

February 5, 2015

Local Agency Formation Commission
105 East Anapamu Street
Santa Barbara CA 93101

Report on the Status of the Santa Rita Hills Community Services District

Dear Members of the Commission

RECOMMENDATION

It is recommended that the Commission review the Report and Provide Direction to Staff

DISCUSSION

At the December 4, 2014 meeting, the Commission reviewed an information item on the status of the Santa Rita Hills Community Services District (SRHCSD) and requested that this matter be brought back as a business item at the next meeting. One of the items of discussion was the process for dissolving the district.

Since none of the incumbents filed for reelection for the November 4, 2014 election, effective the first Friday in December (December 5, 2014), there is only one sitting director on the Santa Rita Hills SRHCSD board. Therefore, unless the Board of Supervisors appoints a new Board of Directors, the SRHCSD will not be able to function or make any decisions as a board. The last time there was a vacancy on the district's board of directors, the Board of Supervisors advertised for a director and no one applied.

Since the December 4, 2014 meeting, Commission staff and LAFCO legal counsel met with the SRHCSD general manager and legal counsel, and the County Auditor-Controller. The subject of the discussion was whether the district could pay bills without authorization from its board of directors. A decision was subsequently made by the County Auditor-Controller that pursuant to the Community Services District Law, Government Code Section 61052(b) without authorization from the SRHCSD's board of directors, he can no longer process claims. The County Auditor's letter stating this is attached as **Exhibit A**.

Formation of a Streets and Highways District and Dissolution of the Santa Rita Hills Community Services District:

On January 15, 2015, property owners within the Santa Rita Hills CSD submitted a petition for Formation of a Bridge and Highways District and Dissolution of the Santa Rita Hills Community Services District. The LAFCO application is incomplete at this point because it does not include a map and legal description, a processing fee and other LAFCO application requirements. The applicants have been notified and have agreed to submit the items necessary to complete the application.

Bridge and Highway Districts are formed pursuant to Streets and Highways Code Section 27000 et.seq., and have many of the same powers as Community Services Districts, including road improvement and maintenance. They also have the power of eminent domain.

The main difference between the two types of districts is that Community Services Districts are registered voter districts whereas Bridge and Highway Districts are landowner districts. However, the petition to form the district needs to be signed by “voters residing within the boundaries of the county or portion of the county proposed to be included in the district equal in number to at least 10 per cent of the number of voters in the county or portion thereof from which the petition is presented who voted for Governor of this State at the last general election at which a Governor was elected prior to the presentation of the petition.” Again, determining the number of eligible voters to sign the application may be problematic. Ten percent of the registered voters could be only one voter.

Dissolution of Special Districts

Dissolution means the disincorporation, extinguishment, or termination of the existence of a district and the cessation of all of its corporate powers. (Gov. Code § 56035). Initiation of proceedings for dissolution may be initiated by petition or by resolution of the governing body of an affected local agency or school district. The Commission may also initiate by resolution of application proposals for dissolution (Gov. Code § 56375(a) (2). However, pursuant to Government Code Section 56375(a)(3), the Commission may only initiate a district dissolution if it is consistent with a recommendation or conclusion of a study prepared pursuant to Government Code Section 56378 (Special Study), 56425 (Sphere of Influence) or 56430 (Municipal Service Review). LAFCO initiated dissolutions also necessitate the adoption of a special determination pertaining to public costs and the promotion of public access and accountability.

- A. For registered voter districts like the Santa Rita Hills CSD, petitions for dissolution can also be initiated by voters or landowners of the CSD. Such petitions shall be signed by either of the following:

- (1) Not less than 10% of the registered voters within the district (Gov. Code § 56870): or
- (2) Not less than 10% of the number of landowners within the district who also own not less than 10% of the assessed value of land within the district (Gov. Code § 56870)

A district may also be dissolved for “Non-Use of Corporate Powers.” For a registered voter district, dissolution proceedings “non-use of corporate powers” can be initiated by a petition signed by three or more registered voters determining that the district has been in existence for at least three years and states, on information and belief, that the corporate powers of the district have not been used and that one or more of the following conditions have existed or now exist:

- (a) That during the three-year period preceding the date of the first signature upon the petition any of the following events have not occurred:
 - (1) There has not been a duly selected and acting quorum of the board of directors of the district.
 - (2) The board of directors has not furnished or provided services or facilities of substantial benefit to residents, landowners, or property within the district.
 - (3) The board of directors has not levied or fixed and collected any taxes, assessments, service charges, rentals, or rates or expended the proceeds of those levies or collections for district purposes.
- (b) That during the one-year period preceding the date of the first signature upon the petition a quorum of the duly selected and acting board of directors has not met for the purpose of transacting district business.
- (c) That, upon the date of the first signature upon the petition, the district had no assets, other than money in the form of cash, investments, or deposits.

A flowchart of dissolution proceedings is attached to this staff report as **Exhibit B**.

