

Commission
Jerry Gladbach
Chair

Donald Dear
1st Vice-Chair

Gerard McCallum
2nd Vice-Chair

Kathryn Barger
Richard Close
Margaret Finlay
Janice Hahn
Vacant
(City of Los Angeles)
Vacant
(Cities in L.A. County)

Alternate Members

Lori Brogin-Falley
Marqueece
Harris-Dawson
Sheila Kuehl
Judith Mitchell
Joseph Ruzicka
Greig Smith

Staff
Paul Novak
Executive Officer

Adriana Romo
Deputy Executive Officer

Amber De La Torre
Doug Dorado
Michael Henderson
Alisha O'Brien
Patricia Wood

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Pasadena, CA 91101
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www.lalafco.org

LOCAL AGENCY FORMATION COMMISSION MEETING AGENDA

Wednesday, May 9, 2018
9:00 a.m.

Room 381B
Kenneth Hahn Hall of Administration
500 West Temple Street, Los Angeles 90012

A person with a disability may contact the LAFCO office at (626) 204-6500 at least 72 hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

The entire agenda package and any meeting related writings or documents provided to a majority of the Commissioners after distribution of the agenda package, unless exempt from disclosure pursuant to California Law, are available at the LAFCO office and at www.lalafco.org.

1. **CALL MEETING TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **DISCLOSURE OF CAMPAIGN CONTRIBUTION(S)**
4. **SWEARING-IN OF SPEAKER(S)**
5. **INFORMATION ITEM(S) – GOVERNMENT CODE §§ 56751 & 56857 NOTICE**

6. CONSENT ITEM(S)

All matters are approved by one motion unless held by a Commissioner or member(s) of the public for discussion or separate action.

- a. Approve Minutes of April 11, 2018.
- b. Approve Operating Account Check Register for the month of April 2018.
- c. Receive and file update on pending proposals.

7. PUBLIC HEARING(S)

- a. Recommended Final Budget for Fiscal Year 2018-19.

8. PROTEST HEARING(S)

- a. Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County, and Environmental Impact Report.

9. OTHER ITEMS

- a. Selection of Other Post-Employment Benefits (OPEB) Trust Fund Administrator.
- b. Santa County Water District Update.

10. LEGISLATION

- a. Legislative Update.
- b. Proposed Legislation on Special District Governance.

11. MISCELLANEOUS CORRESPONDENCE RECEIVED

None.

12. COMMISSIONERS' REPORT

Commissioners' questions for staff, announcements of upcoming events and opportunity for Commissioners to briefly report on their LAFCO-related activities since last meeting.

13. EXECUTIVE OFFICER'S REPORT

Executive Officer's announcement of upcoming events and brief report on activities of the Executive Officer since the last meeting.

14. PUBLIC COMMENT

This is the opportunity for members of the public to address the Commission on items not on the posted agenda, provided that the subject matter is within the jurisdiction of the Commission. Speakers are reminded of the three-minute time limitation.

15. FUTURE MEETINGS

June 13, 2018

July 11, 2018

August 8, 2018

September 12, 2018

16. FUTURE AGENDA ITEMS

Items not on the posted agenda which, if requested, will be referred to staff or placed on a future agenda for discussion and action by the Commission.

17. ADJOURNMENT



Local Agency Formation Commission
for the County of Los Angeles

 **DRAFT**

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REGULAR MEETING

MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION

FOR THE COUNTY OF LOS ANGELES

April 11, 2018

Present:

Donald Dear, First Vice-Chair

Kathryn Barger
Richard Close
Margaret Finlay
Janice Hahn
Gerard McCallum

Lori Brogin-Falley, Alternate
Judith Mitchell, Alternate
Joe Ruzicka, Alternate
Greig Smith, Alternate

Paul Novak, Executive Officer
Thomas Faughnan, Legal Counsel

Absent:

Jerry Gladbach, Chair

Marqueece Harris-Dawson, Alternate
Sheila Kuehl, Alternate

Vacant:

Voting Los Angeles City Member
Voting City Member

1 CALL MEETING TO ORDER

The meeting was called to order at 9:01 a.m. in Room 381-B of the County Hall of Administration by First Vice-Chair Donald Dear. Chair Gladbach was not at today's meeting.

2 PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by First Vice-Chair Donald Dear.

3 DISCLOSURE OF CAMPAIGN CONTRIBUTION(S)

The Executive Officer (EO) read an announcement, asking that persons who made a campaign contribution of more than \$250 to any member of the Commission during the past twelve (12) months to rise and state for the record the Commissioner to whom such campaign contributions were made and the item of their involvement (None).

The EO read an announcement, asking if any Commissioner had received a campaign contribution that would require disclosure and recusal from any item on today's agenda (None).

4 SWEARING-IN OF SPEAKER(S)

The Executive Officer swore in two (2) members of the audience who planned to testify.

[Commissioner Brogin-Falley arrived at 9:02 a.m.]

5 INFORMATION ITEM(S) – GOVERNMENT CODE §§ 56751 & 56857 NOTICE

- a. Annexation No. 2018-02 to the Los Angeles County Waterworks District No. 40, Antelope Valley.

The Commission took the following action:

- Received and Filed.

MOTION: Barger SECOND: Finlay APPROVED: 7-0-0
AYES: Barger, Close, Finlay, Mitchell (Alt. for Voting City Member),
Ruzicka (Alt. for Gladbach), Smith (Alt. for McCallum), Dear
NOES: None.
ABSTAIN: None.
ABSENT: Hahn, McCallum, Gladbach

[Commissioner McCallum arrived at 9:04 a.m.]

6 CONSENT ITEM(S) – OTHER

The following item was called for consideration:

- a. Approve Minutes of March 14, 2018 (Special Meeting) and Minutes of March 14, 2018 (Regular Meeting).

The EO noted that staff makes every effort to ensure that the minutes of the meetings are accurately reflected. The EO indicated that the representatives of the Santa Clarita Valley Water Agency (SCV Water) requested minor edits (remove language in portions of two sentences) of the regular meeting minutes of March 14th to accurately reflect the testimony given by Mr. Bunn and Mr. Stone, respectively. The Commission was provided a strikethrough/yellow highlighted version of the proposed changes. The EO stated that draft minutes are prepared for the Commission and for the public to make comments or provide edits not consistent with testimony.

The Commission took the following actions under Consent Items:

- a. Approved Minutes of March 14, 2018 (Special Meeting) and Revised Minutes of March 14, 2018 (Regular Meeting).
- b. Approved Operating Account Check Register for the month of March 2018.
- c. Received and filed update on pending proposals.
- d. Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving and Ordering Annexation No. 31 to the County Sanitation District No. 16 of Los Angeles County; Resolution No. 2018-08RMD.
- e. Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving and Ordering Annexation No. 753 to the County Sanitation District No. 21 of Los Angeles County; Resolution No. 2018-09RMD.

MOTION: Barger SECOND: Finlay APPROVED: 7-0-0
AYES: Barger, Close, Finlay, McCallum, Mitchell (Alt. for Voting City Member),
Ruzicka (Alt. for Gladbach), Dear
NOES: None.
ABSTAIN: None.
ABSENT: Hahn, Gladbach

7 PUBLIC HEARING(S)

The following item was called for consideration:

- a. Annexation No. 426 to the County Sanitation District No. 14 of Los Angeles County.

The EO summarized the staff report on Annexation No. 426 to the County Sanitation District No. 14 of Los Angeles County.

The public hearing was opened to receive testimony. There being no testimony, the public hearing was closed.

The Commission took the following actions:

- Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving Annexation No. 426 to the County Sanitation District No. 14 of Los Angeles County; Resolution No. 2018-10RMD.
- Pursuant to Government Code Section 57002, set June 13, 2018, at 9:00 a.m. or at the Commission's next available meeting date consistent with the protest provisions, in Room 381-B of the Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, California, 90012, as the date, time, and place for Commission protest proceedings.

MOTION: Finlay SECOND: McCallum APPROVED: 7-0-0
AYES: Barger, Close, Finlay, McCallum, Mitchell (Alt. for Voting City Member),
Ruzicka (Alt. for Gladbach), Dear
NOES: None.
ABSTAIN: None.
ABSENT: Hahn, Gladbach

First Vice-Chair Dear indicated that a member of the audience wanted to testify on Agenda Item 6.a.

6 CONSENT ITEM(S) – RECONSIDER MINUTES OF MARCH 14, 2018 (REGULAR MEETING)

The following item was called for reconsideration:

- a. Reconsider Approved Minutes of March 14, 2018 (Regular Meeting).

The Executive Officer swore in three (3) additional members of the audience who planned to testify.

Carmillis "Cam" Noltemeyer came before the Commission. Ms. Noltemeyer indicated that she was speaking as a former Valencia Water Company (VWC) ratepayer. She provided copies of handouts to each of the Commissioners requesting that the Minutes of the March 14th Regular Meeting be revised to correct testimony offered by Mr. Stone at the March 14th meeting regarding interfund loans (on page 9, last paragraph of the Minutes of March 14th Regular Meeting). These handouts included a copy of the staff report at the May 17, 2016 Special

Meeting of the Castaic Lake Water Agency (CLWA) Board of Directors held jointly with the Finance and Administration Committee (May 17, 2016 CLWA Special Meeting) and a copy of the staff report of the May 24, 2017 Regular Meeting of the Castaic Lake Water Agency. She noted that in the Facility Capacity Fees and Interfund Loan section of the staff report of May 17, 2016 CLWA Special Meeting indicated that one percent property tax revenues are paying a significant portion of the future users' debt service that should be funded by Facility Capacity Fees. Ms. Noltemeyer also indicated that the May 17, 2016 CLWA Special Meeting document stated that the Interfund Loan is projected to be \$88 million. She requested that the minutes be corrected to reflect the correct information regarding the interfund loan. Ms. Noltemeyer stated that the interfund loan is to subsidize the developers. She stated the previous CLWA is borrowing landowner money (a portion of one percent of property taxes) to subsidize the developers. Ms. Noltemeyer indicated that the \$88 million interfund loan is paid back by the landowners, not the developers. Ms. Noltemeyer requested that Commission have the Minutes of March 14th of the Regular Meeting be corrected.

First Vice-Chair Dear asked Thomas Faughnan (Legal Counsel) if the Commission can amend the minutes to include Ms. Noltemeyer's testimony. Legal Counsel stated that a motion can be made to reconsider the approval of the minutes. Legal Counsel noted that the minutes are intended to reflect the actual testimony at the meeting regardless of whether or not there were inaccuracies or information that was not fully disclosed.

After discussion, it was determined that Ms. Noltemeyer's testimony would not be reflected by revision to the March 14th minutes but would rather be in the record of testimony for the April 11th hearing.

Commissioner Mitchell asked if the documents that Ms. Noltemeyer submitted at the March 14th meeting are part of the record. The EO indicated that those documents are part of the record as of last the Commission Meeting. Ms. Noltemeyer submitted those documents to the EO and staff provided copies to the Commission. The EO stated that he agrees with Legal Counsel's approach – the minutes should accurately reflect the testimony. The EO stated that Ms. Noltemeyer's documents submitted at the March 14th meeting are included in the official record.

The EO noted that he will send a draft of today's meeting minutes to Ms. Noltemeyer for her review and input.

No additional action was made by the Commission to amend the Minutes of March 14th (Regular Meeting) beyond what was originally proposed by the EO.

7 PUBLIC HEARING(S)

The following item was called for consideration:

- b. Application for Conditions No. 2018-01 for the Santa Clarita Valley Water Agency – Final Report.

The EO summarized the staff report on the Application for Conditions No. 2018-01 for the Santa Clarita Valley Water Agency – Final Report.

The EO noted that after the agenda posted, staff received additional correspondence both from Dean Wallraff (Attorney at Law, Executive Director, Advocates for the Environment) and from Matthew Stone (General Manager, Santa Clarita Valley Water Agency). Electronic copies were mailed to each of the Commissioners and staff provided hard copies at today's meeting.

[Commissioner Hahn arrived at 9:19 a.m.]

The EO noted that staff gave a hard copy of the "LAFCO Reply to Communications from Dean Wallraff (Advocates for the Environment) and Matthew G. Stone (General Manager of the SCV Water Agency)" to each of the Commissioners. The EO indicated that LAFCO staff agrees and recommends modifying Condition No. 16.S., which clarifies what can be posted on the SCV Water website relative to groundwater levels. The EO stated that because this correspondence was submitted after the agenda was posted, the Attachment "A" – Conditions to the staff report does not address this issue. Should the Commission modify Condition No. 16.S. or any other condition, the motion would need to direct staff accordingly.

The public hearing was opened to receive testimony.

First Vice-Chair Dear asked if the new proposed Condition 16.S. includes the location of water wells (given security concerns) on the SCV Water website. The EO indicated that the Applicant could address this concern during public testimony.

The Executive Officer swore in two (2) additional members of the audience who planned to testify.

Carmillis "Cam" Noltemeyer came before the Commission to testify on Agenda Item 7.b. Ms. Noltemeyer indicated that she is speaking as a former VWC ratepayer. Ms. Noltemeyer requested that the Commission review the former VWC rates compared to SCV Water rates. She stated that the previous VWC Board of Directors were all appointed, not elected; that previous VWC ratepayers had no representation, and still do not have representation on the Santa Clarita Valley Water Agency Board of Directors; and that the former VWC ratepayers were being burdened by the costs of the former Castaic Lake Water Agency who bought the stock of the Valencia Water Company. Ms. Noltemeyer stated that the dividends from the VWC ratepayers were paid to the former CLWA. She stated that former VWC ratepayers have little recourse but to take legal action. She also indicated that the newly formed Santa Clarita Valley Water Agency is raising water rates of the former VWC ratepayers for the next three years. Ms. Noltemeyer stated that she hopes that LAFCO will look into the consolidation, and she believes that the consolidation is not for the benefit of the former VWC ratepayers.

Lynne Plambeck (Board Member, Santa Clarita Valley Water Agency) came before the Commission. Ms. Plambeck stated that she was not speaking as a Santa Clarita Valley Water Agency Board Member but speaking on behalf of the public. Ms. Plambeck voiced her concern

regarding the amended language for Condition No. 16.S. She indicated that it is beneficial that all water well information be available to the public for review on a monthly basis, and not annually. She stated that the former Newhall County Water District has always reported well water levels in graphic form on a monthly basis. Ms. Plambeck stated that there is public concern about how much water is being pumped out of the ground.

Commissioner Barger asked why water wells would be updated annually rather than monthly. The EO clarified that Condition No. 16.S. requires that all water wells operated by SCV Water shall be listed on the website and updated monthly, including groundwater elevation levels and production volumes for each well. Newly proposed language to be included in Condition No. 16.S. submitted by Advocates of the Environment seeks to require graphs of historic water levels and production for each operating well back to 1993.

Gary Martin (Board Member Santa Clarita Valley Water Agency) came before the Commission. Mr. Martin indicated that he was a former Board Member of the Castaic Lake Water Agency. Mr. Martin stated that he was speaking on behalf of the Santa Clarita Valley Water Agency Board of Directors. He thanked the Commission for their role in processing the conditions, as required by SB 634. He stated that the entire staff and legal counsel of SCV Water will work to comply with all of the conditions. Mr. Martin stated that he was a former VWC ratepayer for the last 40 years and VWC provided great service. Mr. Martin indicated that he is looking forward to continued service under the new agency (SCV Water). Mr. Martin stated that he fully supports the consolidation and the conditions imposed by the Commission.

There being no further testimony, the public hearing was closed.

The Commission took the following action:

- Closed the public hearing.

MOTION:	Barger	SECOND:	Hahn	APPROVED:	8-0-0
AYES:	Barger, Close, Finlay, Hahn, McCallum, Mitchell (Alt. for Voting City Member), Ruzicka (Alt. for Gladbach), Dear				
NOES:	None.				
ABSTAIN:	None.				
ABSENT:	Gladbach				

The EO asked if the Commission would like any additional changes to the conditions, and if so, to please provide direction.

Commissioner Mitchell indicated that she agrees to modifying the language in Condition 16.S.

Commissioner Close stated that he was not at last month's meeting, but he listened to the audio of last month's meeting. He asked Legal Counsel if he can vote on today's item (Agenda Item 7.b.). Legal Counsel said "yes".

Commissioner Close asked Legal Counsel to review the concerns raised in correspondence and public testimony regarding the Commission's compliance with the California Environmental Quality Act (CEQA). Legal Counsel indicated that there were requests that the consolidation be considered a project pursuant to CEQA. Legal Counsel advised that Commission's imposition of conditions of approval is not a project under CEQA or is otherwise exempt from CEQA.

The Commission took the following actions:

- Approved the Final Written Report/Staff Report;
- Modified the language in Condition No. 16.S.;
- Approved the conditions, as specified in Attachment "A" – Conditions, including language modified in Condition No. 16.S;
- Found that the SCV Water application for conditions is not a project under State CEQA Guidelines or, in the alternative, is exempt from the provisions of CEQA for each of the independent reasons stated on Page 6 of the Final Written Report/Staff Report;
- Consistent with Section 3 of the Santa Clarita Valley Water Agency Act (Act), the boundaries of the Santa Clarita Valley Water Agency are confirmed and determined as set forth in Condition No. 1;
- Consistent with Section 29(e) of the Act, "certify the functions or classes of services that were being exercised by the Castaic Lake Water Agency and the Newhall County Water District on December 31, 2017" as set forth in Condition No. 3;
- Revised Condition No. 22 to reflect that the effective date of these conditions is April 11, 2018; and
- Notify the Applicant, and all identified interested parties, in writing, of today's action, and enclose a copy of the conditions.

MOTION: Barger SECOND: Finlay APPROVED: 8-0-0
AYES: Barger, Close, Finlay, Hahn, McCallum, Mitchell (Alt. for Voting City Member),
Ruzicka (Alt. for Gladbach), Dear
NOES: None.
ABSTAIN: None.
ABSENT: Gladbach

7 PUBLIC HEARING(S)

The following item was called for consideration:

- c. Proposed Draft Budget for Fiscal Year 2018-19.

Adriana Romo, Deputy Executive Officer (DEO), summarized the staff report on the Proposed Draft Budget for Fiscal Year 2018-19. Cindy Byerrum (LAFCO's Certified Public Accountant) was available to answer any questions posed by the Commission.

Commissioner Mitchell asked if there will be increased assessments for the cities. First Vice-Chair Dear asked if there will be increased assessments for the special districts. The DEO said "no".

The public hearing was opened to receive testimony. There being no testimony, the public hearing was closed.

The Commission took the following actions:

- Approved the attached Proposed Draft Budget for Fiscal Year 2018-2019;
- Pursuant to Government Code Section 56381, directed staff to forward the Proposed Budget for Fiscal Year 2018-2019 to the County of Los Angeles, as well as the 88 cities and 53 independent special districts in Los Angeles County for their comment; and
- Set May 9, 2018, for hearing on adoption of the Recommended Final Budget for Fiscal Year 2018-2019.

MOTION: Finlay SECOND: McCallum APPROVED: 8-0-0
AYES: Barger, Close, Finlay, Hahn, McCallum, Mitchell (Alt. for Voting City Member),
Ruzicka (Alt. for Gladbach), Dear
NOES: None.
ABSTAIN: None.
ABSENT: Gladbach

8 PROTEST HEARING(S)

None.

9 OTHER ITEMS

None.

10 LEGISLATION

The following item was called up for consideration:

a. Legislative Update.

The EO summarized the staff report on the Legislative Update.

Commissioner Barger asked about funding impacts from AB 2491 and AB 2268 prior to taking any position. The EO suggested that the Commission not take a support position on AB 2491 and AB 2268 until more information is provided to the Commission at next month's meeting.

The Commission took the following actions:

- Took "support" positions on AB 3254 (Assembly Local Government Committee) and AB 2258 (Caballero), and directed staff to communicate the positions in letters to members of the State Legislature and the Governor; and
- Received and filed the Legislative Report.

MOTION: McCallum SECOND: Finlay APPROVED: 8-0-0
AYES: Barger, Close, Finlay, Hahn, McCallum, Mitchell (Alt. for Voting City Member),
 Ruzicka (Alt. for Gladbach), Dear
NOES: None.
ABSTAIN: None.
ABSENT: Gladbach

11 MISCELLANEOUS CORRESPONDENCE RECEIVED

None.

12 COMMISSIONERS' REPORT

Commissioner Close asked the EO to provide an update about potential formation of a city of Venice. The EO stated that he and staff member Doug Dorado met with the Venice Neighborhood Council (VNC) two years ago to discuss the potential incorporation of Venice as a new city and to secede from the City of Los Angeles. The VNC has scheduled a forum on April 19th. The EO indicated that he will be on a panel to discuss options about how a new city can be formed. The EO stated that he will report back to the Commission at next month's meeting regarding the outcome of the April 19th VNC forum.

13 EXECUTIVE OFFICER'S REPORT

The EO indicated that the San Gabriel Valley Mosquito and Vector Control District

(SGVMVCD) will submit an application within the next two or three weeks to annex service gaps within the City of Azusa into the SGVMVCD.

The Greater Los Angeles County Vector Control District Board of Directors will discuss service gaps at their meeting tomorrow.

The Compton Creek Mosquito Abatement District Board of Directors will discuss service gaps at their meeting in May. The EO stated that he will report back to the Commission at next month's meeting regarding status of the vector control districts filing proposals with LAFCO.

The EO noted that, included in the agenda package, is a Memorandum of the recent results of special district representatives re-elected to the Commission. Chair Gladbach and Commissioner Ruzicka were both re-elected as special district voting members.

