopted a property tax exchange agreement on March 28, 2023. A copy of the adopted resolution is available as **Attachment 10**.

### Plan for Service

In accordance with Government Code Section 56653, the applicant shall submit a plan for providing services within the affected territory. The Plan for Service includes all of the following information and any additional information required by LAFCO: (1) An enumeration and description of the services currently provided or to be extended to the affected territory, (2) The level and range of those services, (3) An indication of when those services can feasibly be extended to the affected territory, if new services are proposed, (4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed, and (5) Information with respect to how those services will be financed.

A copy of the Plan for Service was provided to LAFCO on June 16, 2023. While not required by State law, both BFPD and SVFPD Boards unanimously adopted the Plan for Service during separate public meetings. Consideration and adoption of the plan offered an additional opportunity for public input and discussion. The Board of Directors for BFPD and SVFPD adopted the Plan for Service on June 14 and June 15, 2023, respectively. **Attachment 11** provides a copy of the adopted Plan for Service. The following section summarizes key items covered in the plan for service.

<u>Governance</u>

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

<u>Branciforte Oversight & Representation</u>

The SVFPD Board of Directors will establish a Service Zone encompassing the territory of the former Branciforte Fire Protection District, in accordance with Health and Safety Code Section 13950. The purpose of the Service Zone is to provide the community with accountability for the use of taxes, assessments, or fees collected solely within the Service Zone (Health and Safety Code Section 13955). Further, the SVFPD Board of Directors will adopt a policy forming the Branciforte Advisory Commission and will also appoint members of the Branciforte community to said Commission in accordance with Health and Safety Code Section 13956. The purpose of the Advisory Commission will be to review the finances, operations, and projects that directly benefit and/or affect the Branciforte community. The formation of the Branciforte Advisory Commission will be made as soon as practical after the recordation of the reorganization. Following the reorganization, the SVFPD will continue to be managed by the incumbent SVFPD Fire Chief, along with their staff and officers. This includes, but is not limited to, Human Resources, Payroll, Finance, Information Technology, Fire Prevention, Plan Checking, Fleet Management, Facility Management, Public Education and Community Outreach, and any other service currently provided or authorized in the future.

Personnel

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

Pension Obligations

The California Public Employees' Retirement System ("CalPERS") developed a cost analysis in April 2023 for the proposed reorganization (refer to **Attachment 12**). Government Code sections 20463 (b) and (c) require the governing body of a public agency, which requests a contract cost analysis, to provide each affected employee organization with a copy within five days of receipt. Likewise, if a cost analysis is requested by an employee organization, the employee organization is required to provide a copy of the analysis to the public agency within five days of receipt. A resolution of intention declaring the agency's intent to amend the contract must be approved by the agency's governing body. Assuming the reorganization is approved by LAFCO, the following steps will be completed by the affected fire districts:

1) Complete and return the Contract Request and Schedule of Agency Actions forms. Within 90 days, CalPERS staff will send the agency the Resolution of Intention form for adoption; and

2) Complete and return the adopted Resolution of Intention to CalPERS.

SVFPD, in coordination with BFPD and LAFCO, submitted a request to CalPERS in July 2023 for an updated cost analysis. The updated report will replace the initial analysis included in the Plan for Service prior to the recordation of the reorganization.

**Branciforte Fire Station**

With the annexation of the Branciforte Fire Protection District into the service area of the Scotts Valley Fire Protection District, there may not be sufficient funding to staff the BFPD station on a full-time basis, unless a new benefit assessment is passed by the voters of the Branciforte community. The BFPD Board of Directors hired a consulting firm to calculate and determine the amount needed to adequately operate the Branciforte Fire Station with at least two firefighters on duty. A benefit assessment for each parcel within the Branciforte community will be proposed to fund the station's ongoing operation. **Table A** on page 10 shows the ballot proceedings timeline.