Commission Proceedings

After dissolution proceedings have been initiated, LAFCO must conduct a noticed public hearing. After the public hearing, the Commission may approve, modify, or deny the proposed dissolution. If approved, the Commission also adopts terms and conditions for the dissolution. The Commission may also approve the dissolution without an election or protest proceedings if the dissolution is initiated by the subject agency. Otherwise, an election is required.

The Commission is the conducting authority for a district dissolution. The conducting authority shall adopt a resolution making a finding regarding the value of written protest filed and not withdrawn before, and take one of the followings actions (Gov. Code § 57077.1):

(a) If a change of organization consists of a dissolution, the commission shall order the dissolution without confirmation of the voters, except if the proposal meets the requirements of subdivision (b), the commission shall order the dissolution subject to confirmation of the voters.

(b) The commission shall order the dissolution subject to the confirmation of the voters as follows:

(1) If the proposal was not initiated by the commission, and if a subject agency has not objected by resolution to the proposal, the commission has found that protests meet one of the following protest thresholds:

(A) In the case of inhabited territory, protests have been signed by either of the following:

(i) At least 25 percent of the number of landowners within the affected territory who own at least 25 percent of the assessed value of land within the territory.

(ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, the affected territory.

(B) In the case of a landowner-voter district, that the territory is uninhabited and that protests have been signed by at least 25 percent of the number of landowners within the affected territory owning at least 25 percent of the assessed value of land within the territory.

(2) If the proposal was not initiated by the commission, and if a subject agency has objected by resolution to the proposal, written protests have been submitted as follows:

(A) In the case of inhabited territory, protests have been signed by either of the following:

(i) At least 25 percent of the number of landowners within any subject agency within the affected territory who own at least 25 percent of the assessed value of land within the territory.

(ii) At least 25 percent of the voters entitled to vote as a result of residing within, or owning land within, any subject agency within the affected territory.

(B) In the case of a landowner-voter district, that the territory is uninhabited and protests have been signed by at least 25 percent of the number of landowners within any subject agency within the affected territory, owning at least 25 percent of the assessed value of land within the subject agency.

(3) If the proposal was initiated by the commission, and regardless of whether a subject agency has objected to the proposal by resolution, written protests have been submitted that meet the requirements of Section 57113.

(c) Notwithstanding subdivisions (a) and (b) and Section 57102, if a change of organization consists of the dissolution of a district that is consistent with a prior action of the commission pursuant to Section 56378, 56425, or 56430, the commission may do either of the following:

(1) If the dissolution is initiated by the district board, immediately approve and order the dissolution without an election or protest proceedings pursuant to this part.

(2) If the dissolution is initiated by an affected local agency, by the commission pursuant to Section 56375, or by petition pursuant to Section 56650, order the dissolution after holding at least one noticed public hearing, and after conducting protest proceedings in accordance with this part. Notwithstanding any other law, the commission shall terminate proceedings if a majority protest exists in accordance with Section 57078. If a majority protest is not found, the commission shall order the dissolution without an election.

Concluding the Dissolved District's Affairs

Government Code sections 57450-57463 provide detailed information and procedures for successor agencies in concluding the affairs of a dissolved district.

Commission Options

There are a number of options available to the Commission should the reorganization proposal not move forward. The Commission has already directed staff to conduct an update of the SRHSCD Municipal Service Review/Sphere of Influence (MSR/SOI) at the end of 2015/beginning of 2016. The last MSR/SOI for the district was conducted in 2011. The review may determine that the district should be dissolved.

There are several ways to initiate dissolution proceedings. A resolution by an affected local agency or the LAFCO Commission could initiate dissolution proceedings. However, as stated above, before the LAFCO Commission may initiate the dissolution, a study pursuant to Government Code section 56375(a)(3) must be completed and presented to the Commission.

Please contact the LAFCO office if you have any questions.

Sincerely,

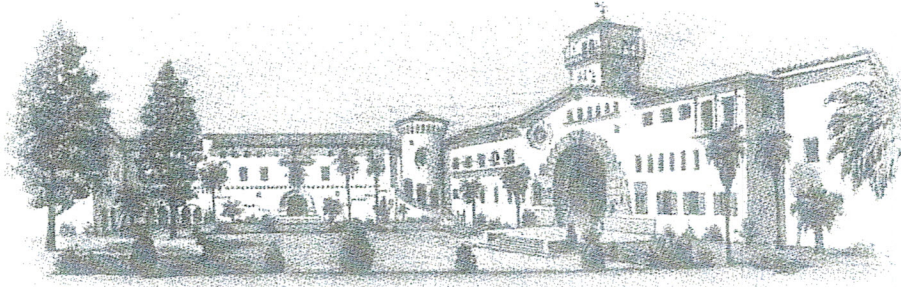


PAUL HOOD
Executive Officer

COUNTY OF SANTA BARBARA

ROBERT W. GEIS, C.P.A.
Auditor-Controller

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OFFICE OF THE AUDITOR-CONTROLLER