The EO noted the City Selection Committee plans to meet in May to make appointments to fill a vacancy formerly held by Councilmember David Spence as well as the seat currently held by Councilmember Finlay, which expired in May 2017. The law allows a Commissioner to hold over in-place, as a LAFCO Commissioner, until the Commissioner is re-appointed or replaced.

The EO stated that staff of Los Angeles City Council President Herb Wesson's Office, indicated that Councilmember Wesson is considering appointing a new city representative (or representatives) to the Commission.

The EO indicated that he made a presentation about LAFCO on March 19th to various elected officials. Attendees included city officials from the Cities of Claremont, Duarte, Glendora, La Verne, Rosemead, Sierra Madre, and representatives of the Three Valleys Municipal Water District.

The EO stated that on May 31st he will be speaking at the Leadership Breakfast hosted by the Three Valleys Municipal Water District at the Sheraton Fairplex Hotel and Conference Center located in Pomona.

The EO thanked the Commissioners for submitting their California Fair Political Practices Commission Form 700.

14 PUBLIC COMMENT

None.

15 FUTURE MEETINGS

May 9, 2018
June 13, 2018
July 11, 2018
August 8, 2018

16 FUTURE AGENDA ITEMS

None.

17 ADJOURNMENT MOTION

On motion of First Vice-Chair Dear, the meeting was adjourned at 9:52 a.m.

Respectfully submitted,

Paul Novak, AICP
Executive Officer

5:51 PM

04/30/18

Accrual Basis

LAFCO 03
Register Report
April 2018

6.b.

Type	Date	Num	Name	Amount	Balance
10000 Cash Unrestricted					
10003 Operating Account					
Bill Pmt -Check	04/02/2018	8746	ATT	-234.56	-234.56
Bill Pmt -Check	04/02/2018	8747	Bank of America*	-14.99	-249.55
Bill Pmt -Check	04/02/2018	8748	Charter Communications	-523.22	-772.77
Bill Pmt -Check	04/02/2018	8749	Daily Journal	-806.60	-1,579.37
Bill Pmt -Check	04/02/2018	8750	Huntington Park Rubber Stamp	-43.46	-1,622.83
Bill Pmt -Check	04/02/2018	8751	LACERA	-12,985.74	-14,608.57
Bill Pmt -Check	04/02/2018	8752	Los Angeles County Assessor*	-20.00	-14,628.57
Bill Pmt -Check	04/02/2018	8753	Mail Finance	-380.23	-15,008.80
Bill Pmt -Check	04/02/2018	8754	Motor Parks	-630.00	-15,638.80
Bill Pmt -Check	04/02/2018	8755	Neofunds	-200.00	-15,838.80
Bill Pmt -Check	04/02/2018	8756	Office Depot*	-88.22	-15,927.02
Bill Pmt -Check	04/02/2018	8757	Promac Image Systems	-316.56	-16,243.58
Bill Pmt -Check	04/02/2018	8758	TRPF 80 South Lake LP.	-19,242.11	-35,485.69
Bill Pmt -Check	04/02/2018	8759	Wells Fargo	-383.25	-35,868.94
Check	04/04/2018	8760	LACERA-OPEB	-1,946.33	-37,815.27
Check	04/10/2018	8761	Registrar-Recorder/County Cl...	-75.00	-37,890.27
Check	04/13/2018	ADP	ADP	-128.95	-38,019.22
Check	04/13/2018	DD	Ambar De La Torre	-1,870.19	-39,889.41
Check	04/13/2018	DM	Douglass Dorado	-2,804.54	-42,693.95
Check	04/13/2018	DD	Michael Henderson	-2,207.44	-44,901.39
Check	04/13/2018	DD	Patricia Knoebl-Wood	-1,437.81	-46,339.20
Check	04/13/2018	DD	Paul Novak	-5,030.10	-51,369.30
Check	04/13/2018	DD	Alisha O'Brien	-2,181.79	-53,551.09
Check	04/13/2018	DD	Adriana Romo	-3,090.03	-56,641.12
Check	04/13/2018	DM	Federal Tax Deposit	-4,074.67	-60,715.79
Check	04/13/2018	DM	State Income Tax	-1,220.24	-61,936.03
Check	04/27/2018	ADP	ADP	-39.37	-61,975.40
Check	04/30/2018	320...	Kathryn Barger	-134.09	-62,109.49
Check	04/30/2018	320...	Lori W. Brogin	-138.53	-62,248.02
Check	04/30/2018	320...	Richard Close	-138.52	-62,386.54
Check	04/30/2018	DD	Donald L. Dear	-138.52	-62,525.06
Check	04/30/2018	320...	Margaret E. Finlay	-138.52	-62,663.58
Check	04/30/2018	DD	Janice Hahn	-135.36	-62,798.94
Check	04/30/2018	DD	Gerard McCallum II	-138.52	-62,937.46
Check	04/30/2018	320...	Judith Mitchell	-138.53	-63,075.99
Check	04/30/2018	320...	Greig L. Smith	-138.53	-63,214.52
Check	04/30/2018	DM	Federal Tax Deposit	-169.40	-63,383.92
Check	04/30/2018	DD	Ambar De La Torre	-1,870.18	-65,254.10
Check	04/30/2018	DM	Douglass Dorado	-3,284.74	-68,538.84
Check	04/30/2018	DD	Michael Henderson	-2,207.44	-70,746.28
Check	04/30/2018	DD	Patricia Knoebl-Wood	-1,437.80	-72,184.08
Check	04/30/2018	DD	Paul Novak	-5,030.10	-77,214.18
Check	04/30/2018	DD	Alisha O'Brien	-2,181.78	-79,395.96
Check	04/30/2018	DD	Adriana Romo	-3,422.27	-82,818.23
Check	04/30/2018	DM	Federal Tax Deposit	-4,074.71	-86,892.94
Check	04/30/2018	DM	State Income Tax	-1,220.24	-88,113.18
Total 10003 Operating Account				-88,113.18	-88,113.18
Total 10000 Cash Unrestricted				-88,113.18	-88,113.18
TOTAL				-88,113.18	-88,113.18

AGENDA ITEM NO. 6c - May 9, 2018						
PENDING PROPOSALS AS OF May 2, 2018						
		LAFCO Designation	Applicant	Description	Status	Est. Date of Completion
1	DD	Annexation 2006-12 to Los Angeles County Waterworks District No. 40	Land Resource Investors	Annex 20 acres of vacant land located at the northeast corner of Avenue J and 37th Street East, City of Lancaster. Will be developed into 80 single family homes.	Incomplete filing: property tax transfer resolution, registered voter and landowner labels.	5/16/2006 Unknown
2	DD	Annexation No. 2006-46 to Los Angeles County Waterworks District No. 40	New Anaverde, LLC	Annex 1,567 acres of vacant land located near Lake Elizabeth Road and Avenue S in the city of Palmdale. Will be developed into 313 single family home.	Incomplete filing: CEQA, registered voter labels, landowner labels, and approved map and legal.	10/5/2006 Unknown
3	DD	Annexation No. 2011-17 (2006-50) to Los Angeles County Waterworks District No. 40	Behrooz Haverim/Kamyar Lashgari	Annex 20.62 acres of vacant land located south of Avenue H between 42nd Street West and 45th Street West in the City of Lancaster. To be developed into single family homes	Incomplete filing: property tax transfer resolution, registered voter and landowner labels.	12/1/2006 Unknown
4	DD	Annexation 2008-13 to Los Angeles County Waterworks District No. 40	Lancaster School Dist.	Annex 20.47 acres of vacant land located 2 miles west of the Antelope Valley f.w. And the nearest paved major streets are ave. H. And Ave. I. in the City of Lancaster. For future construction of a school.	Need BOE fees to place on agenda for approval. Emailed district for fees on 4-18-17.	9/22/2008 Unknown
5	DD	Reorganization 2010-04 Los Angeles County Waterworks District No. 29	Malitex Partners, LLC	Detach 88 acres of vacant land from the Las Virgenes Municipal Water District and annex same said territory to Los Angeles County Waterworks District No 29 and West Basin Municipal Water District. The project includes future construction of three homes and dedicates open space. The project site is located north of Pacific Coast Highway at the end of Murphy Way, in the unincorporated area adjacent to Malibu.	Notice of Filing sent 07-15-10. Incomplete filing: CEQA. EIR on hold 4-14-15. Applicant requested to keep this file open, pending details how to proceed with the project 04/29/15.	6/9/2010 Unknown
6	DD	City of Palmdale Annexation 2010-05	City of Palmdale	49.6 acres located adjacent to residential properties to the southwest, southeast, and separated by the Amargosa Creek to the north.	Notice of Filing sent 1-3-11 Incomplete filing: property tax transfer resolution, insufficient CEQA, unclear pre-zoning ordinance, approved map and legal. Need to include DUC.	10/25/2010 Unknown
7	DD	Reorganization 2011-16 (Tesoro del Valle)	Montalvo Properties LLC	Annexation to NCWD and CLWA SOI Amendments for both districts. 801.53 acres regional access is provided via Interstate 5 (1-5) for north/south travelers from the east, and State Route 126 (SR-126) for travelers from the west. The existing local thoroughfare that provides access to the proposed area is Copper Hill Drive, which can be accessed directly from Tesoro del Valle Drive or Avenida Rancho Tesoro.	Notice of Filing sent 05-31-11. Incomplete filing: property tax transfer resolution. Project has changed ownership. Need new application	5/5/2011 Unknown
8	DD	City of Los Angeles Annexation 2011-27	Forestar Group	685 acres of uninhabited territory located east of Browns Canyon Road and northwest of Mason Ave, in the unincorporated area just north of the City of Los Angeles.	Notice of Filing sent 2-15-12 Incomplete filing: property tax transfer resolution, CEQA, pre-zoning ordinance, map of limiting addresses, list of limiting addresses, and approved map and legal.	12/8/2011 Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
9	DD	City of Palmdale Annexation 2011-19	City of Palmdale	405 acres of uninhabited territory located between Palmdale Blvd and Ave S and 80th and 85th Street East.	Notice of Filing sent 3-22-12 Incomplete filing: property tax transfer resolution, inadequate CEQA, maps of limiting addresses, list of limiting addresses, and approved map and legal. DUC adjacent	3/8/2012	Unknown
10	DD	Annexation 2014-04 to the City of Calabasas	City of Calabasas	annex approximately 43.31± acres of uninhabited territory to the City of Calabasas. The affected territory is generally located along Agoura Road between Liberty Canyon Road and Malibu Hills Road, in Los Angeles County unincorporated territory adjacent to the City of Agoura Hills and Calabasas.	Notice of Filing sent 3-20-14 Incomplete filing: property tax transfer resolution, CEQA, pre-zoning ordinance, radius map, landowner and registered voter labels, landowner consent letter, approved map and legal	3/18/2014	Unknown
11	DD	Reorganization No. 2014-03 to the City of Calabasas	City of Calabasas	176± acres immediately north of and adjacent to the 101 freeway between the City of Calabasas and Hidden Hills.	Notice of Filing sent 1-8-15, Incomplete filing: property tax transfer resolution, CEQA, pre-zoning ordinance, radius map, mailing labels of landowners and registered voters, approved map and legal.	12/10/2014	Unknown
12	DD	Annexation No. 2015-11 to the City of Palmdale (Desert View Highlands)	City of Palmdale	284 acres inhabited territory. Generally located north and south of Elizabeth Lake Road between Amargosa Creek and 10th street west, in Los Angeles County unincorporated territory surrounded by the City of Palmdale	Notice of Filing sent 9-22-15 Incomplete filing: property tax resolution, attachment 'A' plan for municipal services, CEQA (NOD), party disclosure, pre-zoning, map of limiting addresses, registered voter info	9/15/2015	Unknown
13	DD	Annexation No. 2015-09 to the City of Pomona	City of Pomona	5.76 acres uninhabited territory. Located south of Valley Blvd approximately 2500' east of Grand Ave, adjacent to the City of Industry and Pomona.	Notice of Filing sent 9-23-15 Incomplete filing: property tax transfer resolution, attachment "A" plan for municipal services, CEQA, party disclosure, pre-zoning, limiting addresses, map of map, registered voter labels within affected territory, registered voters within 300' radius, landowners within affected territory, landowners within 300' radius, map and legal not approved	9/22/2015	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
14	DD	Annexation No. 2015-10 to the City of Agoura Hills	City of Agoura Hills	117 acres uninhabited territory. Located northeast and southwest of Chesebro Road directly north of the Highway 101	Notice of Filing sent 11-3-15 Incomplete filing: property tax transfer resolution.	11/2/2015	Unknown
15	DD	Reorganization No. 2016-01 to the Las Virgenes Municipal Water District	Las Virgenes Municipal Water District	Detachment from West Basin Municipal Water District, and annexation to the Las Virgenes Municipal Water District. Both districts require SOI amendments. The territory consists of 26 single-family homes, generally located south of Calmloch Street, west of Summit Mountain Way, all within the City of Calabasas.	Notice of Filing sent 04-19-16 Incomplete filing: property tax transfer resolution, and map and legal not approved.	2/22/2016	Unknown
16	DD	Reorganization No. 2017-04 to the Las Virgenes Municipal Water District	Las Virgenes Municipal Water District	uninhabited territory, located east of the intersection of Las Flores Canyon Road and Live Oak Meadow Road north of the City of Malibu	Notice of Filing sent 4-12-17 Incomplete filing: property tax transfer resolution, CEQA, approved map and legal.	4/6/2017	Unknown
17	AD	Annexation No. 2017-02 to the Newhall County Water District	Newhall County Water District	uninhabited territory, located west of the 5 freeway and north of the intersection of The Old Road and Calgrove Blvd.	Notice of Filing sent 06-21-17 Incomplete filing: property tax transfer resolution, CEQA, approved map and legal.	6/15/2017	Unknown
18	DD	Annexation No. 2017-09 to the Wilmington Cemetery District	Wilmington Cemetery District	inhabited territory around Wilmington	Notice of Filing sent 6-10-17 Incomplete filing: property tax transfer resolution	7/10/2017	Unknown
19	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1079	Sanitation Districts	180.2 acres of uninhabited territory. Located on Lost Canyon Road approximately 1,000 feet west of Sand Canyon Road, all within the City of Santa Clarita.	Protest hearing, May 9, 2018	10/11/2017	May-2018
20	AD	Annexation 426 to District No. 14	Sanitation Districts	237.25 acres of uninhabited territory. Located on the northwest corner of 70th Street West and Avenue K, all within the City of Lancaster.	Protest hearing, June 13, 2018	11/6/2017	Jun-2018
21	DD	Reorganization No. 2017-10 to the Las Virgenes Municipal Water District	Robert Douglass	5.26 acres of uninhabited territory. The affected territory is generally located northeast of the intersection of Hovenweep Lane and Schuergen Road, in the unincorporated area north of Malibu	Notice of Filing Sent 11-30-17 Incomplete Filing: property tax transfer resolution, approved map and legal	11/8/2017	Unknown
22	AD	Annexation 31 to District No. 16	Sanitation Districts	0.51 acres of uninhabited territory. The affected territory is generally located on the southwest corner of Villa Highlands Drive and Sierra Madre Villa, all within unincorporated Los Angeles County.	Agenda, April 11, 2018	11/8/2017	May-2018
23	AD	Annexation No. 753 to District No. 21	Sanitation Districts	0.42 acres of uninhabited territory. The affected territory is generally located on Glen Way approximately 800 feet north of Baseline Road, all within the unincorporated Los Angeles County.	Agenda, April 11, 2018	11/8/2017	May-2018
24	AD	Annexation 298 to District No. 15	Sanitation Districts	4.01 acres of uninhabited territory. The affected territory is generally located on Del Valle Avenue west of the terminus of Mentz Street, all within the City of La Puente.	Notice of Filing Sent 01-04-18 Incomplete filing: property tax transfer resolution.	1/3/2018	Unknown
25	AD	Annexation 754 to District No. 21	Sanitation Districts	0.4 acres of uninhabited territory. The affected territory is located on Padua Avenue approximately 100 feet south of Alamosa Drive, all within the City of Claremont.	Notice of Filing Sent 01-04-18 Incomplete filing: property tax transfer resolution.	1/3/2018	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
26	AD	Annexation 755 to District No. 21	Sanitation Districts	2.5 acres of uninhabited territory. The affected territory is located on Via Padova approximately 400 feet west of Mt. Baldy Road, all within unincorporated Los Angeles County.	Notice of Filing Sent 01-04-18 Incomplete filing; property tax transfer resolution.	1/3/2018	Unknown
27	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1087	Sanitation Districts	0.311 acres of uninhabited territory. The affected territory is located on the northeast corner of Ferguson Drive and Cherry Drive, all within the unincorporated area of Los Angeles County.	Notice of Filing Sent 2-15-18 Incomplete filing; property tax transfer resolution.	2/13/2018	Unknown
28	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1088	Sanitation Districts	6.796 acres of uninhabited territory. The affected territory is located on Sierra Highway approximately 600 feet south of Quinn Drive, all within unincorporated Los Angeles County.	Notice of Filing Sent 2-15-18 Incomplete filing; property tax transfer resolution.	2/13/2018	Unknown
29	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1090	Sanitation Districts	0.58 acres of uninhabited territory. Located on Sierra Highway approximately 150 feet south of Sand Canyon Road, all within unincorporated Los Angeles County.	Notice of Filing Sent 2-15-18 Incomplete filing; property tax transfer resolution.	2/13/2018	Unknown
30	DD	Reorganization No. 2016-33 to the City of Los Angeles	County of Los Angeles	1.34 acres of uninhabited territory located east of the intersection of W 116th St and Isis Avenue in the City of Los Angeles.	Notice of Filing Sent 2-15-18 Incomplete filing; property tax transfer resolution, CEQA, party disclosure, and approved map and legal	2/3/2018	Unknown
31	AD	Annexation 757 to District No. 21	Sanitation Districts	0.566 acres of uninhabited territory. The affected territory is located on the southeast corner of Mountain Avenue and Sage Street, all within the unincorporated Los Angeles County.	Notice of Filing Sent 03-07-18 Incomplete filing; property tax transfer resolution.	3/7/2018	Unknown
32		Annexation 428 to District No. 22	Sanitation Districts	1.67 acres of uninhabited territory. The affected territory is located on Crestglen Road approximately 300 feet east of Vista Bonita Avenue, all within the City of Glendora.	Notice of Filing Sent 03-22-18 Incomplete filing; property tax transfer resolution.	3/21/2018	Unknown
33		Annexation 297 to District No. 15	Sanitation Districts	13.88 acres of uninhabited territory. The affected territory is located on the southwest corner of Loukelton Street and Echelon Avenue, all within the City of Industry.	Notice of Filing Sent 03-22-18 Incomplete filing; property tax transfer resolution.	3/21/2018	Unknown
34		Annexation No. 2018-02 to the Los Angeles County Waterworks District No. 40, Antelope Valley	City of Lancaster	15 acres of uninhabited territory. The affected territory is located at the northeast corner of Avenue I and 32nd Street West, in the City of Lancaster.	Notice of Filing sent 4-2-18 Incomplete filing; property tax transfer resolution, resolution to intimate, CEQA, party disclosure, landowner consent.	3/27/2018	Unknown

Staff Report

May 9, 2018

Agenda Item No. 7.a.

Recommended Final Budget for Fiscal Year 2018-19

Background: In accordance with Government Code Section 56381, the Commission must adopt a proposed and final budget, annually, following noticed public hearings.

Final Budget: The proposed budget for this year (Fiscal Year 2018-2019) is \$1,472,400. The final budget before you today mirrors the proposed draft budget adopted at the April 11, 2018 Commission meeting.

Local Agency Apportionment

The local agency apportionment consists of the annual assessments levied upon the County of Los Angeles, the City of Los Angeles, the other cities in Los Angeles County, and the independent special districts in Los Angeles County. The total apportionment amount will not increase from last year (Fiscal Year 2017-18) to this year (Fiscal Year 2018-19). The total amount billable to funding agencies within Los Angeles County is \$1,322,443.

Comments from funding agencies

In accordance with state law, the Proposed Draft Budget for FY 2018-19 was circulated to the funding agencies for review and comment via U.S. Mail on Thursday, April 12, 2018. Since that time, staff has fielded one e-mail inquiry from one agency. As of the writing of this report, staff has responded to all budgetary questions relating to the estimated FY 2018-19 allocation of costs.

Recommended action:

1. Open the budget hearing, receive public comments, and close the budget hearing;
2. Adopt the attached Recommended Final Budget for Fiscal Year 2018-2019; and
3. Direct the Executive Officer to transmit the adopted Final Budget to local agencies and other parties as required by law.