EXIBIT
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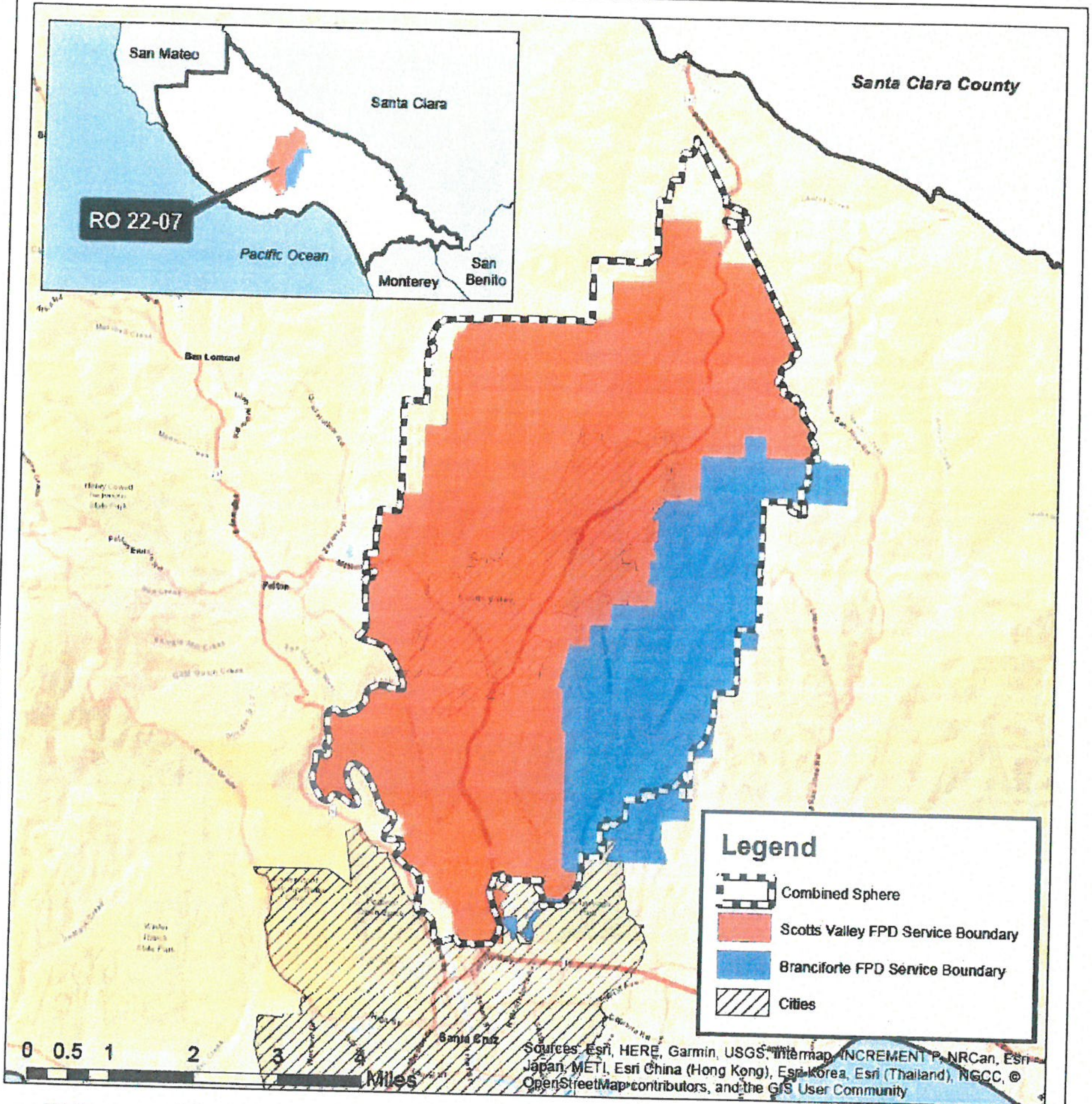
## Figure A – Vicinity Map