January 22, 2015

SRHCSD
1550 Burton Mesa Blvd
Lompoc, California
c/o Mission Hills Community Services District Office
Attention Gary Keefe and Casey Fowler

Dear Mr. Keefe:

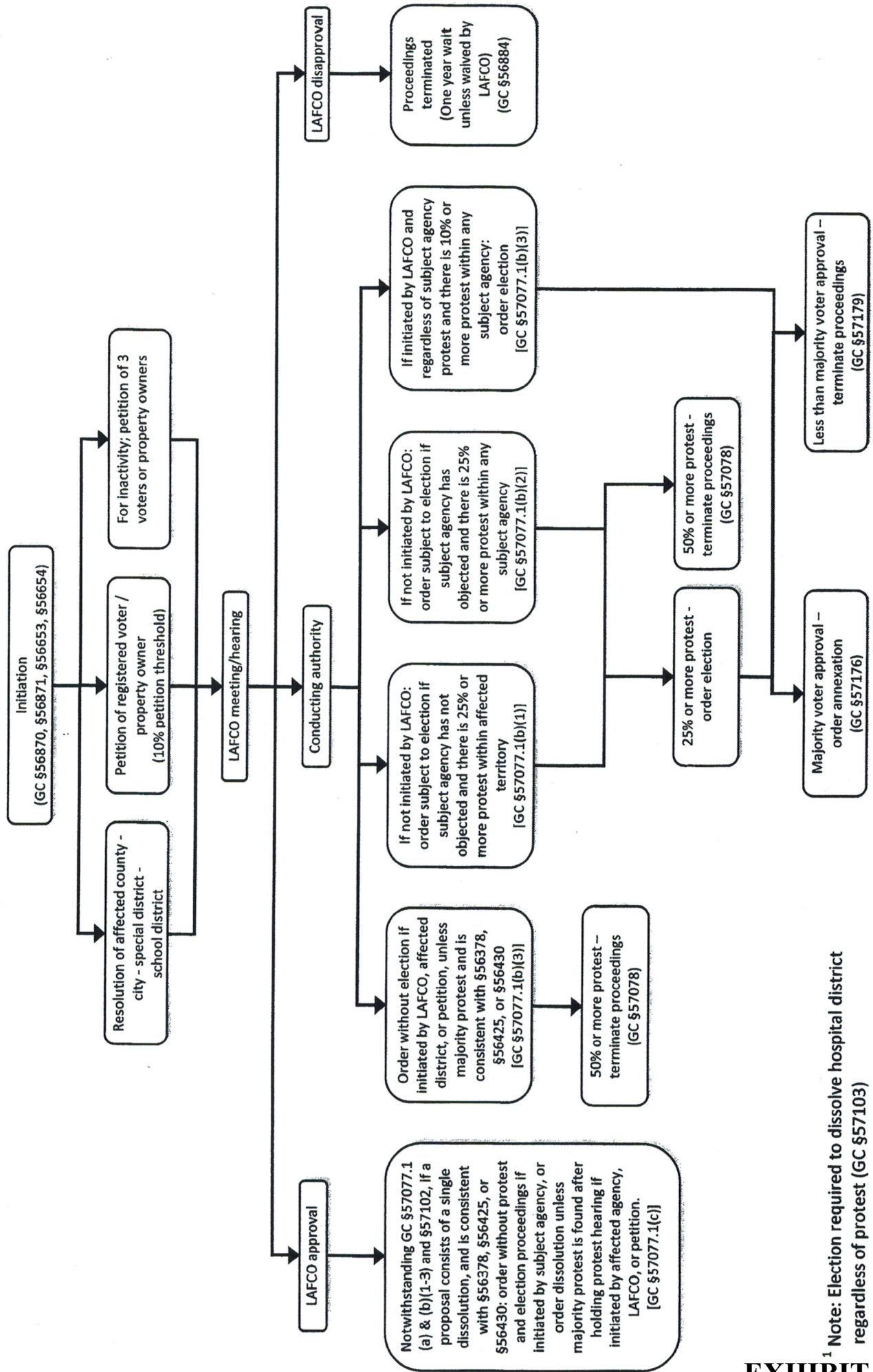
This letter is in response to your email dated January 14, 2015. Pursuant to Government Code section 61052, I do not believe that we can process claims presented after the District's Board of Directors no longer has at least three members. Government Code Section 61052 (b) states that all claims against a district shall be audited, allowed, and paid by the board of directors by warrants drawn on the county treasurer.

Robert W. Geis C.P.A.
County Auditor-Controller

Cc: Ann Rierson, Deputy County Counsel
Michael W. Seitz, Esq.
E. Patrick Morris, Esq.
William Dillion, County Counsel

EXHIBIT A

District Dissolution¹



¹ Note: Election required to dissolve hospital district regardless of protest (GC §57103)