RECOMMENDED FINAL BUDGET FOR FISCAL YEAR 2018-19						
ACCT. #	ACCOUNT NAME	ADOPTED	PROJECTED	RECOMMENDED	\$ Variance	% Variance
		BUDGET 2017-18	YEAR END (PYE) 2017-18	FINAL BUDGET 2018-19	From FY 17-18 Adopted	From FY 17-18 Adopted
	EXPENSES					
50000	Salaries and Employee Benefits					
50001	Employee Salaries	\$ 604,300	\$ 596,965	\$ 639,600	35,300	5.84%
50023	Employer Paid Pension Contribution	107,100	106,400	116,200	9,100	8.50%
50016	Accrued vacation and sick cashout	10,000	5,100	10,000	0	0.00%
50017	Commissioner Stipends	20,000	15,150	20,000	0	0.00%
50018	Worker's Compensation Insurance	11,200	11,200	11,800	600	5.36%
50019	Insurance (Health, Disability, Life)	176,800	99,399	126,000	-50,800	-28.73%
50020	Payroll Taxes	10,700	9,618	9,300	-1,400	-13.08%
50022	OPEB - Existing Retirees	36,000	23,400	23,364	-12,636	-35.10%
New	LACERA OPEB Administration Costs	-	20,000	20,000	20,000	0.00%
	Total Salaries & Employee Benefits	\$ 976,100	\$ 887,232	\$ 976,264	164	0.02%
50000A	Office Expense					
50025	Rent	\$ 92,200	\$ 99,300	\$ 101,600	9,400	10.20%
50026	Communications	10,700	9,000	11,500	800	7.48%
50027	Supplies	7,400	7,400	7,400	0	0.00%
50029	Computer Software	3,600	3,562	5,935	2,335	64.86%
50030	Equipment lease	7,900	7,700	6,100	-1,800	-22.78%
50031	Employee & Guest Parking Fees	8,600	8,600	8,781	181	2.10%
50032	Property/Liability Insurance	48,900	25,000	27,000	-21,900	-44.79%
50033	Agency Membership Dues	11,400	10,095	11,400	0	0.00%
50040	Information Technology/Programming	8,300	8,700	6,600	-1,700	-20.48%
50052	Legal Notices	2,000	3,610	4,000	2,000	100.00%
50054	Postage	4,000	3,065	4,000	0	0.00%
50056	Printing/Copy Charges	1,500	1,282	4,000	2,500	166.67%
50057	Conferences/Travel - Commissioners	15,000	10,275	13,000	-2,000	-13.33%
50058	Conference/Travel - Staff	15,000	11,012	13,000	-2,000	-13.33%
50060	Auto Reimbursement	6,700	6,700	6,720	20	0.30%
50061	Various Vendors	6,400	6,300	7,200	800	12.50%
50065	Miscellaneous - Other	5,200	4,200	4,000	-1,200	-23.08%
50067	Computer-Copier-Misc Equipment	500	2,100	500	0	0.00%
	Total Office Expenses	\$ 255,300	\$ 228,682	\$ 242,736	-\$12,564	-4.92%

RECOMMENDED FINAL BUDGET FOR FISCAL YEAR 2018-19						
ACCT. #	ACCOUNT NAME	ADOPTED	PROJECTED	RECOMMENDED	\$ Variance	% Variance
		BUDGET	YEAR END (PYE)	FINAL BUDGET	From FY 17-18	From FY 17-18
		2017-18	2017-18	2018-19	Adopted	Adopted
50000C	Professional Services					
50076	Legal services	\$ 44,000	\$ 60,678	\$ 65,000	21,000	47.73%
50077	Accounting & Bookkeeping	23,700	35,300	25,000	1,300	5.49%
New	Audit/Financial Statements	7,300	7,300	7,400	100	0.00%
New	Payroll Service	3,000	3,000	3,000	0	0.00%
50078	Contract Services	3,000	15,000	3,000	0	0.00%
50081	Municipal Service Reviews	60,000	-	50,000	-10,000	-16.67%
	Total Professional Services	\$ 141,000	\$ 121,278	\$ 153,400	\$ 12,400	8.79%
	TOTAL EXPENDITURES	\$ 1,372,400	\$ 1,237,192	\$ 1,372,400	\$0	0.00%
20020	OPEB Liability - Reserves	100,000	100,000	100,000	-	0.00%
	Total Contingencies and Reserves Set Aside	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0%
	Total Appropriations	\$ 1,472,400	\$ 1,337,192	\$ 1,472,400	\$0	0.00%
40000	REVENUES					
40005	Filing Fees	\$ 75,000	\$ 83,000	\$ 85,500	10,500	14.00%
40006	Processing Fees	100	-	-	-100	-100.00%
40007	Interest Income	12,000	12,000	12,000	0	0.00%
40008	Other Income	600	146	350	-250	-41.67%
	Total Revenues	\$ 87,700	\$ 95,146	\$ 97,850	\$10,150	8.49%
	NET OPERATING COSTS	\$ 1,384,700	\$ 1,242,046	\$ 1,374,550	-\$10,150	-10.30%
	Local Agency Apportionment					
40001	City of Los Angeles	\$ 203,456	\$ 203,456	\$ 203,456	-	0.00%
40002	County of Los Angeles	508,633	508,633	508,633	-	0.00%
40003	Other Cities (87)	305,177	305,177	305,177	-	0.00%
40004	Special Districts	305,177	305,177	305,177	-	0.00%
	Total Local Agency Apportionment	\$ 1,322,443	\$ 1,322,443	\$ 1,322,443	\$ -	0.00%

Staff Report

May 9, 2018

Agenda Item No. 8.a.

Protest Hearing on Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County

On March 14, 2018, your Commission approved a request for the annexation of approximately 180.21± acres of uninhabited territory into the boundaries of the Santa Clarita Valley Sanitation District of Los Angeles County. The Protest Hearing before you today will satisfy the requirements of Government Code Section 57000, *et seq.*

The number of written protests received and not withdrawn is 0 .

PROPOSAL SUMMARY:

Size of Affected Territory:	180.21± acres
Inhabited/Uninhabited:	Uninhabited
Applicant:	Santa Clarita Valley Sanitation District of Los Angeles County
Resolution or Petition:	October 2, 2017
Application Filed with LAFCO:	October 11, 2017
Location:	The affected territory is located on Lost Canyon Road approximately 1,000 feet west of Sand Canyon Road.
City/County:	City of Santa Clarita
Affected Territory:	The affected area includes commercial and residential territory. The development proposed with the annexation area consists of up to 1,100 proposed residential units, and one 950,000 square feet of proposed mixed-use commercial development within vacant areas. The Santa Clara River is 700 feet north of the affected territory. The topography is flat.
Surrounding Territory:	Surrounding territory is commercial and residential.
Landowner(s):	5 landowners

Registered Voters:	0 registered voters as of October 5, 2017.
Purpose/Background:	For the District to provide off-site sewage disposal service.
Related Jurisdictional Changes:	There are no related jurisdictional changes.
Within SOI:	Yes.
Waiver of Notice/Hearing/Protest:	No.
CEQA Clearance:	The California Environmental Quality Act (CEQA) clearance is an Environmental Impact Report certified by the City of Santa Clarita, as lead agency, on April 26, 2011.
Additional Information:	None.

FACTORS TO BE CONSIDERED PURSUANT TO GOVERNMENT CODE 56668:

a. Population:

The existing population is 0 residents as of October 5, 2017.

The population density issue does not apply because the affected territory is unpopulated.

The estimated future population is 3,700 residents.

The affected territory is 180.21± acres. The territory consists of approximately 1,100 proposed residential units, and one 950,000 square feet of proposed mixed-use commercial development within vacant areas. The Santa Clara River is 700 feet north of the affected territory.

The assessed valuation is \$10,529,199 as of October 5, 2017.

The per capita assessed valuation issue does not apply because the affected territory is unpopulated.

On December 19, 2017, the County adopted a negotiated tax exchange resolution; all other involved public agencies have adopted a property tax transfer resolution.

The topography of the affected territory is flat.

There are no natural boundaries.

There are no drainage basins on or near the affected territory.

Surrounding territory is residential to the east and west, commercial to the south and the Santa Clara River is north of the affected territory.

The affected territory is likely to experience modest growth in the next ten years. The adjacent areas are likely to experience modest growth in the next ten years.

b. Governmental Services and Controls:

The affected territory will be developed to include approximately 1,100 proposed residential units, and one 950,000 square feet of proposed mixed-use commercial development which require organized governmental services. The affected territory will require governmental services indefinitely.

The present cost and adequacy of governmental services and controls in the area are acceptable. With respect to sanitary sewage disposal, other than service provided by the District, there is no other sewer service alternative. The Los Angeles County Department of Public Health prohibits the installation, alteration, or repair of any on-site wastewater

treatment systems for any building for which connection to a public sewer system is available within 200 feet. Due to the proposed land uses within the annexation area and its proximity to existing sewer infrastructure, public sewer service is the only viable alternative for development to occur. The cost of sewage disposal by the District is relatively preferable since the annexation is relatively close to an existing public sewer system. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

c. *Proposed Action and Alternative Actions:*

The proposed action may have an effect on the mutual social and economic interests as addressed in the project EIR. The proposal may have an impact on the local government structure of the County as addressed in the project EIR. There is no alternative to public sewage disposal. Service by the District is considered more reliable than septic systems. Service by the District is environmentally superior in terms of wastewater treatment, effluent discharge, and impacts on surface water bodies and groundwater.

d. *Conformity with Commission Policies on Urban Development and Open Space Conversion Policies:*

There are no conformance issues because the Commission has not adopted any policies relative to providing planned, orderly, efficient patterns of urban development.

There is no prime agricultural land within or adjacent to the affected territory. The proposal conforms with the objectives in Government Code Sections 56377(a) and 56377(b).

e. *Agricultural Lands:*

There are no effects on agricultural lands, as defined. None of the land within the affected territory is currently used for the purpose of producing an agricultural commodity for commercial purposes. According to the California Department of Conservation, Division of Land Resource Protection, none of the land within the affected territory is subject to a Land Conservation Act (aka "Williamson Act") contract nor in a Farmland Security Zone (California Land Conservation Act 2012 Status Report).

f. *Boundaries:*

The boundaries of the affected territory have been clearly defined by the applicant, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

The boundaries conform to lines of assessment or ownership, and these boundaries have been reviewed and approved by LAFCO's GIS/Mapping Technician.

As a special district annexation, the proposal has no impact on existing city-county boundaries, nor does it create islands or corridors of unincorporated territory.

g. Consistency with Regional Transportation Plan:

The Southern California Association of Governments (SCAG) adopted its 2016-2040 Regional Transportation Plan (RTP) and Sustainable Communities Strategy (SCS) pursuant to Government Code Section 65080. The closest highway to the annexation is part of the RTP and SCS's State Highway improved program. The proposal has no significant impact and is therefore consistent with, the Regional Transportation Plan.

h. Consistency with Plans:

The proposal is consistent with the existing City of Santa Clarita's General Plan designation of Specific Plan (SP).

The proposal is consistent with the existing City of Santa Clarita's Specific Plan designation of Specific Plan 07-001 Vista Canyon Project (Santa Clarita, SP 07-001).

Pre-zoning is not a requirement for a special district proposal.

i. Sphere of Influence:

The affected territory is within the Sphere of Influence of the Santa Clarita Valley Sanitation District of Los Angeles County.

j. Comments from Public Agencies:

Staff did not receive any significant comments from public agencies or any resolutions raising objections from any affected agency.

k. Ability to Provide Services:

Although the affected territory is not currently served by the District, the area was included in the future service area that might be served by the District. The District's future wastewater management needs were addressed in the 2015 Santa Clarita Joint Sewerage System Facilities Plan and EIR.

l. Timely Availability of Water Supplies:

There are no known issues regarding water supply or delivery. The Santa Clarita Valley Water Agency will provide water services to the affected territory.

m. Regional Housing:

This proposal will assist the City's ability to achieve its fair share of the regional housing needs since the annexation area is being developed with approximately 1,100 single-family Residence.

n. Comments from Landowners, Voters, or Residents:

Staff did not receive any significant comments from landowners, voters, or residents.

o. Land Use Designations

The proposal is consistent with the existing City of Santa Clarita's General Plan designation of Specific Plan (SP).

The proposal is consistent with the existing City of Santa Clarita's zoning designation of Specific Plan 07-001 Vista Canyon Project (Santa Clarita, SP 07-001).

p. Environmental Justice:

All of the owners of real property within the affected territory have requested, in writing, that the District provide off-site sewage disposal service. Property-owners of adjacent areas did not request such service, and/or were contacted by Sanitation District staff and were not interested in securing such service or did not respond. The proposal promotes environmental justice, in that there is fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

ADDITIONAL INFORMATION/OTHER MATTERS RELEVANT TO THE PROPOSAL:

None.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The CEQA clearance is an Environmental Impact Report certified by the City of Santa Clarita, as lead agency, on April 26, 2011. The Commission is a responsible agency pursuant to CEQA and State CEQA Guidelines Section 15096.

CONCLUSION:

Staff recommends approval of the proposal as a logical and reasonable extension of the Santa Clarita Valley Sanitation District of Los Angeles County which will be for the interest of landowners and/or present and/or future inhabitants within the district and within the annexation territory.

RECOMMENDED ACTION:

1. Open the protest hearing and receive written protests;
2. Close the protest hearing;
3. Instruct the Executive Officer, pursuant to Government Code Section 57075, to determine the value of written protests filed and not withdrawn and report back to the Commission with the results; and
4. Based upon the results of the protest hearing, adopt a resolution either terminating the annexation proceedings if a majority protest exists pursuant to Government Code Section 57078 or ordering Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County if written protests have been filed and not withdrawn by owners of land who own less than 50 percent of the total assessed value of land within the affected territory.

**RESOLUTION NO. 2018-00PR
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS ORDERING
"ANNEXATION NO. 1079 TO THE SANTA CLARITA VALLEY SANITATION DISTRICT
OF LOS ANGELES COUNTY"**

WHEREAS, the Santa Clarita Valley Sanitation District (District) adopted a resolution of application to initiate proceedings, which was submitted to the Local Agency Formation Commission for the County of Los Angeles (Commission), pursuant to, Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), for annexation of territory herein described to the District, all within the City of Santa Clarita; and

WHEREAS, the proposed annexation consists of approximately 180.21± acres of uninhabited territory and is assigned the following distinctive short-form designation: "Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County"; and

WHEREAS, a description of the boundaries and map of the proposal are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein; and

WHEREAS, the principal reason for the proposed annexation is for the District to provide off-site sewage disposal for approximately 1,100 proposed residential units, and one 950,000 square feet of proposed mixed-use commercial development; and

WHEREAS, on March 14, 2018, the Commission approved Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County; and

WHEREAS, pursuant to Government Code Section 57002, the Commission set the protest hearing for May 9, 2018 at 9:00 a.m., at the Los Angeles County Board of Supervisors Hearing Room, Kenneth Hahn Hall of Administration Room 381-B, located at 500 West Temple Street, Los Angeles, California, 90012; and

WHEREAS, the Executive Officer has given notice of the protest hearing pursuant to Government Code Sections 56150-56160, 56660-56661, 57025, and 57026, wherein the protest hearing notice was published in a newspaper of general circulation in the County of Los Angeles on April 9, 2018, which is at least 21 days prior to the protest hearing, and said hearing notice was also mailed to all required recipients by first-class mail on or before the date of newspaper publication; and

WHEREAS, at the time and place fixed in the notice, the hearing was held, and any and all oral or written protests, objections, and evidence were received and considered; and

WHEREAS, the Commission, acting as the conducting authority, has the ministerial duty of tabulating the value of protests filed and not withdrawn and either terminating these proceedings if a majority protest exists or ordering the annexation directly; and the Commission has received a report and recommendations on adoption of a conforming resolution from its Executive Officer.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Commission finds that the number of property owners is 5, and the total assessed value of land within the affected territory is \$10,529,199.

2. The Commission finds that the number of written protests filed in opposition to Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County and not withdrawn is ____, which, even if valid, represents owners of land who own less than 50 percent of the assessed value of land within the affected territory.
3. A description of the boundaries and map of the proposal, as approved by this Commission, are set forth in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.
4. The affected territory consists of 180.21± acres, is uninhabited, and is assigned the following short form designation:

"Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County"
5. Annexation No. 1079 to the Santa Clarita Valley Sanitation District of Los Angeles County is hereby approved, subject to the following terms and conditions:
 - a. The District agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
 - b. The effective date of the annexation shall be the date of recordation.
 - c. Payment of Registrar- Recorder/County Clerk and State Board of Equalization fees.

- d. The territory so annexed shall be subject to the payment of such service charges, assessments or taxes as may be legally imposed by the District.
 - e. The regular County assessment roll shall be utilized by the District.
 - f. The affected territory will be taxed for any existing general indebtedness, if any, of the District.
 - g. Annexation of the affected territory described in Exhibits "A" and "B" to the District.
 - h. Except to the extent in conflict with "a" through "g", above, the general terms and conditions contained in Chapter 2 of Part 5, Division 3, Title 5 of the California Government Code (commencing with Government Code Section 57325) shall apply to this annexation.
6. The Commission hereby orders the uninhabited territory described in Exhibits "A" and "B" annexed to the Santa Clarita Valley Sanitation District of Los Angeles County.
7. The Executive Officer is directed to transmit a copy of this resolution to the District, upon the District's payment of the applicable fees required by Government Code Section 54902.5 and prepare, execute and file a certificate of completion with the appropriate public agencies, pursuant to Government Code Section 57200, *et seq.*

PASSED AND ADOPTED this 9th day of May 2018.

MOTION:

SECOND:

AYES:

NOES:

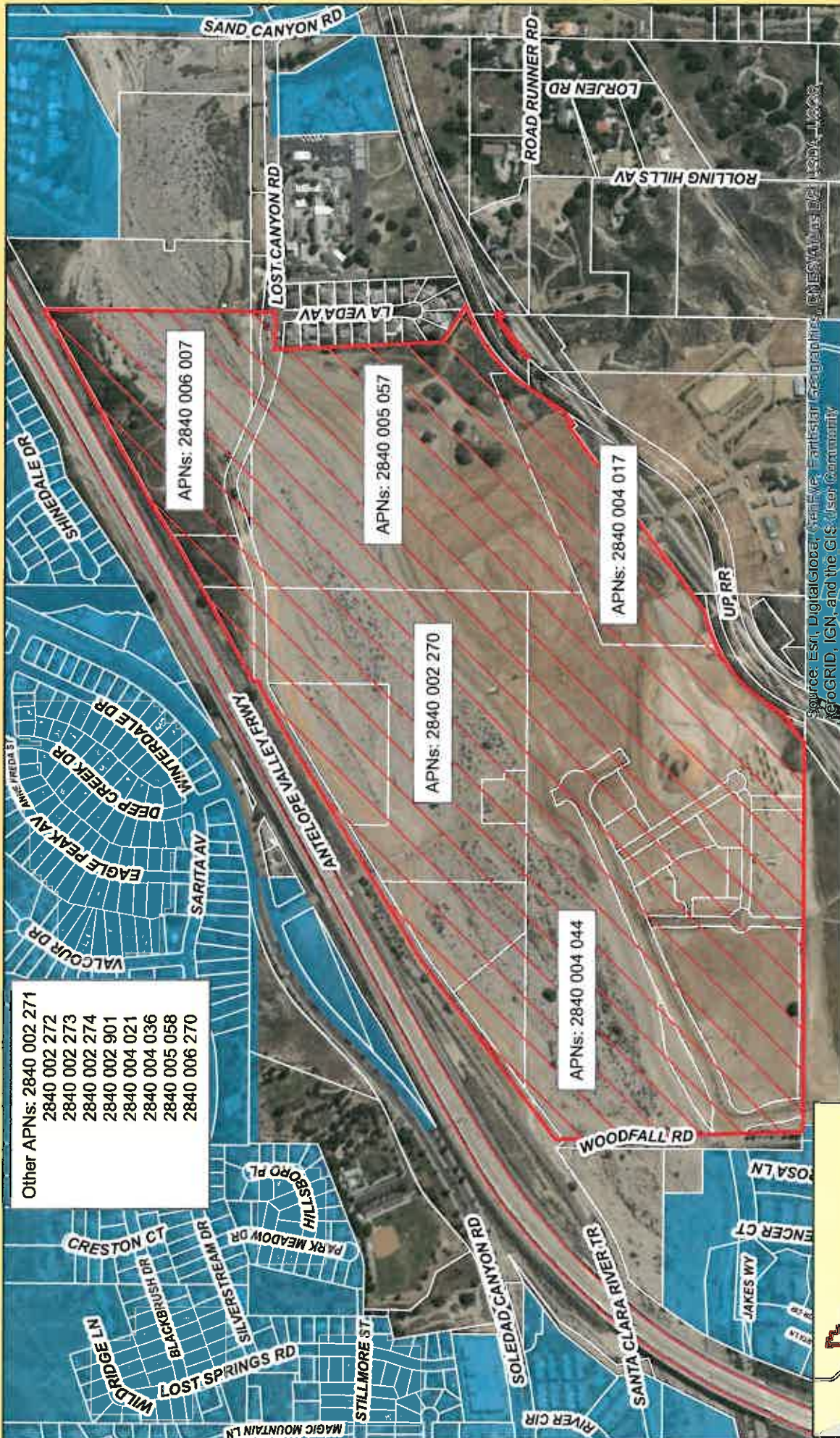
ABSTAIN:

ABSENT:

MOTION PASSES: 0/0/0

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

**Paul A. Novak, AICP
Executive Officer**

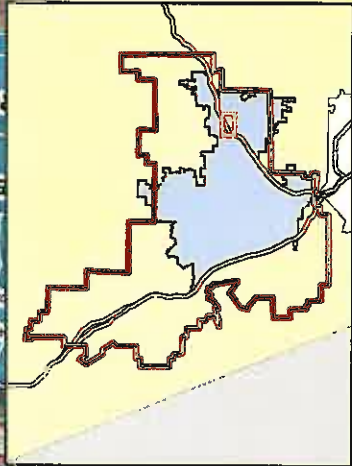


Annexation No. 1079 to the Santa Clara Valley Sanitation District of Los Angeles County



LAFCO
Local Agency Formation Commission
for the County of Los Angeles

- Legend**
- SCV-1079
 - City of Santa Clarita
 - Santa Clara Valley Sanitation District of Los Angeles County
 - Sphere of Influence, CSD SCV



Staff Report

May 9, 2018

Agenda Item No. 9.a.

Selection of Other Post-Employment Benefits (OPEB) Trust Fund Administrator

Background: The Government Accounting Standards Board (GASB) has released new accounting standards for public sector Other Post-Employment Benefits (OPEB) programs. Public agencies participating in an OPEB program are now required to report their full estimated and accrued OPEB liability obligations within the agency's audited financial statements.