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

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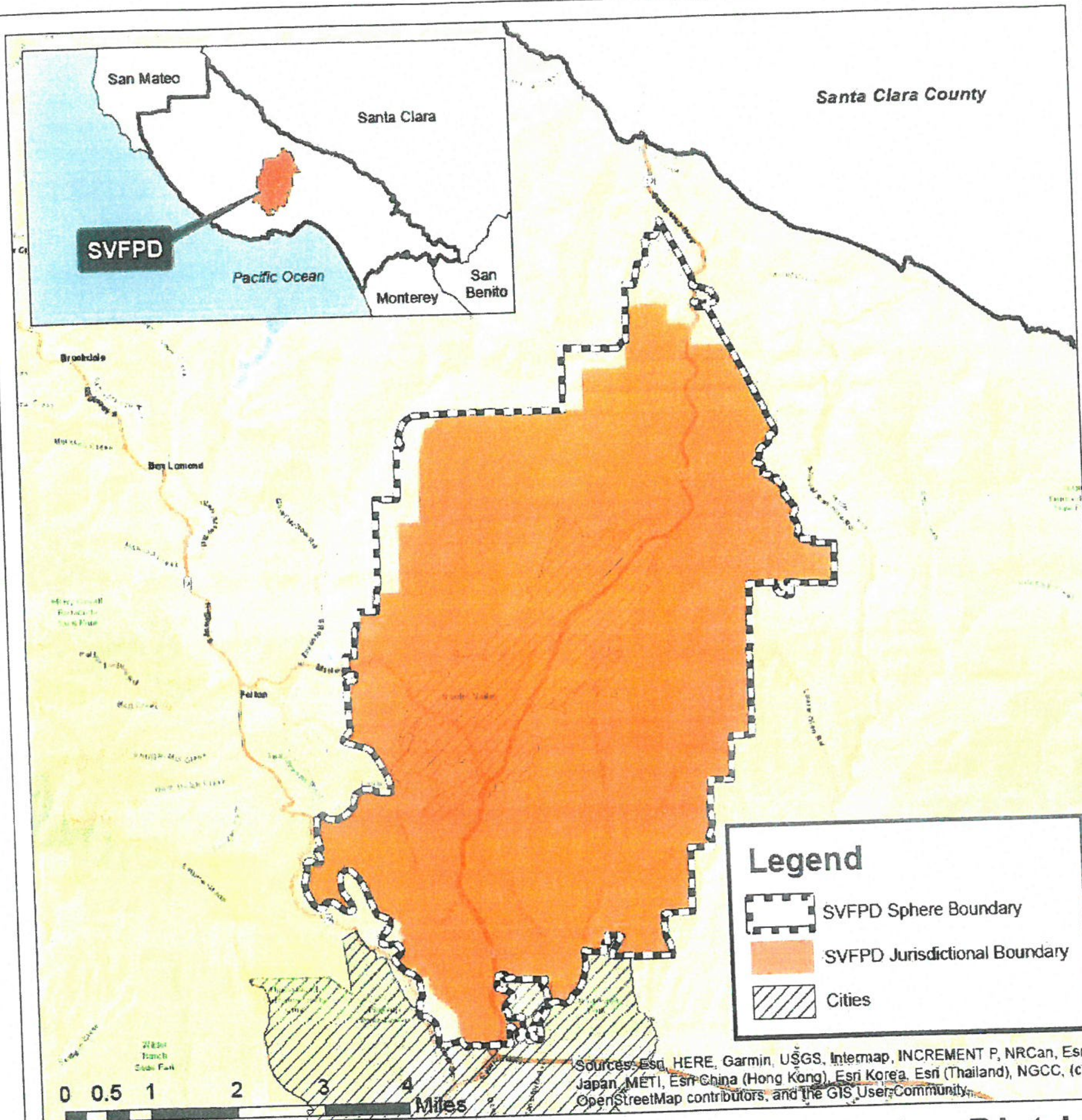
**The proposed reorganization includes three actions:**
**1) dissolution of the Branciforte FPD**
**2) concurrent annexation of the dissolved area into SVFPD**
**3) sphere amendment to include the annexation area**

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

## Figure B – SVFPD's New Sphere (Post-Reorganization)




# Scotts Valley Fire Protection District Jurisdictional and Sphere Boundaries

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LAFCO

**Combined sphere adopted on March 10, 1994**
**Sphere reaffirmed on January 1, 2008**
**Sphere reaffirmed on November 2, 2016**
**Sphere reaffirmed on October 13, 2021**
**Sphere expansion on August 2, 2023**

*Branciforte FPD was dissolved and concurrently annexed into Scotts Valley FPD by LAFCO action on Aug. 2, 2023.*