The Commission is complying with this new requirement and is reporting its full and accrued OPEB liability obligation within its June 30, 2017 annual financial statements. The full estimated and accrued OPEB liability obligation consists of present-value based estimated anticipated healthcare costs for current LAFCO retirees and future LAFCO retirees. Since the liability has been identified and estimated, the Commission has earmarked funds to offset this liability. The intent of the Commission is to establish an OPEB irrevocable trust fund (Trust) so that those funds set aside may be transferred into it. The Trust would pre-fund current and future retirement healthcare liabilities and reduce the current OPEB liability obligation on the Commission's annual financial statements. Without the Trust, the full estimated and accrued OPEB liability obligation will be presented on the financial statements as unfunded. Current OPEB expenses for existing LAFCO retirees are paid monthly, on a pay-as-you-go schedule.

This item is to present options for and recommend an OPEB Trust Fund Administrator for the Commission.

Trust Fund Administrator Options:

To date, staff has researched three different OPEB Trust Fund administrators: 1) California Public Employees' Retirement System (CalPERS)—California Employers' Retirement Benefit Trust Fund (CERBT) Division, 2) Public Agency Retirement Services (PARS), and 3) the Los Angeles County Employees Retirement Association (LACERA). Each of these potential administrators would hold our assets in an Internal Revenue Code (IRC) 115 Irrevocable Trust.

1. LACERA

After careful consideration of the information provided by LACERA, staff determined that it would not be cost beneficial to pursue LACERA as its OPEB Trust Fund administrator. LACERA manages a single OPEB Master Trust with a net asset value of approximately \$913 million. Annual administrative fees and startup costs for the first year are estimated at approximately \$16,000, every year thereafter, annual administrative fees would be approximately \$10,000. The costs for LACERA to manage LAFCO funds in the OPEB Trust significantly exceed the costs of the other two entities and would diminish the potential return on

investments. Consequently, the LACERA OPEB Master Trust is not considered to be cost effective.

2. Comparison of CERBT and PARS

Provided is a brief summary of the remaining two options:

<i>Basis: For every \$100,000 the followings fees and returns would apply.</i>	CERBT	PARS
Administrative Fees	Approx. \$100/yr. <i>(10 basis points ~.10%)</i>	Approx. \$600/yr. <i>(58 basis points ~.60%)</i>
Returns of Investments— “Conservative” Rate of Return	Approx. \$6,730/yr. <i>(6.73% Conservative)</i>	Approx. \$7,420/yr. <i>(7.42% Moderate)</i>
Estimated Annual Net Income	\$6,630	\$6,820
Asset Allocation Strategies	3	5
Risk Levels	<i>Less Conservative, Conservative, More Conservative</i>	<i>Conservative, Moderately Conservative, Moderate, Balanced, Capital Appreciation</i>
Minimum Contribution	0	0
Reimbursement Limits	1 year of OPEB expenses	Up to two years of OPEB expenses
Investment Management	Trust Administrator: CalPERS Board Trustee: State Street Bank Investment Manager: CalPERS Investment Staff & State Street Global Advisors	Trust Administrator: PARs Trustee: US Bank Investment Manager: HighMark Capital
Program Inception	2007	1984
Participating Employers	524	212
Assets under management	Approx. \$7.9 billion	Approx. \$2.8 billion

It is the intent of the Commission to reduce its unfunded OPEB liability, as it appears on annual financial statements. Both potential options, CERBT and PARS, would allow that to occur.

The major difference between the two administrators is that PARS is a private firm that provides a larger variety of strategies and risk levels for investments, at a higher cost. CERBT as a public governmental agency provides similar services at a lower cost.

In practice, for every \$100,000 invested, the annual administrative fees charged by PARS would be \$600, compared to CERBT at \$100.

Based on a moderate/conservative investment approach the investment income managed by PARS would be slightly higher by approximately \$690. However, due to PARS' higher administrative fees, in one year's time, the net income for every \$100,000 invested, would be negligibly higher, or \$190. Due to PARS higher administrative costs that diminish investment net income growth, we believe CERBT would be the preferred alternative. In addition, CERBT assists with GASB compliance and financial reporting, facilitating LAFCO's ability to report its net OPEB liability appropriately.

Recommended Action:

1. Select the California Public Employees' Retirement System (CalPERS)—California Employers' Retirement Benefit Trust Fund (CERBT) Division as LAFCO's OPEB Trust Fund Administrator.
2. Authorize staff to initiate negotiations with CalPERS—CERBT Division.

Enclosures: 1) CERBT Presentation
2) PARS Presentation

California Employers' Retiree Benefit Trust Features and Benefits

Karen Lookingbill

Alisa Perry

CERBT Customer Outreach and Support



1

Features and Benefits of the CERBT Program

Discussion overview

- What is OPEB?
- Impact of prefunding
- Advantages of the CERBT
- Investment management
- Compliant reporting
- Simple, focused administration
- CERBT experience data
- Questions and contact information



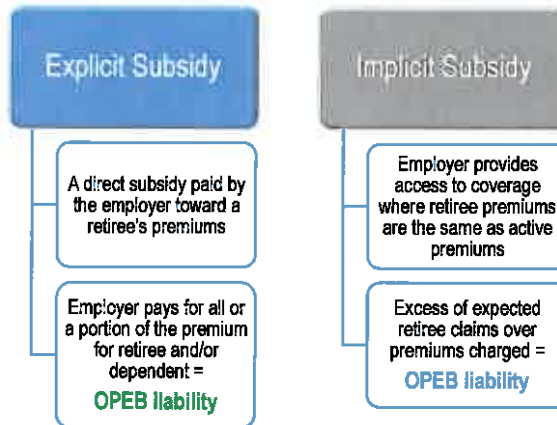
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What is OPEB?

What is OPEB?

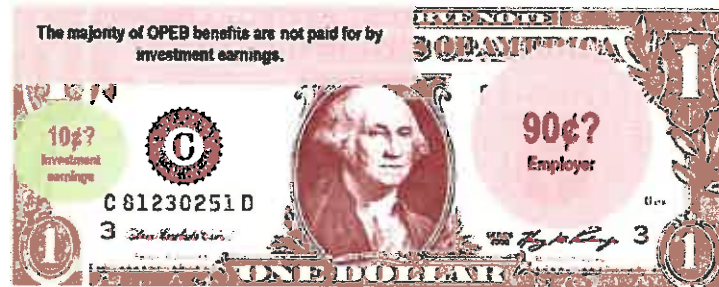


How OPEB creates an employer liability



Impact of prefunding

Pay-as-you-go



- OPEB costs paid out of current year operating budget
- Current year operating budget usually invested in County Treasury, LAIF, or money market account
- Long-term annualized investment returns historically range from 3%-5%

The impact of prefunding



- The majority of CalPERS pension benefits are paid by investment earnings
- Prefunding provides employers with a greater likelihood of saving money over the long-term

The impact of prefunding

Demonstrates
prudent
financial
management

- Prefunding OPEB will likely generate more optimal financial reporting outcomes
- Irrevocable trust allows assets to offset liabilities
- May decrease impact of GASB 75
- May contribute to preserving a positive credit rating

The impact of prefunding

Higher
discount rate
reduces AAL
and ARC

- Discount rate discounts future benefit payments into today's dollars
- Higher discount rates reduce OPEB liabilities and principal investment contributions

State of California Valuation Results*

Valuation Dated June 30, 2016 (\$ in billions)	Full ARC	½ ARC	Pay-as-You-Go
Discount Rate	7.28%	5.765%	4.25%
Assets needed to fund Accrued Liability as of June 30, 2016	\$50.3	\$61.4	\$76.7
ARC for FY 2016-17	\$4.1	\$4.8	\$5.8
Expected Employer Contributions for FY 2016-17	\$4.1	\$3.1	\$2.1
Expected Change to Net OPEB Obligation for FY 2016-17	\$0	\$1.7	\$3.7

*Discount rate corresponds to the CERBT asset allocation strategy.

ARC based on 30 year amortization.



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Advantages of the CERBT



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Advantages of the CERBT

- Excellent customer service
- Simple, focused administrative procedures and processes
- Financial reporting compliant with GASB
- CERBT manages investment policy
- Lowest cost for services

Employer controls the funding policy

- Decides if, when, and how much to contribute
 - Contributions are never required
 - Vary contributions based on budgetary conditions
- Decides if and when to seek reimbursement
 - Eligible to reimburse up to 100% of annual OPEB expenses
- Decides on asset allocation strategy
 - May choose one of three asset allocation strategies
- Determines independent consulting actuary
 - Maintains local control of actuarial assumptions

Investment management

Investment management

- CalPERS Board accepts investment fiduciary responsibility
 - GC 53620-53622
- CalPERS Board determines investment policy, asset classes and asset allocation strategies
- Strategies and investment transactions managed by the same skilled investment professionals that manage the Public Employees Retirement Fund (PERF)

Investment management

Investment risk is managed through:

- Diversification of assets
- Board approved investment policy
- Performance measured against objective public benchmarks
- Oversight by independent external investment consultant, by CFO and CalPERS Office of Enterprise Risk Management



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CERBT asset allocation strategies

	Strategy 1	Strategy 2	Strategy 3
Expected Long Term Rate of Return <small>(General Inflation Rate Assumption of 2.75%)</small>	7.28%	6.73%	6.12%
Standard Deviation of Expected Returns	11.74%	9.32%	7.14%

- All CERBT asset allocation strategies share the same public market asset classes
 - Allocation strategies differ only to the extent to which they participate in each of the asset classes



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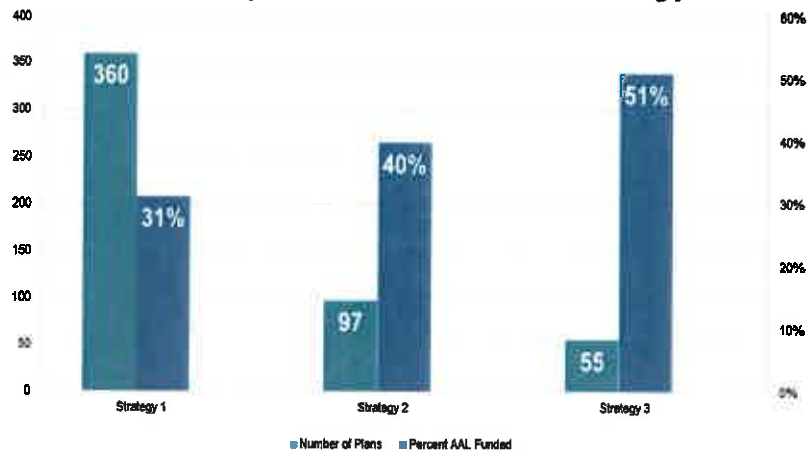
CERBT asset class target allocations

Asset Classification	Investment Management	Strategy 1	Strategy 2	Strategy 3
Global Equity	Passive MSCI All Country World Index	57%	40%	24%
Fixed Income	Active Barclays Capital Long Liability Index	27%	39%	39%
Global Real Estate (REITs)	Passive FTSE EPRA/NAREIT Developed Liquid Index	8%	8%	8%
Treasury Inflation Protected Securities (TIPS)	Passive Barclays Capital Global Real US TIPS Index	5%	10%	26%
Commodities	Active S&P GSCI Total Return Index	3%	3%	3%

Choosing an asset allocation strategy

- Employers asset allocation strategy choice is a financial decision
- Plan conditions which might cause an employer to consider an asset allocation with lower expected return volatility
 - OPEB liabilities are capped and not expected to grow
 - Well-funded plan
 - Active employee age demographic
- Discuss with OPEB actuary

Participation by Asset Allocation Strategy



Certain agencies excluded

As of June 30, 2017



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CERBT investment results – time weighted

Periods Ended June 30, 2017

Fund	Assets	1 Month	3 Months	1 Year	3 Years	5 Years	ITO
CERBT Strategy 1 (Inception June 1, 2007)	\$5,655,309,380	0.32%	3.16%	10.62%	3.74%	8.14%	4.48%
Benchmark		0.27%	3.04%	9.87%	3.23%	7.72%	4.02%
CERBT Strategy 2 (Inception October 1, 2011)	\$880,296,151	0.17%	2.68%	7.28%	3.25%	6.73%	7.73%
Benchmark		0.11%	2.56%	6.52%	2.80%	6.31%	7.42%
CERBT Strategy 3 (Inception January 1, 2012)	\$260,575,304	-0.08%	1.92%	4.16%	2.75%	5.19%	5.64%
Benchmark		-0.14%	1.82%	3.48%	2.31%	4.72%	5.26%

Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's CERBT fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets w/c, is less. Returns based on the performance and other factors generally affecting the securities market.



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Financial reporting

Features and Benefits of the CERBT Program

Timeline of significant GASB Statements

GASB 43/45

Provided financial reporting guidelines regarding costs and financial obligations for OPEB

GASB 57

Amended GASB 43 and 45 which addressed AMM use for some employers

GASB 74/75

Improved accounting and financial reporting by state and local governments for OPEB

2004

2009

2012

2015

2007 – CERBT established by statute under Section 115 of Internal Revenue Code

GASB 67/68

Improved accounting and financial reporting by state and local governments for pension

2016-2017: CERBT contracts with 500th employer and exceeds \$7 billion in assets under management

Financial reporting

- CERBT is the Plan
 - Provides audited and compliant GASB 74 report
 - Schedule of Changes in Fiduciary Net Position (FNP)

FNP Fiscal Year	Expected Availability
2015-16	November 2017
2016-17	February 2018
2017-18	November 2018

Financial reporting

GASB 74 & 75 overview:

- Effective dates for implementation of GASB 75

Employer Fiscal Year End	Effective Dates
December	12/31/2018
March	03/31/2019
June	06/30/2018
September	09/30/2018

Financial reporting

GASB 74 & 75 overview:

- Employers will report the Net OPEB Liability on their financials
 - ARC no longer relevant for accounting purposes
- GASB 75 requires an audited Schedule of Changes in Fiduciary Net Position from CERBT
- Significant increase in Note Disclosures and Required Supplementary Information

Financial reporting

GASB 74 & 75 overview:

- Measurement date detached from actuarial valuation date
 - 30 months + 1 day
- Amortization periods likely to be substantially shorter
- Discount rate determinations based on funding behavior
- Late contribution accruals will not be allowed
- Triennial valuations will not be allowed

Compliant reporting

CERBT Delivers

Fiduciary Investment Board

Audited GASB 74 Statement

Financial Reporting Support

Employer GASB Advocacy

Simple, focused administration

Simple, focused administration

OPEB cost reports measure liability

- Actuarial Valuation Report
 - Prepared and certified by actuary
 - Must comply with Actuarial Standards of Practice and Governmental Accounting Standards
- Alternative Measurement Method (AMM)
 - Prepared and certified by employer
 - Employer plan must have fewer than 100 plan members



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OPEB data extracts

- For CalPERS Health Benefits contracted employers
 - Must be requested by completing two forms
- Within 30 days after receipt of request CERBT will provide
 - Participant data maintained by CalPERS
 - Excel workbook sent via password protected email
- Things to consider
 - May not include all of your OPEB participant data
 - Accuracy of data is responsibility of employer



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Simple, focused administration - contracting

Governing Body	Actuary	Agency
Two signed copies of Agreement	Actuarial Valuation	
	Summary of Actuarial Information	Certification of Funding Policy and GASB Reporting Compliance
Delegation of Authority to Request Disbursements	Certification of Actuarial Information	

Simple, focused administration - contracting

Task	Duration
CalPERS reviews and accepts contract documents and actuarial valuation report	One week or less
To make earliest initial contribution	Immediately after CalPERS contract acceptance

Simple, focused administration - transactions

Contributions

- OPEB contributions are NEVER required
- No minimum contribution
- Methods of making contributions include:
 - Check – Wire – Electronic Funds Transfer (EFT)



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Simple, focused administration - transactions

Disbursements

- Approval process
 - Submit the Disbursement Request Form
 - Signed by proper positions which have been delegated authority
 - Assets on hand to provide requested amount
- Frequency
 - Disbursements are sent out monthly
- Late Disbursement accruals
 - Receive Disbursement Request Form by last business day in July
 - Disbursement check sent to employer in August



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Employer account online record keeping system

- Employers can view and download
 - Asset balances
 - Transaction records
 - Quarterly/Annual statements
- Data as of market close the previous business day
- Access to key CERBT forms



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Simple, focused administration - statements

- Quarterly account statements
 - Available online ~ two weeks post quarter close (except Q4)
 - Email notification will be sent once statements published
- Annual account statements
 - Available online ~ six weeks post fiscal year close
 - Email notification will be sent once statements published
 - Annual statement delivered in August is unaudited
 - CERBT will provide an audited, GASB 75 compliant, Schedule of Changes in Fiduciary Net Position



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CERBT total participation cost

- Total cost of CERBT participation is 10 basis points of assets under management
 - Consists of all administrative and investment management expenses including:
 - State Street Global Advisors (SSGA) (external investment management)
 - Includes imbedded external investment management fees (1.5 basis points)
 - Northeast Retirement Services (online record keeping)

CERBT fee rate breakdown

Source of Fees	CERBT FY 2017-2018
External investment management fees	2.03 basis points
External investment operating expenses to fund managers	1.50 basis points
Internal investment fees	0.67 basis points
Custodial services fees	0.19 basis points
Online record keeping fees	0.15 basis points
Program administration fees	5.46 basis points
Total (all inclusive)	10.00 basis points

CERBT total participation cost

- Total cost of CERBT participation is 10 basis points of assets under management
 - CERBT is a self-funded trust
 - CERBT does not profit
 - Employer account charged daily
 - Rate can be changed without prior notice and may be higher or lower in the future

CERBT fee rate history

Fiscal Year	Total Participation Cost
2007-2008	2.00 basis points
2008-2009	6.00 basis points
2009-2010	8.00 basis points
2010-2011	12.00 basis points
2011-2012	12.00 basis points
2012-2013	15.00 basis points
2013-2014	14.00 basis points
2014-2015	10.00 basis points
2015-2016	10.00 basis points
2016-2017	10.00 basis points
2017-2018	10.00 basis points

CERBT experience data



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Features and Benefits of the CERBT Program

CERBT FY 2016-17 highlights

CERBT experienced a number of significant milestones

- Total CERBT contracts – 524
- Over \$1 billion in net contributions during the FY
- \$562 million in investment earnings
- Total assets under management grew by more than 30% ending the FY at \$6.8 billion
- Total covered lives increased 81.3% ending the FY at 729,315



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CERBT employers under contract

525 Total

- State of California
- 135 Cities or Towns
- 14 Counties
- 60 Schools
- 22 Courts
- 293 Special Districts and other Public Agencies
 - (90 Water, 34 Sanitation, 29 Fire, 22 Transportation)

As of August 18, 2017



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CERBT employers cumulative growth



As of June 30, 2017



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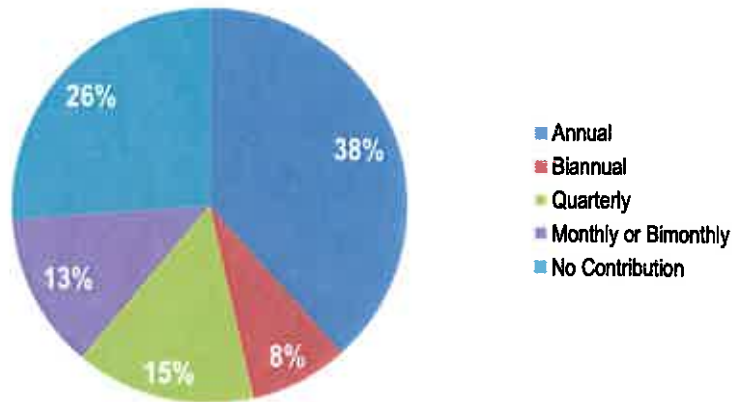
CERBT employer cumulative assets under management



CERBT employer cumulative net contributions



CERBT contribution patterns



FY 2016-17 contribution patterns

Cost-sharing of OPEB

Conditions that may allow for employee sharing of employer OPEB costs in an IRC Section 115 trust fund

- Employee shared contributions must be mandatory and uniform
 - May vary by bargaining unit only
- No voluntary or elective contributions
- No one-time irrevocable elections
- Assets contributed to the CERBT belong to the employer
 - Employees, former employees, retirees and dependents have no reversion rights

CERBT disbursements by fiscal year



CERBT cumulative disbursements



CERBT disbursement frequency

28%

Percentage of employers
requesting disbursements

72%

Percentage of employers not
requesting disbursements

As of June 30, 2017

CERBT employer funding levels

Funding level	Actuarial Accrued Liability	Present Value of Benefits
0% - 25%	144	195
25% - 50%	151	175
50% - 75%	97	92
75% - 100%	69	41
> 100%	63	21

As of June 30, 2017

CERBT Accrued Liabilities and Market Value of Assets

Agency Type	AAL	MVA	Funded Level
Cities and Towns	\$5.9 Billion	\$1.4 Billion	24%
Counties	\$4.1 Billion	\$1.8 Billion	44%
Courts	\$393.2 Million	\$67.6 Million	17%
Fire	\$798.4 Million	\$179.0 Million	22%
Other Special Districts	\$1.6 Billion	\$996.7 Million	62%
Sanitation	\$480.8 Million	\$236.8 Million	49%
Schools	\$19.8 Billion	\$867.1 Million	4%
State of California	\$80.6 Billion	\$538.8 Million	1%
Water	\$1.7 Billion	\$711.2 Million	42%
All CERBT Agencies	\$115.4 Billion	\$6.8 Billion	6%

As of June 30, 2017



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CERBT attributes summary

Attribute	CERBT	Other Trust Funds
World renowned investment management	X	
Accepts investment fiduciary responsibility	X	
Provides diligent GASB compliant reporting and support	X	
Employer GASB Advocacy	X	
High level of personal service	X	
Simple administration	X	
Lowest cost	X	



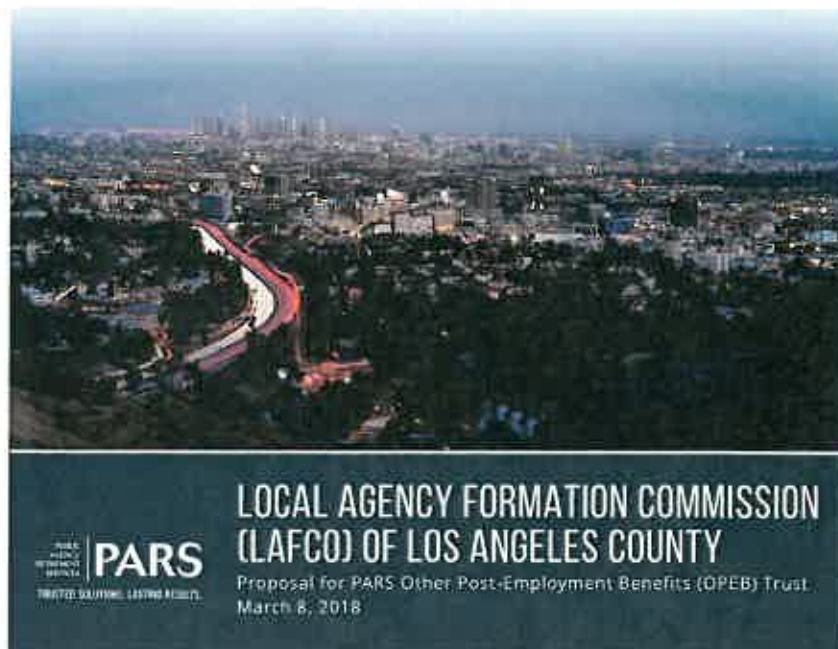
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Questions? Where to get information?

Name	Title	E-mail	Desk	Mobile
John Swedensky	Assistant Division Chief	John.Swedensky@calpers.ca.gov	(916) 795-0835	(916) 715-7960
Mati Goss	Outreach & Support Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Colleen Cain-Herback	Administration & Reporting Manager	Colleen.Cain-Herback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Alisa Perry	Outreach & Support Analyst	Alisa.Perry@calpers.ca.gov	(916) 795-3360	(916) 705-9447
Karen Lookingbill	Outreach & Support Analyst	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219

Program e-mail addresses	CERBT Website
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CERBTACCOUNT@calpers.ca.gov	





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Senior Portfolio Manager



anna.wimmer@highmarkcapital.com
(310) 550-6457



LOCAL AGENCY FORMATION COMMISSION OF LOS ANGELES COUNTY | 2

PARS TRUST TEAM



Trust Administrator & Consultant

- Recordkeeping/sub-trust accounting
- Actuarial coordination
- Monitor contributions/process disbursements
- Monitor plan compliance
- Ongoing client liaison

Trustee

- Safeguard plan assets
- Oversight protection
- Plan fiduciary
- Custodian of assets

Investment Manager

- Investment sub-advisor to U.S. Bank
- Open architecture
- Investment strategy and asset allocation development
- Investment policy assistance

Corporate Experience

34 years (1984 – 2018)

155 years (1863 – 2018)

99 years (1919 – 2018)

Plans Under Administration

1,500+ plans, 850+ public agencies, 400,000+ participants

Dollars under Administration

Over \$2.8 billion

Over \$4 trillion

Over \$14.0 billion under management



LOCAL AGENCY FORMATION COMMISSION OF LOS ANGELES COUNTY | 3

OPEB CLIENT LIST

UPDATED: MARCH 2019

CITIES & TOWNS

Alameda	Escondido	National City	Santa Clara
Alhambra	Fountain Valley	Newark	Santa Clara
Amherst	Fullerton	Novato	Sausalito
Bakersfield	Galt	Oakley	Seaside Beach
Bell Gardens	Glendale	Oroville	Stanton
Beverly Hills	Half Moon Bay	Palo Alto	Stockton
Brisbane	Hercules	Pasadena	Temple City
Camarillo	Hermosa Beach	Pico Rivera	Tiburon
Citrus Hills	Huntington Beach	Port Hueneme	Tustin
Culmo	La Verne	Redding	Union City
Commerce	Lake Forest	Redwood City	Upland
Coronado	Lakewood	Rialto	Vallejo
Covina	Livermore	Richmond	Villa Park
Crescent City	Lodi	Rollinert Park	West Covina
Cupertino	Los Gatos	Rolling Hills	West Sacramento
Daly City	Mammoth Lakes	Rosemead	Woodland
Duarte	Manhattan Beach	San Leandro	Yountville
Dublin	Morgan Hill	San Ramon	Yuba City
Elk Grove	Napa	Santa Ana	Yucca Valley

COUNTIES

Anaheim	Merced	Shasta
Contra Costa	Mono	Siskiyou
Humboldt	Nevada	Solano
Imperial	Placer	Sonoma
Inyo	Plumas	Sutter
Kern	Riverside	Trinity
Kings	San Benito	Yolo



LOCAL AGENCY FORMATION COMMISSION OF LOS ANGELES COUNTY | 4

OPEB CLIENT LIST (CONT.)

UPDATED: MARCH 2019

SPECIAL DISTRICTS

Alameda County MAD	Menlo Park Fire Protection District	Superior Court of CA, County of Kern
Bodega Bay Public Utility District	Mesa Water District	Superior Court of CA, County of Marin
Calaveras County Water District	Metropolitan Transportation Commission	Superior Court of CA, County of Merced
California JPA	Mid-Peninsula Regional Open Space District	Superior Court of CA, County of Orange
California Joint Powers RMA	Mid-Peninsula Water District	Superior Court of CA, County of San Mateo
Central Contra Costa Sanitary District	Mojave Desert AQMD	Superior Court of CA, County of Shasta
Central Contra Costa TransR Authority	Montacho Fire Protection District	Superior Court of CA, County of Siskiyou
Coastside Fire Protection District	Monterey Bay UAPCD	Superior Court of CA, County of Sonoma
Contra Costa MWD	Moraga-Orinda Fire Protection District	Three Valleys Municipal Water District
Crestline Village Water District	Municipal Water District of Orange County	Vallejo Flood and Wastewater District
Dalla Diablo (Sanitation District)	Napa County Mosquito Abatement District	Ventura Regional Sanitation District
Desert Recreation District	Novato Sanitary District	Walnut Valley Water District
East Bay Regional Park District	Orange County Vector Control District	West Bay Sanitary District
East Orange County Water District	Orange County Water District	West County Wastewater District
Eastern Sierra Community Services District	Placer County Resource Conservation District	Western Riverside Council of Governments
El Dorado Hills County Water District	Rancho Murieta Community Services District	Yuba Linda Water District
Fallbrook Public Utility District	Rosland Water District	
Fresno Irrigation District	San Mateo County MWD	
Fresno Metropolitan Flood Control District	Santa Barbara County Law Library	
Glenn-Colusa Irrigation District	Santa Cruz Regional 9-1-1	
Golara West Sanitary District	South Montebello Irrigation District	
Great Basin Unified APCD	South Coast Water District	
Hayward Area Recreation & Park District	South Orange County Wastewater Authority	
Housing Authority of the County of Contra Costa	South Placer Fire Protection District	
Housing Authority of the County of San Bernardino	Southern Marin Fire Protection District	
Humboldt Bay Municipal Water District	Superior Court of CA, County of Contra Costa	
Humboldt No. 1 Fire Protection District	Superior Court of CA, County of Imperial	
	Superior Court of CA, County of Inyo	



LOCAL AGENCY FORMATION COMMISSION OF LOS ANGELES COUNTY | 5

OPEB CLIENT LIST (CONT.)

UPDATED: MARCH 2019

SCHOOL DISTRICTS

Auburn Union School District	John Swett Unified School District	San Marino Unified School District
Bass Lake Joint Union Elementary School District	Lakeside Union School District	Santa Barbara Unified School District
Bedford Union School District	Lemon Grove School District	Santa Rita Union School District
Beverly Hills Unified School District	Manteca Unified School District	Tulare Joint Unified School District
Calistoga Joint Unified School District	Marina Valley Unified School District	Twins River Unified School District
Campbell Union High School District	Natomas Unified School District	Visalia Unified School District
Compton Unified School District	Ocean View School District	Westside Union School District
Corning Union Elementary School District	Ontario-Mentclair School District	Whittier City School District
Coronado Unified School District	Placer Union High School District	Wilksana School District
Cotati-Rohnert Park Unified School District	Red Bluff Joint Union High School District	
El Dorado Union High School District	Red Bluff Union Elementary School District	
Fontana Unified School District	River Delta Unified School District	
Fowler Unified School District	Riverdale Joint Union School District	
Hepler's Unified School District	San Bruno Park School District	

COMMUNITY COLLEGE DISTRICTS

Grossmont-Cuyamaca CCD
Marin CCD
San Bernardino CCD
State Center CCD
Yosemite CCD

SPECIAL EDUCATION DISTRICTS

Intelcom



LOCAL AGENCY FORMATION COMMISSION OF LOS ANGELES COUNTY | 6

OPEB ACTUARIAL RESULTS

- We have received the actuarial report by James Marta & Company, LLP, with a valuation date as of July 1, 2016. In the table below, we have summarized the results.

Demographic Study Valuation Date: July 1, 2016	
Actives	6
Retirees	4
Total	10
Average Active Age	45.00

OPEB ACTUARIAL RESULTS

Valuation Date: July 1, 2016	Payments: Accrued Rate: 6.5%	Report Change	Prefunding Recommendation: 7.20%
Actuarial Accrued Liability (AAL)	\$813,837	30-36% ▼	?
Actuarial Value of Assets	\$0	?	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$813,837	30-36% ▼	?
Annual Required Contribution (ARC) for FY 2016-17	\$294,989	30-36% ▼	?
Annual Benefit Payments (Pay-as-you-go) for FY 2016-17	\$22,878	?	\$22,878

Rule of thumb: For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.



OPEB PREFUNDING SCENARIOS

A	Put in full ARC	\$294,989
B	Put in Full ARC, then reimburse PAYGO at the End of Year	\$294,989 - \$22,878
C	Put in difference between ARC and PAYGO	\$272,111
D	Put in anything - Something is better than nothing!	?

WHY PREFUND OPEB?

- ✦ Greater rate of return which lowers your liabilities
- ✦ Contributions into trust are "assets" that offset liabilities on financial statements
- ✦ GASB 75 – OPEB liabilities went on Balance sheet for fiscal years after 6/30/2017
- ✦ GFOA recommends prefunding OPEB and considers it "best practice" (January 2012)
- ✦ Credit rating companies look more favorably on agencies who adopt an Irrevocable Trust and prefund
 - At least 4 agencies have improved credit rating
 - Higher credit rating means lower borrowing costs
- ✦ Lower liabilities gives an agency a chance to keep some form of retiree health benefit; higher liabilities might cause agency to eliminate post-employment benefits
- ✦ OPEB assets are accessible for OPEB expenses at any time
- ✦ Prefunding has no downside other than market fluctuation (similar to pension)

ADVANTAGES OF PROGRAM

PARS	CALPERS CREDIT
✦ Greater investment performance <u>net of all fees</u> (8.49% over 5 years; Capital Appreciation Strategy)	8.00% over 5 Years; Strategy 1
✦ Dedicated Portfolio Manager with onsite reviews, investment policy assistance and cell phone access	Not available
✦ PARS can reimburse up to 2 years of OPEB expenses	CalPERS will reimburse for only 1 year
✦ The PARS IRS approved Combo Trust is capable of prefunding either OPEB and/or Pension. Using one portfolio manager brings economies of scale, efficiencies and lower fees due to our tiered fee schedule	CalPERS does not offer pension prefunding in a separate trust from retirement system
✦ Choice of 5 risk tolerance levels (active or passive platforms) or custom	3 models only; no choice of active or passive or custom
✦ Transparency of holdings; HighMark discloses individual holdings and their percentages by asset class	CalPERS does not disclose individual holdings
✦ PARS is currently conducting a SOC-1 audit (to be completed in 2018) of internal organizational controls	Not available

ADVANTAGES OF PROGRAM: FULL SERVICE

- 1 **Dedicated PARS Senior Consultant - Mitch Barker**
 - Ensures superior client satisfaction
- 2 **Dedicated Client Services Coordinator (CSC) – Rachael Sanders**
 - Customizes Administrator's Handbook
 - Monitors contributions
 - Processes disbursements – to Retiree Medical Provider, Agency or retirees
 - Coordinates annual reviews
- 3 **Dedicated Investment Management Team – Anne Wimmer, CFA, Senior Portfolio Manager**
 - Will assist with Investment Policy Statement (versus no IPS)
 - Conducts periodic onsite reviews of performance & market conditions (versus no on site review)
 - Frequency determined by the Agency
 - Directly available by cell (versus no personal cell access)



SIMPLE INVESTMENT APPROACH



HIGHMARK CAPITAL MANAGEMENT RETURNS

RETURNS AS OF DECEMBER 31, 2017

	Equity (%)	1 Year	3 Years	5 Years
Capital Appreciation	65-85%	16.72%	8.20%	10.08%
Balanced	50-70%	15.46%	7.25%	8.54%
Moderate	40-60%	13.19%	6.46%	7.42%
Modestly Conservative	20-40%	9.56%	4.87%	5.26%
Conservative	5-20%	6.73%	3.70%	3.73%

* Past performance does not guarantee future results

PROGRAM FEES

Trust Administration/Consulting Fees*

Plan Set-Up Fee:

None

Ongoing Fees:

0.25%	for assets \$0-10 million
0.20%	for assets \$10-15 million
0.15%	for assets \$15-50 million
0.10%	for assets over \$50 million

Discretionary Trustee/Investment Management Fees*

Plan Set-Up Fee:

None

Ongoing Fees:

0.35%*	for assets under \$5 million
0.25%	for assets \$5-10 million
0.20%	for assets \$10-15 million
0.15%	for assets \$15-50 million
0.10%	for assets over \$50 million

* PARS does not receive any compensation from the investments or any commissions, back-end loads, or any other forms of compensation.
** Fees as of December 31, 2017. Subject to change due to rebalancing.

INVESTMENT FLEXIBILITY

- Agency maintains oversight of the investment manager and the portfolio's risk tolerance level
- Investment restrictions that apply to the general fund (CA Government Code 53601) are not applicable to assets held in The PARS Section 115 Irrevocable Trust
- Assets held in The PARS Section 115 Irrevocable Trust can be invested per Government Code Sections 53620 (OPEB)
- Investments can be diversified and invested in a prudent fashion
- Investments can be tailored to the Agency's unique demographics and needs
- increased risk diversification



LOCAL AGENCY FORMATION COMMISSION OF LOS ANGELES COUNTY | 16

KEY PROGRAM ADVANTAGES

- 1 IRS-approved trust structure which protects the City from Day 1 of prefunding
- 2 Market pioneer and leader with over 200 client agencies in California
- 3 Low cost prefunding solution with economies of scale and low investment fees
- 4 No start-up costs
- 5 No minimum annual fees
- 6 No fees charged until assets are in trust
- 7 No trading fees
- 8 No termination fees or restrictions
- 9 True, historical return information over 1, 3, 5 and 10 year periods – not composites
- 10 Five (5) risk tolerance portfolios that can be either actively or passively managed in addition to a customized portfolio option



LOCAL AGENCY FORMATION COMMISSION OF LOS ANGELES COUNTY | 17

PARS Investment Program

About HighMark Capital Management, Inc.

LONGEVITY

Managing assets for clients since **1919***

TALENT

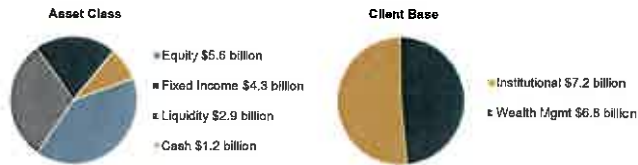
52 investment professionals
30 professionals hold the Chartered Financial Analyst® (CFA) designation
22 years average industry experience

STABILITY

Investment boutique structure headquartered in San Francisco backed by global strength within MUFG Union Bank, N.A. and Mitsubishi UFJ Financial Group

ASSETS UNDER MANAGEMENT

\$14.0 billion as of 12/31/2017



*Includes predecessor organizations. HighMark Capital Management, Inc. registered with the SEC as an investment adviser on August 7, 1998.

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Disciplined Investment Process

Your Plan's Portfolio Manager is supported by deep investment resources and unique processes.

Regular investment & performance reports, as well as contact with your account portfolio manager, helps to keep you informed.

We typically invest in share classes that offer the lowest expense ratio available for that fund, which is typically reserved for larger institutional investors.



Your portfolio's strategic asset allocation policy is established in your Investment Guidelines Document (IGD) after a thorough analysis of your needs and objectives.

Asset Allocation Committee (AAC) employs a multi-factor approach to establish long-term strategic asset allocation ranges as well as provide tactical diversification guidelines in an effort to capitalize on short-term market opportunities.

Manager Research Group utilizes rigorous due diligence methodologies to provide access to competitive externally managed strategies and index-based funds.

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Establish: Analyze Your Plan's Needs and Objectives

Your Plan's needs and objectives drive the selection of an investment strategy, which is governed by your Investment Guidelines Document.

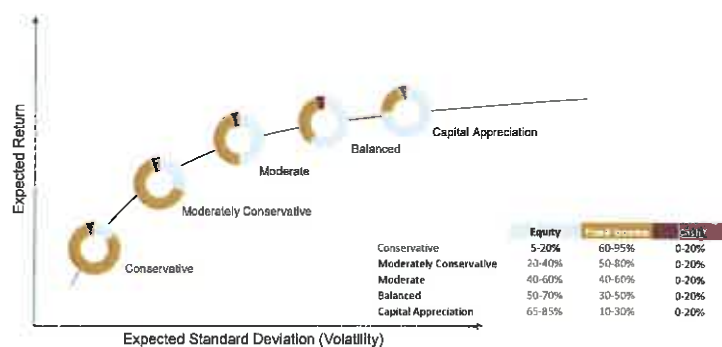
Objectives	What is the primary purpose of the Plan's investment portfolio? How much growth is needed to meet the Plan's objectives?
Risk Tolerance	How much risk can the Plan accept in order to meet Plan objectives?
Liquidity and Cash Flows	How much of the portfolio should be made available to meet the Plan's cash flow requirements?
Time Horizon	How much time does the Plan have to meet objectives or what events may trigger a change to the Plan's investment portfolio?
Constraints	Are there any regulatory or other limitations as to how the Plan's assets can be invested?
Other Considerations	What is the current funding status of the Plan?

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Establish: Determine your Strategic Asset Allocation Strategy

Efficient frontier of portfolios with varying ranges of equities and fixed income



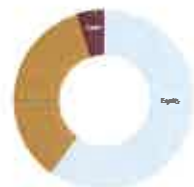
Each Investment Objective reflects the associated PARS Diversified Portfolio as of 12/31/2017. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions of the time of investment.

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HIGHMARK[®]
CAPITAL MANAGEMENT

Diversify: Tactical Asset Allocation

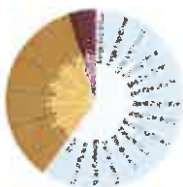
Strategic Asset Allocation



Strategic Asset Allocation is the foundation of portfolio management.

- Optimizes the long-term allocation of your portfolio across key asset classes;
- Aligned with your individual goals and objectives;
- Rooted in empirical observations supported by financial, economic, and investment theory.

Tactical Asset Allocation



Tactical Asset Allocation exploits opportunities frequently overlooked as sources for excess return.

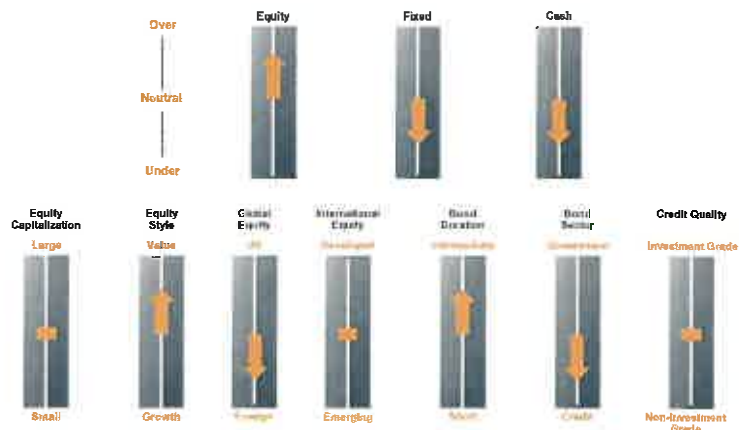
- Logical extension of Strategic Asset Allocation;
- Skews the direction, size, expected value, and duration of the portfolio;
- Sector selection, style rotation, and currency inputs identify opportunities to achieve additional return above strategic asset allocation.

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HIGHMARK[®]
CAPITAL MANAGEMENT

Diversify: Tactical Asset Allocation

What are we favoring today in PARS Diversified Portfolios?



Updated December 2017
Asset Allocation Guidelines provided by HighMark Capital Management

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HIGHMARK[®]
CAPITAL MANAGEMENT

Construct Your Plan's Portfolio: PARS Diversified Portfolios – Tactical Allocation

	Conservative	Moderately Conservative	Moderate	Balanced	Capital Appreciation
Equity	6-20%	20-30%	30-50%	50-70%	65-85%
Current Tactical	15.00%	30.00%	50.00%	60.00%	75.00%
Large Cap Blend	3.64%	8.23%	13.88%	18.40%	20.42%
Large Cap Value	2.03%	4.00%	6.80%	8.00%	10.02%
Large Cap Growth	1.23%	2.47%	4.20%	5.00%	6.16%
Mid Cap Blend	1.10%	2.20%	3.80%	4.50%	5.50%
Mid Cap Value	0.00%	0.00%	0.00%	0.00%	0.00%
Mid Cap Growth	0.76%	1.38%	1.50%	1.63%	1.75%
Small Cap Value	1.36%	2.00%	4.17%	6.00%	8.88%
Small Cap Growth	1.12%	2.00%	3.33%	4.00%	4.82%
International	2.88%	5.30%	9.23%	11.48%	14.00%
Tactical - Europe	0.00%	0.00%	0.00%	0.00%	0.00%
Emerging Markets	0.78%	1.83%	3.25%	4.00%	6.25%
Bond	80-85%	70-80%	50-60%	30-50%	15-20%
Current Tactical	75.00%	68.00%	45.00%	27.71%	22.31%
Short Term Bond	12.40%	10.15%	6.31%	4.50%	4.30%
Intermediate Term Bond	64.00%	58.85%	38.11%	31.54%	17.81%
Floating Rate Note	2.00%	1.70%	1.00%	1.25%	1.00%
Cash	11-15%	12-15%	9-11%	5-21%	0-25%
Current Tactical	8.94%	9.50%	5.21%	2.69%	1.16%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

Each Investment Objective reflects the associated PARS Diversified Portfolio as of 12/31/2017. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment.

Construct Your Plan's Portfolio: PARS Diversified Portfolios – Active v. Passive

	HighMark Plus® (Active)	Index Plus® (Passive)
Equity	Ticker Fund Name	Ticker Fund Name
Large Cap Blend	SMOIX Columbia Contrarian Core Z	VV iShares Core S&P 500
Large Cap Blend	VGIAX Vanguard Growth & Income Adm	VE iShares S&P 500 Value
Large Cap Value	DODGX Dodge & Cox Stock	VVG iShares S&P 500 Growth
Large Cap Growth	HACX Harbor Capital Appreciation Ret	WR iShares Russell Mid-Cap
Large Cap Growth	PRUGX T. Rowe Price Growth Stock I	VNO Vanguard REIT ETF
Mid Cap Blend	WR iShares Russell Mid-Cap	WN iShares Russell 2000 Value
Real Estate	VNO Vanguard REIT ETF	WVO iShares Russell 2000 Growth
Small Cap Value	UBVLX Undiscovered Managers Behavioral Val L	EFA iShares MSCI EAFE
Small Cap Growth	PRUGX T. Rowe Price New Horizons I	VWO Vanguard FTSE Emerging Markets ETF
International	NWHMX Nationwide Ballard Int'l Equ Instl	
International	DODGX Dodge & Cox International Stock	
International	MOGIX MFS International Growth I	
Emerging Markets	HMYX Hartford Schroders Emerging Mkts Eq I	
Bond	Ticker Fund Name	Ticker Fund Name
Short Term Bond	VFSUX Vanguard Short-Term Investment-Grade Adm	VFSUX Vanguard Short-Term Investment-Grade Adm
Intermediate Term Bond	PTTRX PIMCO Total Return Instl	AGG iShares Core US Aggregate Bond
Intermediate Term Bond	PTTRX Prudential Total Return Bond Q	
Intermediate Term Bond	NWJGX Nationwide Loomis Bond Instvc	
Floating Rate Note	EFHX Eaton Vance Floating-Rate & HI Inst	BKLN PIMCO Senior Loan ETF
Characteristics		
Fund Manager Dependency	Higher dependency on portfolio manager skill	Tracks Index, thus little-to-no dependency on portfolio manager skill
Opportunity to Outperform Index	Opportunity to outperform index	Typically performs below Index after fees
Costs	Higher expense ratios due to portfolio manager skill	Lower expense ratio due to little dependency on portfolio manager skill or opportunity for outperformance

Each Investment Objective reflects the associated PARS Diversified Portfolio as of 12/31/2017. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment. Specific securities identified above do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified in this presentation were or will be profitable.

Report: Responsive and Proactive Client Communication

HighMark's dedicated investment team continuously seeks to add value to our relationship with your organization.

- Integrated client service program established with PARS over the last 18 years
- We have a tradition of interactive client service to maintain a strong relationship delivered by local portfolio managers
- You benefit from face-to-face meetings and scheduled conference calls with your client service team and portfolio management team
- You receive regular communications in a variety of formats
 - Account holdings and transactions
 - Quarterly performance evaluation reports
 - Investment outlook and economic updates



Summary

Strength and Longevity	Disciplined Investment Process	Flexible Investment Options
<ul style="list-style-type: none">After 98 years of experience, we remain dedicated to helping our clients meet their investment goals and objectives.With more than 18 years of partnership with PARS, we remain firmly committed to investing in the business.Our unique market position and ownership structure provides the resources, talent, and product breadth of a large parent organization combined with the agility, flexibility, and responsiveness of a boutique investment advisor.	<ul style="list-style-type: none">Proprietary strategic asset allocation process forms the foundation of portfolio.Tactical asset allocation exploits potential market opportunities.Rigorous manager due diligence provides access to competitive externally managed strategies.Rebalancing strategies helps to ensure the portfolio is aligned with goals and objectives.	<p>5 Investment Objectives</p> <ul style="list-style-type: none">ConservativeModerately ConservativeModerateBalancedCapital Appreciation <p>2 Implementation Strategies</p> <ul style="list-style-type: none">HighMark Plus (Active)Index Plus (Passive)

* Includes predecessor organizations. HighMark Capital Management, Inc. registered with the SEC as an investment adviser on August 7, 1998.



Disclosures

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-advisor for mutual funds, common trust funds and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for those services. MUB is an indirect subsidiary of Mitsubishi UFJ Financial Group. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Specific securities identified in this presentation do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified in this presentation were or will be profitable. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

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Additional Information

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Asset Allocation Committee

Seek to identify investment opportunities using fundamental indicators to enhance returns over time through active asset allocation and investment selection without significantly increasing risk



Investment Professionals

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Investment Experience

26 years average

Tenure with Firm

13 years average

Multi-disciplinary Group

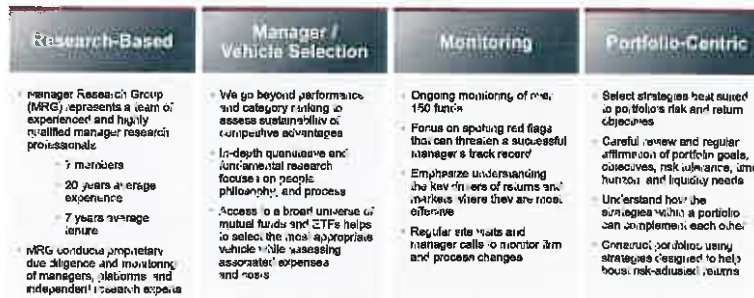
Equity, Bond, Quantitative

As of 12/31/2017



Manager Research

Our manager due diligence process optimizes our diversification strategy while harnessing both internal and external investment expertise.

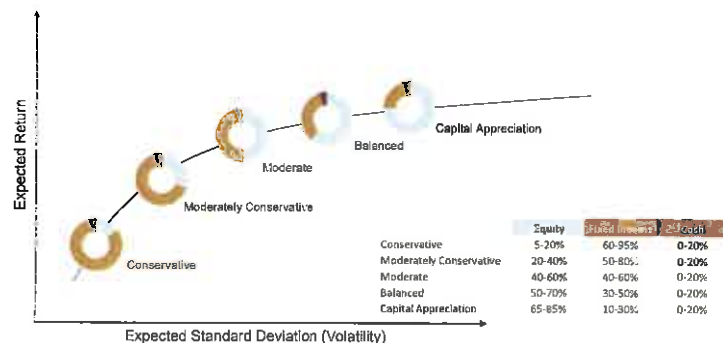


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Establish: Determine your Strategic Asset Allocation Strategy

Efficient frontier of portfolios with varying ranges of equities and fixed income



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Diversify: Tactical Asset Allocation

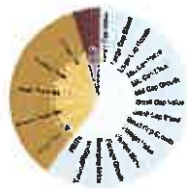
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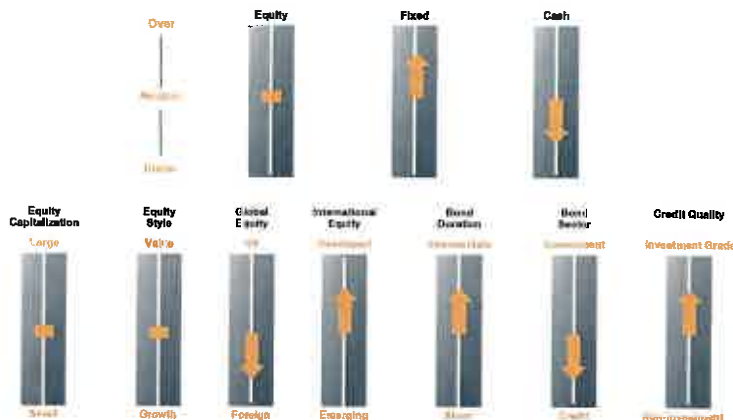
- Logical extension of Strategic Asset Allocation;
- Skews the direction, size, expected value, and duration of the portfolio;
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Diversify: Tactical Asset Allocation

What are we favoring today in PARS Diversified Portfolios?



Updated June 2017
Asset Allocation Guidelines provided by HighMark Capital Management

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HIGHMARK
CAPITAL MANAGEMENT

Construct Your Plan's Portfolio: PARS Diversified Portfolios – Tactical Allocation

	Conservative	Moderately Conservative	Moderate	Balanced	Capital Appreciation
Equity	5-20%	20-40%	40-60%	60-90%	55-45%
<i>Current Tactical</i>	15.90%	33.00%	50.00%	60.00%	75.00%
Large Cap Blend	4.73%	9.76%	16.41%	19.40%	24.77%
Large Cap Value	1.23%	2.47%	4.26%	5.00%	6.16%
Large Cap Growth	1.23%	2.47%	4.26%	5.00%	6.16%
Mid Cap Blend	1.10%	2.20%	3.60%	4.50%	5.50%
Mid Cap Value	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	0.75%	1.38%	1.50%	1.63%	1.75%
Small Cap Value	1.25%	2.25%	3.75%	4.50%	5.25%
Small Cap Growth	1.25%	2.25%	3.75%	4.50%	5.25%
International	2.68%	5.30%	9.23%	11.48%	14.90%
Tactical - Europe	0.00%	0.00%	0.00%	0.00%	0.00%
Emerging Markets	0.78%	1.93%	3.25%	4.00%	5.25%
Fixed Income	80-85%	50-60%	40-60%	10-30%	10-30%
<i>Current Tactical</i>	79.20%	66.30%	44.80%	17.40%	22.80%
Short Term Bond	22.40%	11.19%	0.71%	4.50%	4.40%
Intermediate Term Bond	43.40%	33.33%	33.11%	33.81%	17.13%
Floating Rate Note	1.00%	2.20%	3.44%	3.00%	1.30%
Cash	6-8%	0-10%	0-10%	0-20%	0-20%
<i>Current Tactical</i>	4.89%	3.10%	3.88%	3.49%	2.29%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

Each Investment Objective reflects the associated PARS Diversified Portfolio as of 6/30/2017. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment.

HIGHMARK
CAPITAL MANAGEMENT

	HighMark Plus [Active]	Fidelity Index Plus [Passive]
Equity	Ticker Fund Name SHGKX Columbia Contrarian Core Z VIGAX Vanguard Growth & Income Adm DODGX Dodge & Cox Stock NIMAX Northern Capital Appreciation Ret PRUFX T. Rowe Price Growth Stock I RWR Shares Russell Mid-Cap Real Estate JPRFX JPMorgan Real Estate Securities I UNLFX Unfunded Managers Behavioral Val L PSLIX T. Rowe Price New Horizons I INWHMX iShares MSCI World DODFX Dodge & Cox International Stock MOGIX MFS International Growth I EHXFX Hartford Strategic Emerging Mkts Eq I	Ticker Fund Name IVV iShares Core S&P 500 IVE iShares S&P 500 Value IVW iShares S&P 500 Growth IZR iShares Russell Mid-Cap VWQ Vanguard REIT ETF VNQ iShares Russell 2000 Value VWO iShares Russell 2000 Growth EFA iShares MSCI EAFE VNO Vanguard FTSE Emerging Markets ETF
Bond	Ticker Fund Name VTSUX Vanguard Short-Term Investment-Grade Adm PTPIX PIMCO Total Return Instl FTICRX Fidelity Total Return Bond Q SNOWX iShares High-Mark Bond Indvc BDFIX BlackRock Floating-Rate & FI Inc Instl	Ticker Fund Name VTSLX Vanguard Short-Term Investment-Grade Adm AIGS iShares Core US Aggregate Bond BELN PowerShares Senior Loan ETF
Characteristics	Higher dependency on portfolio manager skill	Tricities index, thus little-to-no dependency on portfolio manager skill
Opportunity to Outperform Index	Opportunity to outperform index	Typically perform below Index after fees
Costs	Higher expense ratios due to portfolio manager skill	Lower expense ratio due to little dependency on portfolio manager skill or opportunity for outperformance

Each Investment Objective reflects the associated PARS Diversified Portfolio as of 6/30/2017. A client's portfolio composition may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment. Specific securities identified above do not represent all of the securities purchased, sold or recommended for any or every client, and you should not assume that investments in the securities identified in this presentation were or will be profitable.

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HIGHMARK
CAPITAL MANAGEMENT

Report: Responsive and Proactive Client Communication

HighMark's dedicated investment team continuously seeks to add value to our relationship with your organization.

- Integrated client service program established with PARS over the last 18 years
- We have a tradition of interactive client service to maintain a strong relationship delivered by local portfolio managers
- You benefit from face-to-face meetings and scheduled conference calls with your client service team and portfolio management team
- You receive regular communications in a variety of formats
 - Account holdings and transactions
 - Quarterly performance evaluation reports
 - Investment outlook and economic updates



Andrew Brown, CFA
Director
Sr. Portfolio Manager
Northern California



Keth Stribling, CFA
Vice President
Sr. Portfolio Manager
Orange County



Heidi Fritz
Director
Historic
Development
Southern California



Christiane Teuda
Vice President
Sr. Portfolio Manager
San Diego



Fred Hurst
Director
Business
Development
Northern California



Anne Wimmer, CFA
Director
Sr. Portfolio Manager
Los Angeles



Tory Milazzo, CFA
Vice President
Sr. Portfolio Manager
Central Coast

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HIGHMARK[®]
CAPITAL MANAGEMENT

Summary

Strength and Longevity	Disciplined Investment Process	Flexible Investment Options
<ul style="list-style-type: none"> After 98 years* of experience, we remain dedicated to helping our clients meet their investment goals and objectives. With more than 18 years of partnership with PERS, we remain firmly committed to investing in the business Our unique market position and ownership structure provides the resources, talent, and product breadth of a large parent organization combined with the agility, flexibility, and responsiveness of a boutique investment advisor 	<ul style="list-style-type: none"> Proprietary strategic asset allocation process forms the foundation of portfolio Tactical asset allocation exploits potential market opportunities Rigorous manager due diligence provides access to competitive externally managed strategies Rebalancing strategies helps to ensure the portfolio is aligned with goals and objectives 	<p>5 Investment Objectives</p> <ul style="list-style-type: none"> Conservative Moderately Conservative Moderate Balanced Capital Appreciation
		<p>2 Implementation Strategies</p> <ul style="list-style-type: none"> HighMark Plus (Active) Index Plus (Passive)

*Includes predecessor organizations. HighMark Capital Management, Inc. registered with the SEC as an investment adviser on August 7, 1999.

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HIGHMARK
CAPITAL MANAGEMENT

Disclosures

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. MUB is an indirect subsidiary of Mitsubishi UFJ Financial Group. Past performance does not guarantee future results. Individual account management and consultation will vary depending on each client's investment needs and objectives. Specific securities identified in this presentation do not represent all of the securities purchased, sold or recommended for advisory clients, and you should not assume that investments in the securities identified in this presentation were or will be profitable. Investments employing HighMark's strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT bank deposits, are NOT guaranteed by the bank or any bank affiliate, and MAY lose value, including possible loss of principal.

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ADDITIONAL INFORMATION

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Asset Allocation Committee

Seek to identify investment opportunities using fundamental indicators to enhance returns over time through active asset allocation and investment selection without significantly increasing risk



Investment Professionals

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Investment Experience

26 years average

Tenure with Firm

13 years average

Multi-disciplinary Group

Equity, Bond, Quantitative

As of 8/30/2017

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Manager Research

Our manager due diligence process optimizes our diversification strategy while harnessing both internal and external investment expertise.

Research-Based	Manager / Vehicle Selection	Monitoring	Portfolio-Centric
<ul style="list-style-type: none"> Manager Research Group (MRG) represents a team of experienced and highly qualified manager research professionals 9 members 10 years average experience 7 years average tenure MRG conducts proprietary due diligence and monitoring of managers, platforms and independent research sources 	<ul style="list-style-type: none"> We go beyond performance and category ranking to assess sustainability of competitive advantages In-depth qualitative and fundamental research focuses on people, philosophy, and process Access to a broad universe of mutual funds and ETFs helps us select the most appropriate vehicle while assessing associated expenses and costs 	<ul style="list-style-type: none"> Ongoing monitoring of over 150 funds Focus on avoiding red flags that can threaten a successful manager's track record Emphasize understanding the key drivers of returns and make sure they are most effective Regular site visits and manager calls to monitor firm and process changes 	<ul style="list-style-type: none"> Select strategies are suited to portfolios risk and return objectives Careful review and regular affirmation of portfolio goals, objectives, risk tolerance, time horizon, and liquidity needs Understand how the strategies within a portfolio can complement each other Construct portfolios using strategies designed to help boost risk-adjusted returns

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PARS

SAMPLE AGENCY

PARS OPEN Trust Program

Plan Administrator
Title
Agency
Address
City, State Zip

Monthly Account Report for the Period

mm/00/0000 to mm/00/0000

Investment Summary						
Investor	Beginning Balance as of mm/00/0000	Contributions	Earnings	Withdrawals	Transfers	Ending Balance as of mm/00/0000
Sample Investor	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Investment Performance						
Sample Investment Strategy						
As of mm/00/0000						
Investment Returns						
Return	1-Month	3-Month	1-Year	3-Year	5-Year	7-Year
Overall	1.00%	2.00%	3.00%	4.00%	5.00%	6.00%

Investment returns are calculated based on the net asset value (NAV) of the investment. Returns are calculated based on the net asset value (NAV) of the investment. Returns are calculated based on the net asset value (NAV) of the investment.

WHY THE PARADISE DIVERSIFIED CONSERVATIVE PORTFOLIO?

Conservative investors seeking to achieve long-term capital appreciation and income growth, the Paradise Diversified Conservative Portfolio is designed to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth.

HighMark's Strategy - Diversification
Our manager seeks to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth.

Flexibility in Investment Options
In order to meet the unique needs of our clients, we offer access to flexible investment strategies. HighMark's Flexibility in Investment Options is designed to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth.

Risk Management
The portfolio is constructed to control risk through the use of diversification, asset allocation, and risk management. The portfolio is designed to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth.

INVESTMENT OBJECTIVE

To provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth.

ASSET ALLOCATION - CONSERVATIVE PORTFOLIO

Asset Class	Target Range	Actual
Fixed Income	60-80%	70%
Equity	20-40%	30%

ANNUALIZED TOTAL RETURNS

Period	HighMark Plus (Conservative)	Index Plus (Conservative)
1 Year	1.5%	1.0%
3 Year	4.5%	3.5%
5 Year	8.5%	7.5%
10 Year	12.5%	11.5%
15 Year	16.5%	15.5%
20 Year	20.5%	19.5%

ANNUAL RETURNS

Year	HighMark Plus (Conservative)	Index Plus (Conservative)
2008	1.5%	1.0%
2009	4.5%	3.5%
2010	8.5%	7.5%
2011	12.5%	11.5%
2012	16.5%	15.5%
2013	20.5%	19.5%

PORTFOLIO FACTS

HighMark Plus (Conservative)	Index Plus (Conservative)
Investment Date	Investment Date
No. of Funds in Portfolio	No. of Funds in Portfolio

HOLDINGS

- HighMark Plus (Conservative)
- Conservative Growth & Income
- Conservative Growth & Income
- Conservative Growth & Income
- Conservative Growth & Income
- Conservative Growth & Income
- Conservative Growth & Income
- Conservative Growth & Income
- Conservative Growth & Income
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- Conservative Growth & Income

STYLE



WHY THE PARADISE DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Conservative investors seeking to achieve long-term capital appreciation and income growth, the Paradise Diversified Moderately Conservative Portfolio is designed to provide a long-term capital appreciation and income growth. The portfolio is designed to provide a long-term capital appreciation and income growth.

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ASSET ALLOCATION - MODERATELY CONSERVATIVE PORTFOLIO

Asset Class	Target Range	Actual
Fixed Income	60-80%	70%
Equity	20-40%	30%

ANNUALIZED TOTAL RETURNS

Period	HighMark Plus (Moderately Conservative)	Index Plus (Moderately Conservative)
1 Year	1.5%	1.0%
3 Year	4.5%	3.5%
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10 Year	12.5%	11.5%
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ANNUAL RETURNS

Year	HighMark Plus (Moderately Conservative)	Index Plus (Moderately Conservative)
2008	1.5%	1.0%
2009	4.5%	3.5%
2010	8.5%	7.5%
2011	12.5%	11.5%
2012	16.5%	15.5%
2013	20.5%	19.5%

PORTFOLIO FACTS

HighMark Plus (Moderately Conservative)	Index Plus (Moderately Conservative)
Investment Date	Investment Date
No. of Funds in Portfolio	No. of Funds in Portfolio

iShares Plus (France)
 iShares Core S&P 500 ETF
 iShares Core 500 Value
 iShares Core S&P 500 Growth
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 iShares Russell 2000 - Asia
 iShares Russell 2000 Growth
 iShares MSCI EAFE
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Inves-Q Grade Adm
 iShares Core U.S. Aggregate
 PowerShares Gender Lean
 First American Government Obligations Z

Number of children	Percentage
1 child	48.0%
2 children	28.0%
3 children	12.0%
4 children	6.0%
5 children	3.0%
6 children	3.0%



MODERATE

PORTFOLIO FACTS	
Highlight Fund (Ac 10)	Index Price (Premium)
Inception Date	Inception Date
No of Funds in Portfolio	No of Funds in Portfolio

Index Plus (P) 52.2C
 iShares Core S&P 500 ETF
 iShares S&P 500[®] Index
 iShares S&P 500Shares[®]
 iShares Russell Mid-Cap ETF
 Vanguard REIT ETF
 Charles Russell 2000 Value
 Charles Russell 2000 Growth
 iShares MSCI EAFE
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Inves-Grade Asset
 iShares Core U.S. Aggregate
 PowerShares Senior Loan
 First American Government Collateralized



Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, or equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Risk appetite (capital loss selection on monitoring process helps to drive return potential while reducing overall portfolio risk.

High-Risk "Load" Funds	Low-Risk "No-Load" Funds	Low-Risk "Load" Funds	
Standard Divers. Int'l	2.51%	Standard Divers. Int'l	2.51%
Yield Plus Div.	2.40%	Yield Plus Div.	2.40%
Standard Divers. Int'l	2.30%	Standard Divers. Int'l	2.30%
Yield Plus Div.	2.20%	Yield Plus Div.	2.20%
Standard Divers. Int'l	2.10%	Standard Divers. Int'l	2.10%
Yield Plus Div.	2.00%	Yield Plus Div.	2.00%
Standard Divers. Int'l	1.90%	Standard Divers. Int'l	1.90%
Yield Plus Div.	1.80%	Yield Plus Div.	1.80%
Standard Divers. Int'l	1.70%	Standard Divers. Int'l	1.70%
Yield Plus Div.	1.60%	Yield Plus Div.	1.60%
Standard Divers. Int'l	1.50%	Standard Divers. Int'l	1.50%
Yield Plus Div.	1.40%	Yield Plus Div.	1.40%
Standard Divers. Int'l	1.30%	Standard Divers. Int'l	1.30%
Yield Plus Div.	1.20%	Yield Plus Div.	1.20%
Standard Divers. Int'l	1.10%	Standard Divers. Int'l	1.10%
Yield Plus Div.	1.00%	Yield Plus Div.	1.00%
Standard Divers. Int'l	0.90%	Standard Divers. Int'l	0.90%
Yield Plus Div.	0.80%	Yield Plus Div.	0.80%
Standard Divers. Int'l	0.70%	Standard Divers. Int'l	0.70%
Yield Plus Div.	0.60%	Yield Plus Div.	0.60%
Standard Divers. Int'l	0.50%	Standard Divers. Int'l	0.50%
Yield Plus Div.	0.40%	Yield Plus Div.	0.40%
Standard Divers. Int'l	0.30%	Standard Divers. Int'l	0.30%
Yield Plus Div.	0.20%	Yield Plus Div.	0.20%
Standard Divers. Int'l	0.10%	Standard Divers. Int'l	0.10%
Yield Plus Div.	0.00%	Yield Plus Div.	0.00%

Hydrolytic Phase, $t_{1/2}$ (h)	log ₁₀ k_{hyd} (Phase = 1)	log ₁₀ k_{hyd} (Phase = 2)	
2000	25.4%	5.70 ± 0.01	
2005	21.34%	5.659 ± 0.001	
2010	14.4 ± 0.4	2010	?
2011	-0.439%	2011	?
2012	11.13%	2012	?
2015	19.01%	2015	15.0 ± 0.1
2016	4.70%	2016	0.0 ± 0.1
2019	0.04%	2019	0.0 ± 0.1
2020	1.01%	2020	1.0 ± 0.1
2017	16.40%	2017	8.0 ± 0.1

Highwater, PzCz (Active)	Index, PzCz (Per 100)
Inception Date	Inception Date
No of Funds in Portfolio	No of Funds in Portfolio

First Select, Plus (SEC)	Invest
Columbia Consumer Core Z	Invest
Anglo-Am Growth & Income Adm	Share
David & Cox Stock Fund	Share
Horizon Cap'l Appreciation	Share
T. Rowe Price Divd. & Bldg.	Share
Stones Mutual Mid-Cap ETF	Share
Vanguard REIT ETF	Share
Uncovered Managers Behavioral	Share
T. Rowe Price New Horizons	Share
Horizon Bldg International Equities	Share
David & Cox International Stock	Share
NPS International Gwth I	Share
Horizon International Emerging Markets Eq	Share
Vanguard Short-Term Invest-Grade Bond	Share
Prudential Total Return	Share
Natwest Income Bond	Share
Eden Inv. & Floating Rate & High Income	Share

Holdings are subject to change at the discretion of the investment manager.

Number of children	Percentage
0-1	10.0%
2	28.0%
3	30.0%
4	18.0%
5	10.0%
6	4.0%

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monitoring process helps to drive return potential while reducing portfolio risk.

Current Quarter **	1.16%
Standard Deviation	4.81%
Year-To-Date	12.72%
Since Inception	18.69%
1-Month	16.67%
Standard Deviation	18.55%
3-Month	1.26%
Standard Deviation	11.79%
5-Year	26.09%
Standard Deviation	17.49%
Since Inception (1984)**	41.90%
Standard Deviation	11.94%

2003	100%
2008	103.77%
2009	112.80%
2010	113.50%
2011	117.82%
2012	117.30%
2013	117.00%
2014	117.00%
2015	117.00%
2016	117.00%

High-Low Plus (Active)	Index Plus (Passive)
Inception Date	01/2008
No of Funds in Portfolio	18
	No of Funds in Portfolio

Rev. Rul. 90-74, 1990-2 C.B. 34, holds that the income of an organization formed, funded, and operated by political subdivisions to pool various risks (e.g., casualty, public liability, workers' compensation, and employees' health) is excludable from gross income under IRC section 115(1), because the organization is performing an essential governmental function. The revenue ruling states that the income of such an organization is excludable from gross income as long as private interests do not participate in the organization or benefit more than incidentally from the organization. The benefit to the employees of the insurance coverage obtained by the member political subdivisions was deemed incidental to the public benefit.

Through the Trust, participating public agency employees fund health and welfare and pension obligations for retired employees. Each of the Trust's participating employees is required to be a state, political subdivision of a state or an entity the income of which is excludable from gross income under IRC section 115. Providing health, welfare and pension benefits to current and former employees constitutes the performance of an essential governmental function within the meaning of IRC section 115(1). See Rev. Rul. 90-74 and Rev. Rul. 77-301.

The Trust's income accrues to its participating employees, all of which are political subdivisions of a state or entities the income of which is excludable from gross income under IRC section 115. No private interests will participate in, or benefit from, the operation of Trust, other than as providers of goods or services. The benefit to employees is incidental to the public benefit. See Rev. Rul. 90-74.

In no event, including dissolution, will the Trust's assets be distributed or revert to any entity that is not a state, a political subdivision of a state, or entity the income of which is excludable from its gross income by application of IRC section 115(1).

Issue 2-IRC section 6012(a)(4)

Section 301.7701-1(b) of the Procedure and Administration Regulations (Regulations) provides that the classification of organizations that are recognized as separate entities is determined under sections 301.7701-2, 301.7701-3, and 301.7701-4, unless a provision of the IRC provides for special treatment of that organization.

Section 301.7701-4(a) of the Regulations provides that, in general, an arrangement will be treated as if it can be shown that the purpose of the arrangement is to vest in trustees responsibility for the protection and conservation of property for beneficiaries who cannot share in the discharge of this responsibility and, therefore, are not associates in a joint enterprise for the conduct of business for profit.

The Trust enables public-agency employees to set aside funds to be used to satisfy each employer's separate pension and health and welfare benefit obligations. The

Trustee is charged with the responsibility of the protection and conservation of the Trust property for the benefit of the beneficiaries of the Trust. The beneficiaries of the Trust cannot share in the discharge of the Trustee's responsibility for the protection and conservation of property and, therefore, are not associates in a joint enterprise for the conduct of business for profit. IRC section 6012(a)(4) provides that every trust having for the taxable year any taxable income or having gross income of \$600 or more, regardless of the amount of taxable income, shall make return with respect to income taxes under Subchapter A.

Based solely on the facts and representations submitted by the Trust, we conclude that:

1. Because the income of the Trust derives from the exercise of an essential governmental function and will accrue to a state or a political subdivision thereof, the Trust's income is excludable from gross income under IRC section 115(1).
2. The Trust is classified as a trust within the meaning of IRC section 7701(a) and section 301.7701-4(a) of the Regulations. Because Trust's income is excludable from gross income under IRC section 115, the Trust is not required by IRC section 6012(a)(4) to file an annual income tax return.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. This ruling concerns only the federal tax treatment of the Trust's income and may not be cited or relied upon by any taxpayer, including the Trust, employees participating in the Trust, and any recipients of benefits paid under the terms of the Trust, as to any matter relating to the location of assets or health contributions or benefits.

This ruling is directed only to the taxpayer who requested it. IRC section 6109(j)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,



Kenneth M. Griffin
Branch Chief, Exempt Organizations Branch 5
(Tax Exempt and Government Entities)

cc: Marcue Wu
Pillsbury Winthrop Shaw Pittman LLP
12265 El Camino Real, Suite 300
San Diego, CA 92130-4088

Paul Marmolejo
Director, Office of Federal, State and Local Governments
SE:TC:EFSL

Staff Report

May 9, 2018

Agenda Item No. 9.b

Sativa County Water District Update

Background:

The Sativa County Water District (“Sativa” or “District”) was established in 1928 pursuant to the County Water District Act. The District’s territory of approximately 0.5 square miles includes approximate 1,600 service connections, mostly single-family residences and some duplexes and triplexes. The district is managed by a five-member board of directors elected at-large.

The District encompasses unincorporated County territory, as well as a small portion that lies within the boundaries of the City of Compton. The entire area comprising the District is a Disadvantaged Unincorporated Community (“DUC”), which means that the annual median household income is less than 80 percent (80%) of the statewide median household income. The Los Angeles County Registrar-Recorder/County Clerk reports that there are 2,648 registered voters within the boundaries of the District as of April 27, 2018.

Portions of the District’s infrastructure are more than fifty years old (some new pipeline was installed in 1981) and consists of a range of four-inch (4”) and six-inch (6”) pipes located on private property and in the public rights-of-way. The pipeline system includes eleven dead ends. The district has three wells, two of which have been taken out of service. The District has approximately 850 acre feet per year (“AFY”) of entitlement rights to adjudicated groundwater in the Central Basin. Given an estimated household water usage of approximately one half AFY, the District has relied entirely on groundwater, and it is not currently purchasing water from the Central Basin Municipal Water District (its water wholesaler that receives water from the Metropolitan Water District of Southern California).

Recent Water Quality Concerns:

Several Sativa customers recently retained legal counsel, who in turn contacted Governor Brown, raising concerns about the quality of water provided by Sativa. As noted in an initial television news report in late April, residents encountered rusty brown water coming out of their kitchen faucets and bathroom spouts. Residents and their counsel have petitioned for water to be provided by another service provider other than Sativa. An attorney for the residents also informed LAFCO that he would be submitting a petition with six hundred (600) signatures asking for LAFCO to dissolve Sativa and identify a new water purveyor for the District’s customers.

Given the resident inquiries, the State of California Water Resources Control Boards (“Water Boards”) and the County of Los Angeles are reviewing water quality issues within the District.

At the time of the preparation of this staff report, the Water Boards and Los Angeles County Environmental Health representatives were conducting water quality sampling and testing (LAFCO staff hopes to report more on this verbally at the May 9th Commission meeting).

Outreach:

In order to better understand the issues facing Sativa, staff has discussed the Sativa situation with representatives of various parties, including, but not limited to: Los Angeles County Supervisor Mark Ridley-Thomas; State of California Assemblyman Mike Gipson; United States Congresswoman Nanette Barragán; State of California Water Resources Control Board (Southern California Section); Los Angeles County Department of Public Works; Metropolitan Water District of Southern California; Sativa County Water District; Central Basin Municipal Water District; Water Replenishment District of Southern California (“WRD”); the California Association of Mutual Water Companies; the California Association of Local Agency Formation Commissions (CALAFCO); and counsel for Sativa residents/ratepayers. Staff’s communication with these and other stakeholders is on-going. Staff has also conferred with LAFCO legal counsel.

Prior Commission Actions

Prior Commission actions relative to the District include:

February 22, 2006	Commission approves Municipal Service Review (“MSR”) of the District and confirms Cotermious Sphere of Influence.
June 11, 2014	Commission approves Municipal Service Review of the District and adopts Zero Sphere of Influence, and requires that Sativa provide quarterly progress reports for eighteen months
September 14, 2016	Commission Review and Status Update.
October 11, 2017	Commission Review and Status Update.

In response to Commission inquiries (under “Commissioner’s Report”) or during the “Executive Officer’s Report” portion of Commission meetings, the Commission and staff have discussed various on-going issues with the District.

In these reports, LAFCO identified several concerns, including, but not limited to:

- Payment of Christmas bonuses to directors (since halted);
- Failure to prepare annual audits for several years (since addressed and current);
- Conflicts of interest/nepotism (since addressed due to turnover amongst one board-member and staff);
- Insufficient website information;

- Lack of an adequate reserves/long-term capital improvement program;
- Insufficient documentation defining property rights for access to pipelines located on private property (as opposed to location within public rights-of-way);
- No water meters; and
- Staff turnover.

As staff noted in its report to the Commission in October of 2017:

“While the District has made modest progress on various issues, there remain multiple challenges in certain key areas, such as staffing turnover, the lack of water meters, and the lack of success in securing grants and/or low-interest loans. Staff does not support the implied request from District representatives to change the Zero SOI designation.”

Staff’s conclusion from 2017 is unchanged today.

Actions by Other Public Agencies:

The following public agencies are directly involved or monitoring various issues involving Sativa:

- Sativa County Water District Board and Staff. The District issued a statement on April 22nd (“Discolored Water and Actions by Sativa Los Angeles County Water District,” copy enclosed), provided LAFCO with a copy of its work program (“Sativa System Improvement Program,” copy enclosed), and held a press conference on Tuesday, April 23rd to address the water quality concerns. District representatives stated that the discolored water is a result of system flushing to remove built-up sediment.
- State of California Water Resources Control Boards (“Water Boards”): The Southern Region Office of the Water Boards (based in Glendale) is the primary public agency responsible for oversight of the water quality in the District. Since the water quality concerns arose, Water Boards staff has conducted several on-site inspections, extracted water samples at several locations in the District, and met with District staff (as of the writing of this staff report, the results of water sample testing had not been announced).
- County of Los Angeles: On April 24th, the Los Angeles County Board of Supervisors approved a motion by Supervisor Mark Ridley-Thomas (copy enclosed) forming a “strike team” of representatives from several county departments to “analyze water samples in the Sativa jurisdiction . . . [and] to explore all viable long-term solutions to ensure that appropriate management and governance are in place” and, potentially, to “include working with the Local Agency Formation Commission and the State Water Resources Control Board to explore options to dissolve Sativa and identify a more sustainable water

purveyor for the area.” The motion directs County staff to provide written progress reports to the Board of Supervisors on a bi-weekly basis. Representatives of the

- County’s Department of Public Health, Environmental Health Division, extracted water samples at several locations in the District (as of the writing of this staff report, the results of water sample testing had not been announced).

Staff of United States Congresswoman Nanette Barragán also communicated with LAFCO staff, noting that the Congresswoman would be hosting a “town hall” meeting (see flyer, enclosed) on the evening of Wednesday, May 2nd (after the issuance of this staff report) to address water quality concerns in Sativa. Staff of Assembly Mike Gipson also communicated with LAFCO staff about water quality concerns in Sativa.

Conclusions

Staff is not making any specific recommendations at this time, other than to monitor the issue and report back at the June 13th Commission Meeting, based upon the following issues:

- The allegations concerning water quality in Sativa came to LAFCO’s attention less than three weeks ago.
- Because State and County officials have not yet announced the results of water quality sampling, the extent of health risks are, as of yet, undetermined.
- Staff would like to ascertain what actions Sativa’s Board of Directors and management are undertaking to address water quality concerns, and whether those actions adequately address the concerns.
- Staff would like time to monitor the bi-weekly reports prepared by the Los Angeles County strike team established by Supervisor Ridley-Thomas.
- Sativa residents are asking LAFCO to dissolve the District and transfer service responsibility to another water purveyor. At the time the 2014 MSR was adopted, staff was unable to identify a suitable alternate provider. Staff would, therefore, like additional time to determine whether there is a suitable service provider in the immediate vicinity of the District, to determine whether these providers are willing and able to provide the service, and to identify a potential application review process. Staff notes, additionally, that any proposed dissolution, consolidation, transfer, or formation of a new water district would require Commission approval, and, if approved, would be subject to protest proceedings or a vote of the registered voters, the outcome of which could invalidate the Commission’s approval.

Staff Recommendation:

Staff recommends that the Commission:

1. Open the item to provide an opportunity for public testimony;
2. Receive and file the Update; and
3. Provide direction to staff, as necessary and as determined by the Commission.

Attachments:

- Letter from Mark Ravis to Governor Jerry Brown (April 19, 2018);
- Discolored Water and Actions taken by Sativa Los Angeles County Water District (April 2018)
- Sativa System Improvement Plan (1/27/2018)
- Motion by Supervisor Mark Ridley-Thomas Addressing Water Quality Concerns in Willowbrook and Compton (April 24, 2018)
- Water Quality Town Hall Flyer (May 2nd)

LAW OFFICE OF MARK RAVIS & ASSOCIATES

1875 Century Park East, Ste. 700

Los Angeles, California 90067

T: 310-295-4145 F: 310-388-5251

April 19, 2018

Request for Emergency Action

Honorable Jerry Brown
Governor of the State of California
c/o State Capitol, Suite 1173
Sacramento, California 95814

Re: Sativa Water District
Request for Emergency Relief

Dear Governor Brown:

My law firm and two other law firms represent the residents of Sativa Water District in South Central Los Angeles. The residents of that district are from minority groups. The approximately 6000 residents receiving their water supply from Sativa have been designated to be disadvantaged and severely disadvantaged. The water is not suitable for drinking, cooking or bathing. The residents, who are mostly impoverished, cannot afford the expense of importing their own potable water.

The water supplied by Sativa comes from several wells and is transported through a very old and undersized piping system. It comes out of the residential faucets brown and increasingly turbid. The water smells terribly. A recent attempt by Sativa to simply clear the color of the water has resulted in the water smelling even worse, like dead animals. Many residents have required medical treatment for serious dermatological problems when they try to use the water for bathing. In short, we have a Flint, Michigan situation in the middle of Los Angeles County.

On behalf of the residents, the undersigned respectfully request that you invoke the emergency powers of your office to require Sativa to provide potable water to all the residents (bottled or in tanks) while a permanent solution is entertained. We request that all water submitted for testing from the Sativa sources and distribution sites be collected by professionals not affiliated with Sativa.

As part of any permanent solution, we further request that the Sativa Water District be eliminated as recommended by the Local Agency Formation Commission for the County of Los Angeles (LAFCO) in August 2012. There are other larger and more responsible water districts capable of supplying the residents of the Sativa Water District clean and safe water.

Our request for emergency intervention by your office is based on a public health emergency. The intervention of your office on this basis is absolutely necessary to safeguard the health and welfare of the affected residents.

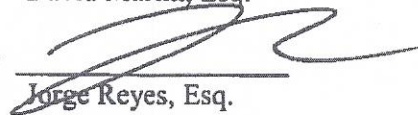
Respectfully yours,



By: Mark Ravis, M.D., J.D.



By: David Martin, Esq.



By: Jorge Reyes, Esq.

cc:

Local Agency Formation Commission for Los Angeles
Nanette Barragan, Congresswoman,
44th Congressional District - California



Discolored Water and Actions taken by Saticum Los Angeles County Water District April 2018

Discolored Water

The District maintains and receives its water from two active wells, distributed through an eight-mile pipeline network. As an essential part of our system's maintenance program, Saticum Los Angeles County Water District (SLACWD) opens hydrants to clear our water mains of sediment build up due to old pipelines. This is a State-wide maintenance practice known as flushing and is used by many water agencies to manage sediments and presence of discolored water due to an aging infrastructure.

The discoloration in our system's water does not pose a health threat. SLACWD takes discolored and brown tap water reports and concerns seriously, as discoloration in the water we serve our customers leads to concerns about the safety and appearance of the water. For this reason, the SLACWD has implemented a more aggressive flushing program that requires flushing the system four times a year and began early April. District crews open fire hydrants and blow-off valves to flow high velocity water in a planned route. The water travels so fast that it is strong enough to remove the build-up of sediment and discolored water from inside the pipes.

The cause of the recent water discoloration reports experienced by our customers was due to sediment build up due to the lack of high velocity flushing in a very old pipeline system. This new aggressive Deep Main Water Flushing Program will result in clear water improvement as SLACWD and the residents have already noticed clear water throughout the system. Residents have been notified that at times, these flushing activities stir and 'kick up' decades of sediment buildup within our pipes. This stirred discolored water may flow and be trapped in resident water heaters for days or weeks. For this reason, SLACWD has provided instructions on how residents can drain their water heaters. Flushing the system with high velocities, together with draining resident water heaters, will ultimately result in clear water.

Upgrading Water Services

Under new operations management since January 2018, Saticum County Water District (SLACWD) has initiated an aggressive, Systemwide Improvement Program (SIP) to deliver safe and reliable water that meets and exceeds drinking water standards for health and safety set by the U.S. Environmental Protection Agency (EPA) and the State of California. The SIP is a program to improve our aging water pipes that are over 70 years old. The program will help address deferred water maintenance issues and replace the aging infrastructure that has led to sediment buildup and brown water.

2015 E Hatchway Street, Compton, California

To address the problem of lack of water system improvements, SLACWD began a more aggressive Deep Water Flushing Program to flush out the water pipe system throughout our service area neighborhoods through area fire hydrants. The Deep-Water Flushing activity began on April 4, 2018 and will take at least two more weeks to complete the entire system. As part of the program, SLACWD crews will move from one end of the water distribution system serving our service area to another until all of the pipes have been cleaned and flushed, block by block.

What Customers can do to eliminate brown water

We are committed to providing quality service to our customers and, in order to ensure customer confidence, we are taking immediate steps to address our customer's discolored water reports. First, we ask that our customers flush their discolored water until they get clear water from their main. Second, we have posted how-to videos in both English and Spanish, now available on our website at www.sativawd.com, on how to properly drain their home water heaters. Proper water heater drainage will help ensure water in homes will not be discolored or brown, and if a customer prefers to have an expert provide water heater drainage service, we will be more than happy to schedule this service free of charge. Further, we will also be providing bottled water to all customers who request it to ensure confidence and reliability in their water needs while we work on our Deep Water Main Flushing Program over the next few months.

Our Commitment

SLACWD will continue to frequently test the water in our service area for water safety and quality throughout our flushing program. Water samples will continue to be taken at numerous locations throughout our service area. To date, all test results show that the water is in compliance with limits for more than 200 regulated and unregulated contaminants and current findings confirm that, despite our water's occasional discoloration, our drinking water continues to meet all standards for safe drinking water.

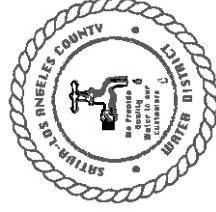
While we continue our flushing program over the course of the next several weeks, flushing of the pipes will help remove the sediment our customers are reporting in their tap water. During this period of flushing, residents may continue to notice occasional discoloration. Residents will be notified of flushing activity in their area through door hangers placed by SLACWD crews as they move from area to area.

SLACWD has highly effective water treatment and quality assurance processes in place to ensure the absence of harmful substances in tap water. Water quality is monitored by licensed operators following local, state and federal guidelines. Providing safe, reliable water to our customers is our highest priority at SLACWD. We will continue to provide updates about the progress of the flushing operation at www.sativawd.com.

Sativa System Improvement Program

Board Approved 1/27/2018

Sativa Los Angeles County Water District



SATIVA System Improvement Program

2016 – Began Grant Funding Process

2017 – Capital Improvement Bond

2018 – First Planning Grant Awarded From SWRCB

2018 – Seeking Additional Grant Funding

2018 – Initiated Planning, Design, and Environmental – Technical Team in Place

2018 – Initial System Construction Improvements

2019 – Improvement Program Construction Continues

Standard Flushing

2018 – Aggressive Deep Water Main Flushing Program

SUMMARY OF PROJECT IMPROVEMENTS

1. New meters – AMR/AMI Project
2. Chlorine Upgrades
3. Intertie Connections – Water Supply Augmentation
4. SCADA and VFD Project
5. Tank Recoating Project
6. Well 2 Destruction
7. Water Main Pipeline Replacement Project
8. New Groundwater Well

PROJECT STATUS

1. New meters – AMR/AMI Project – Planning Initiated
2. Chlorine Upgrades – Design 65% complete
3. Intertie Connections – Design 100% complete
4. SCADA and VFD Project – Planning stage
5. Tank Recoating Project – Design 35% complete
6. Well 2 Destruction – Planning Stage
7. Water Main Pipeline Replacement Project – Design initiated
8. New Groundwater Well – Preliminary Design initiated

CONSTRUCTION SCHEDULE

1. New meters – AMR/AMI Project – Implementation begins late 2018
2. Chlorine Upgrades – Construction by Summer 2018
3. Intertie Connections – Ready to construct, waiting for State funding
4. SCADA and VFD Project – Construction by Fall 2018
5. Tank Recoating Project – Construction by late Summer 2018
6. Well 2 Destruction – Construction by late Summer 2018
7. Water Main Pipeline Replacement Project – Construction July 2018
8. New Groundwater Well – Construction in 2019

DEEP WATER MAIN FLUSHING

- Aggressive Program Initiated April 5, 2018.
- Prior program did not flush sediments and colored water.
- New program has completely flushed sediments and all water flow at the system fire hydrants is clear (Picture taken 4/7/18)
- The infrastructure is more than 70 years old and requires continued deep flushing, until water main replacement program is completed.



DEEP WATER MAIN FLUSHING

- Follow-up sampling after flushing shows clear water.
- Residents may experience brown water due to lack of flushing residential water heaters.
- On 4/19/18 , SATIVA hosted a State Water Quality Control Board (SWRCB) flushing program review, distribution facility inspection, and random residential water quality testing.

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

APRIL 24, 2018

Addressing Water Quality Concerns in Willowbrook and Compton

Sativa Water District ("Sativa") is an independent water district comprised of an elected board with approximately 1,600 customers, providing service in the unincorporated Willowbrook community and the City of Compton.

In recent months, water customers of Sativa have raised complaints of brown water found running through their taps. While Sativa states this is a temporary discoloration, residents report continuing water quality issues. This is alarming. Sativa customers deserve full confidence that their water is safe and clean.

Although the California State Water Resources Control Board holds regulatory authority over Sativa, it is critical that all entities with regulatory authority relating to access to clean and safe drinking water are appropriately engaged to assess Sativa's ability to deliver safe water to its customers in the short and long-term. Therefore, the Los Angeles County Department of Public Health should take immediate action to ensure that there are no serious public health impacts to Sativa's customers.

- MORE -

MOTION

SOLIS	_____
RIDLEY-THOMAS	_____
HAHN	_____
BARGER	_____
KUEHL	_____

**MOTION BY SUPERVISOR MARK RIDLEY-THOMAS
APRIL 24, 2018
PAGE 2**

Moreover, it is important to review Sativa's operating capacity to ensure its long-term ability to provide safe water to its customers. Sativa has been aware of its infrastructure challenges for some time. To that end, in 2016, Sativa was referred to the Department of Public Works for technical assistance in seeking grant dollars, specifically through the Greater Los Angeles Integrated Regional Water Management Plan, to upgrade their aging infrastructure. However, the Department of Public Works reports that Sativa has made no effort to partner with them to explore opportunities.

Given all of this, the County of Los Angeles should work diligently with the respective oversight entities to ensure there is proper management and infrastructure in place to prevent future water quality concerns.

BASED UPON THE FOREGOING FACTS, AND PURSUANT TO GOVERNMENT CODE SECTION 54954.2(b)(2), I MOVE THAT THE BOARD OF SUPERVISORS DETERMINE THAT:

- 1) There is a need to investigate and address the water quality complaints raised by Sativa customers; and
- 2) The need to take this action came to the attention of the Board subsequent to the posting of the agenda for today's meeting.

I FURTHER MOVE THAT THE BOARD OF SUPERVISORS:

- 3) Direct the Directors of the Los Angeles County Departments of Public Health and Public Works to activate a strike team to analyze water samples in the Sativa jurisdiction, take all other actions necessary to appropriately

characterize the conditions of Sativa's water system, and report back to the Board immediately with their findings; and

4) Direct County Counsel, in coordination with the Directors of the Departments of Public Health and Public Works as well as any other appropriate departments, to explore all viable opportunities in Sativa's short-term services to ensure clean and safe drinking water, and, if it is found that there are serious water quality concerns or it is determined that Sativa does not have the capacity to address its ongoing infrastructure needs, explore all viable long-term solutions to ensure that the appropriate management and governance are in place to appropriately provide water services in the area. This may include working with the Local Agency Formation Commission and the State Water Resources Control Board to explore options to dissolve Sativa and identify a more sustainable water purveyor for the area. County Counsel should report back to the Board of Supervisors bi-weekly in writing on these efforts.

#

(KK/HS)



REP. NANETTE DIAZ BARRAGÁN

REPRESENTING CALIFORNIA'S 44TH
CONGRESSIONAL DISTRICT

Water Quality

TOWN HALL

WEDNESDAY, MAY 2ND | 6-7:30 PM

GEORGE WASHINGTON ELEMENTARY SCHOOL

1421 N WILMINGTON AVE. COMPTON, CA 90222

FOR MORE INFORMATION

PLEASE CALL MY OFFICE AT 310-831-1799.

Staff Report

May 9, 2018

Agenda Item No. 10.a.

Legislative Update

Staff continues its effort to track and report on bills in the current legislative session in Sacramento that may be of interest to the Commission (new information is in **bold** type, below). As of the drafting of this report, these bills include:

- **AB 3254 Omnibus Bill (Assembly Local Government Committee):** CALAFCO submitted seven (7) proposals for the annual Omnibus Bill—which makes technical corrections to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“Act”)—to staff of the Assembly Local Government Committee (“ALGC”) on January 23, 2018. Five of CALAFCO’s proposed items made it into the bill, and CALAFCO staff is working with ALGC staff to resolve issues concerning the other two items, with the intent of amending them into AB 3254 at a later date. AB 3254 was introduced on March 14, 2018, and it was assigned to the Assembly Local Government Committee. **AB 3254 will be considered by the Assembly Local Government Committee on Wednesday, May 9th, at 1:30 p.m.**

Commission Position: SUPPORT (April 11th Meeting)

- **AB 2258 (Caballero):** As noted in the introduction to AB 2258, “this bill would require the Strategic Growth Council, until January 1, 2024, to establish and administer a local agency formation commissions grant program for the payment of costs associated with initiating and completing the dissolution of inactive districts, the payment of costs associated with a study of the services provided within a county by a public agency, and for other specified purposes, including the initiation of an action, based on determinations found in the study, as approved by the commission.” CALAFCO is sponsoring AB 2258, which originated in an August 2017 report issued by the Little Hoover Commission concerning special districts and the role and responsibilities of LAFCO. AB 2258 was amended on April 9th and April 23rd. **The Assembly Local Government Committee approved AB 2491 by a 6-3 vote on April 12th, and it has been referred to the Appropriations Committee.**

Commission Position: SUPPORT (April 11th Meeting)

- **AB 2491 (Cooley):** Sponsored by the League of California Cities, this bill would restore certain funding for future city incorporations. Prior to 2011, when a new city was incorporated, the city received additional Vehicle License Fee (“VLF”) revenue for the first five (5) years after incorporation. In 2011, adopted law (SB 89) eliminated the “VLF bump” for newly-incorporated cities. AB 2491 would restore the funding. The bill was introduced on February 14, 2018. **The Assembly Local Government Committee unanimously approved AB 2491 on April 12th, and it has been referred to the Assembly Appropriations Committee. Staff understands that the County Supervisors Association of California (CSAC) and the**

Urban Counties Caucus are not opposing the bill at the present time.

The Los Angeles County Chief Executive Office, Legislative Affairs and Intergovernmental Relations reports:

“ . . . the County doesn’t have any concerns.

As currently drafted, the County will not be taking a position on AB 2491.”

Commission Position: Staff recommends the Commission take a SUPPORT Position on AB 2491.

- **AB 2268 (Reyes):** Sponsored by the League of California Cities (“League”), this bill would restore certain funding for cities which annex inhabited territory (areas in which there are 12 or more registered voters). Prior to 2011, when a city annexed county unincorporated territory, certain VLF revenue was transferred from the county to the city. In 2011, adopted law (SB 89) eliminated this transfer of funds. AB 2268 would restore the funding. **The Assembly Local Government Committee unanimously approved AB 2491 on April 12th, and it has been referred to the Appropriations Committee, where it is scheduled to be considered on May 2nd. Staff understands that the County Supervisors Association of California (CSAC) and the Urban Counties Caucus are not opposing the bill at the present time.**

The Los Angeles County Chief Executive Office, Legislative Affairs and Intergovernmental Relations reports:

“No fiscal impact to the County—if enacted, and any new cities within the County were to incorporate the State General Fund would backfill any redirected funding.

Initially there were concerns that as introduced on February 13, 2018, AB 2268 would have impacted VLF revenues; however, the 4/2/18 amendments addressed counties concerns.”

As currently drafted, the County will not be taking a position on . . . AB 2491.”

Commission Position: Staff recommends the Commission take a SUPPORT Position on AB 2268.

- **AB 2050 (Caballero):** This bill is sponsored by Eastern Municipal Water District and the California Municipal Utilities Assoc. The intent is to give the State Water Resources Control Board (SWRCB) authority to mandate the dissolution of existing drinking water systems (public, mutual and private) and authorize the formation of a new public water system. The focus is on non-contiguous systems. The SWRCB already has the authority to mandate consolidation of these systems; AB 2050 would will add the authority to mandate dissolution

and formation of new public agencies. This would further undermine LAFCO authority relative to the formation, consolidation, and dissolution of certain special districts. CALAFCO has taken a “watch” position and is working with the author and sponsors. **The bill is pending before the Assembly Appropriations Committee.**

- **SB 1215 (Hertzberg):** This bill would give the State Water Resources Control Board (“SWRCB”) additional authority to mandate consolidation of or extension of services by wastewater systems. The proposal is similar to SB 88—prior legislation, now law, which empowers the SWRCB to consolidate water systems—which CALAFCO and LA LAFCO opposed because it undermined LAFCO’s authority relative to special district consolidations. **SB 1215 is pending before the Senate Appropriations Committee.**
- **AB 2179 and AB 2339 (Gipson):** These two bills impose certain requirements upon a city prior to that city’s sale or transfer of a municipal utility which provides water or sewer service. The bills were introduced in early February, and they are awaiting assignment to relevant policy committees. **AB 2179 is pending before the Assembly Local Government Committee. The Assembly Local Government Committee unanimously approved AB 2339 on April 12th; it has been referred to the Appropriations Committee. The Assembly Local Government Committee will consider AB 2179 on May 9th at 1:30 p.m.**
- **SB 561 (Gaines):** This bill proposes to enable individuals who own property within the boundaries of the Fallen Leaf Community Services District (“District”) to serve on the District’s board of directors (only registered voters who are residents of the District are currently eligible to serve on the board). Staff of El Dorado LAFCO (the county in which the District is located) will recommend that LAFCOs statewide be given the authority to make these governance decisions rather than by “one-off” bills pertaining to specific CSDs. Broadening SB 561 to address this larger issue would potentially benefit LA LAFCO relative to smaller CSDs in Los Angeles County which have struggled to identify five individuals to serve as board-members. The bill was approved by the Senate on January 20, 2018, and it is now pending in the Assembly. **SB 561 has been referred to the Assembly, where it was jointly referred to the Assembly Local Government and Assembly Elections and Redistricting Committees.**
- **Proposed Legislation Sponsored by the California Special Districts Association (“CSDA”) Concerning Definitions:** CSDA has formed a working group to discuss proposed revisions to amend the definitions of “dependent special district” and “independent special district” in the Act. At CSDA’s invitation, CALAFCO appointed two representatives to serve on this working group. CSDA’s working group is expected to meet shortly, and, staff will report back once the Committee makes a recommendation (the impact on LAFCO is uncertain until proposed language is drafted).

Staff Recommendation:

1. Take “support” positions on, and direct staff to communicate the positions in letters to members of the State Legislature and the Governor; and
2. Receive and file the Legislative Report.

Attachments:

- AB 2491 (Cooley)
- AB 2268 (Reyes)

Staff Report

May 9, 2018

Agenda Item No. 10.b.

Proposed Legislation on Special District Governance

Staff is requesting Commission approval to draft legislation enabling LAFCOs to determine the governance of special districts. This legislation is necessary so that LAFCOs are not constrained in their ability to form, dissolve, and consolidate special districts.

Background:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“Act”) is the primary law governing LAFCOs. In addition to the Act, LAFCOs must adhere to the provisions of so-called “principal acts” for each type of special district. There are approximately twenty-eight (28) principal acts, which cover everything from cemetery districts, to county sanitation district, to mosquito and vector control districts. Principal acts govern each particular type of special district. For example, in forming a community services district (“CSD”), LAFCO must follow the provisions of the Community Services District Act (Government Code Section 61000 *et seq*).

While most special districts are formed pursuant to a principal act, some special districts are formed pursuant to a so-called “special act” of the Legislature. Two examples of special act districts in Los Angeles County are the Antelope-Valley East Kern Water Agency (“AVEK”), created by the Antelope Valley East Kern Water Agency Law in 1959, and the Santa Clarita Valley Water Agency, created by the Santa Clarity Valley Water Act in 2017 (aka “SB 634”).

Amongst other provisions, principal acts and special acts establish requirements for the composition of a special district’s board (aka “governance”). The Community Services District Act, for example, requires CSDs to be governed by a five-member board of directors. The Antelope Valley East Kern Water Agency Law requires AVEK to be governed by a seven-member board, with board-members elected by division.

LAFCOs and Governance:

In forming, dissolving, or consolidating special districts, LAFCOs face a unique challenge concerning governance issues:

1. When forming a special district, LAFCO must compose a governing board consistent with that special district’s principal act (the issue does not arise for “special act” districts, which are created by the Legislature, not by a LAFCO).
2. When consolidating two or more of the same type of special districts (i.e., 2 irrigation districts), LAFCO must compose the new governing board consistent with that same type of special district.

3. When consolidating two or more different types of special districts created pursuant to principal acts, LAFCO must compose the new governing board consistent with one or the other type of district (i.e., in consolidating an irrigation district with a county water district, the new governing board must be consistent with either an irrigation district or a county water district).
4. When consolidating two or more different types of special districts, where one is a principal act district and one is a special act district, LAFCO must compose the new governing board consistent with one or the other type of district. This is the situation which recently arose relative to consolidating the former Newhall County Water District (“NCWD”), which was originally formed pursuant to the County Water District Law of 1949, and the former Castaic Lake Water Agency (“CLWA”), which was a special act district created pursuant to the Castaic Lake Water Act of 1962.

Due to the provisions of State law—the Act, principal acts, and special acts—LAFCOs are constrained in their ability to form, dissolve, and consolidate special districts. Specific examples include:

1. The Community Services District Law (Government Code Section 61000 *et seq*) of 1951 requires a five-member board of directors for CSDs; further, all members of the board of directors must be residents within CSD boundaries. In 1955, the CSD Law was amended to enable the Mountain Meadows CSD in Kern County to have a three-member board of directors. More recently, Senator Ted Gaines introduces Senate Bill 561 (“SB 561”) to enable property-owners (as opposed to residents) to serve on the board of directors of the Fallen Leaf CSD in El Dorado County. In short, the “narrow” provisions of the CSD Law precluded a distinct form of governance. Further, given that LAFCOs do not have authority in this area, special legislation was required.
2. The proposed board of directors of the Santa Clarita Valley Water Agency—a governance structure which was carefully negotiated amongst board-members of the CLWA and the NCWD—was inconsistent with the board of directors required by the principal act for NCWD (County Water District Law) and the special act for CLWA (the Castaic Lake Water Act). The two agencies knew the board composition they preferred (there was wide agreement), to which LAFCO staff had no objections. But in order to get that governance structure, it required an action of the Legislature. For this reason, the two agencies took a “consolidation bill” to the Legislature, handling not only the governance issue, but all aspects of the consolidation.
3. For any special district created by a special act, a consolidation with another public agency, is highly likely to require a new act of the State Legislature.

Representatives of individual LAFCOs, as well as CALAFCO, have expressed concerns that special bills undermine LAFCO authority to form, consolidate, and dissolve special districts. Members of the State Assembly and the State Senate, as well as the Governor, are not as informed of, and sensitive to,

local issues, as are the appointed commissioners on each LAFCO. Further, stakeholders and the general public find it very difficult to influence the legislative process for a bill; doing so requires travel to Sacramento and testimony before legislative committees, as well as one-on-one meetings with key legislators.

The challenges identified herein demonstrate why it is important for LAFCO's to have wide-ranging authority over all governance issues for special districts.

Proposed Legislation:

The Executive Officer proposes to draft legislation enabling LAFCOs to determine the governance of special districts. The proposed bill would empower LAFCOs to determine the governance (board of directors) for special districts, irrespective of any provisions to the contrary in a principal act or a special act. Further, the Executive Officer would like to collaborate with representatives of other LAFCOs, CALAFCO, and legal counsel in drafting a bill, and secure the support of CALAFO's Board of Directors. Should the Commission approve this item, staff would return to the Commission at a later date with proposed legislation before moving forward to seek a legislator to introduce the bill.

Staff Recommendation:

1. Authorize the Executive Director to work with representatives of other LAFCOs and CALAFCO to draft legislation enabling LAFCOs to determine the governance of special districts.