
LAW OFFICES OF E. PATRICK MORRIS

ATTORNEYS AND COUNSELORS AT LAW

3/6/2024

VIA Email Only

Members of the Commission
Santa Barbara Local Agency Formation Commission
Santa Barbara, California

Re: Business Item #1, Santa Barbara Local Agency Formation Commission March 7, 2024 Agenda; Santa Rita Hills Community Service District Sphere of Influence Expansion

Dear Members of the Commission:

There is no reason to get a CSD, that has been defunct and powerless for a decade, and that never has even tried to do any of the things it was created to do while wasting taxpayer dollars, involved in something its own formation documents prevent it from being involved with.

Santa Rita Hills Community Services District (SRHCSD) exists in name only. It has no legal Board of Directors, and no budget. It has never done what it was formed to do, and has no reasonable prospect of ever being able to do so. It cannot even raise money to “study” anything. Why would a responsible, rational government body like Santa Barbara County Local Agency Formation Commission even consider “expanding” the reach of this corpse of an agency?

The only legitimate action the Commission should take regarding SRHCSD is to promptly commence the dissolution of SRHCSD.

The access to Lakeview is easily solved, as the courts have already recognized. There are at least two current paths forward without government entity involvement: Modify the current Blanco private permit (15LUP-00000-00072) to provide for construction of the private Memorandum of Agreement Road, or have the Lakeview owners seek a permit to privately build and operate the MOA road that they are legally obliged to build. Again, no additional government entity

is necessary to deal with these ongoing options.

The courts have concurred that this is the case. Henry Blanco and his attorney know this as well. Attached as Attachment 1 is a letter from Blanco's attorney from December 2023 acknowledging that no assessment district is required to build the MOA road, and that Blanco is free to build that road, but only that road, and only under the terms of the MOA.

Why would this Commission get involved on behalf of a non-functioning CSD when the Courts are already involved, and there is a pending permit to build an access road?

The manner in which this pending business item has been approached is highly suspect. When the issue first was raised by Staff on October 5, 2023, the Commission was told that the proposal was to "study" an area outside SRHCSD's current Sphere of Influence (SOI).

The October 5, 2023 Staff report specifically stated that this "study" was requested by SRHCSD, and that "study areas" would be on maps separate from proposed changes to any SOI:

Study Areas. For study purposes, the Isla Vista Community Services District, Santa Rita Hills Community Services District, City of Lompoc, and City of Santa Maria are requesting areas to be studied. A total of 1,138 acres are being evaluated. LAFCO staff along with the County Surveyor's Office will prepare maps that included each Study Areas and for each Spheres of Influence. The Study Areas are used to help analyze and identify which properties should remain/be included and which should be excluded from the respective Spheres of Influence.

I questioned how SRHCSD could make such a request, given that SRHCSD does not have a Board of Directors, and has not held a public meeting since 2021. When a couple of meetings (attended by no more than 4 landowners out of 39) were held in 2021 (after seven years without any meetings), there was no resolution ever presented to request SBLAFCO to do anything.

Faced with this question, Staff pivoted, and claimed in November that SRHCSD had not made the request, but Staff had initiated the "study area" concept on its own.

Only one can be the truth.

Suddenly in the final version of the MSR, the "Study Area" morphed into an expanded SOI for SRHCSD, not a "study area." Was there some sort of study done between October 5, and the final MSR with an attached resolution expanding

SRHCSD's SOI? Who did that "study"? What were the results of that "study"? What from the "study" recommended that SRHCSD's SOI should be enlarged?

Upon questioning by Commissioner Geyer in January, with the expanded SOI pending, Staff acknowledged that the resolution as proposed with respect to SRHCSD would in fact not "study" anything, except in the context of expanding SRHCSD's SOI onto Cargasacchi Ranch, marking it for "probable expansion" of SRHCSD's powers.

It is impossible to imagine how the Commission could in good conscience, and with the indisputable facts before it that SRHCSD does not function, has not functioned for now ten (10) years, and has failed to maintain its public records, held no meetings, and presented no budgets or audits, *expand* SRHCSD's influence, and thus its probable boundaries, onto adjoining private property.

The commission should not be expanding anything for the defunct SRHCSD. It should be putting SRHCSD out of its misery.

Among the legal reasons for dissolving a CSD are found in Government Code §56375.1:

(a)A commission may initiate a proposal for the dissolution of a district that is eligible for the protest threshold under Section 57093 if both of the following conditions are satisfied:

(1) At a public hearing for which notice has been published and posted, the commission approves, adopts, or accepts a study prepared pursuant to Section 56430 that includes a finding, based on a preponderance of the evidence, that one or more of the following conditions is met:

"The district has one or more documented chronic service provision deficiencies that substantially deviate from industry or trade association standards or other government regulations and its board or management is not actively engaged in efforts to remediate the documented service deficiencies."

(Cal. Gov. Code § 56375.1(a)(1)(A).)

SRHCSD has never provided any of the services it was formed to provide as dictated by this Commission in 2009:

"The District shall *within its boundaries* have powers and responsibilities as set forth in the enabling act to acquire, construct, improve, and maintain streets, roads, rights of way, bridges, culverts, drains, curbs, gutters, sidewalks and any incidental works, to convert overhead electric and communications facilities to underground locations, and to install underground electric and communications facilities, with the consent of the

public agency or public utility that owns the facilities pursuant to Streets and Highways Code.

(SBLAFCO Resolution 03-13 at 5 B.)

I have personally driven well into Lakeview Estates at least twice a year for ten years and have never seen any of these “documented services” performed. For more than \$300,000 of spent taxpayer money, there are no streets, only rutted and often impassable dirt paths, the same dirt paths that existed before SRHCSD. There are no curbs, no sidewalks, no bridges, no new culverts, no nothing.

I attended almost every SRHCSD meeting for three years it was “functioning,” through part of 2014 and, other than replicating an existing proposed road map with colored lines proposing new road widths, SRHCSD did nothing to fulfill its objectives of formation to secure improved internal roads.

What it did do is spend hundreds of thousands of taxpayer dollars on lawyers, “engineers” and other consultants such as the Wallace Group, and its leader, John Wallace, who was arrested for and pleaded guilty to criminal conflict of interest in another CSD he managed.

From my work with SRHCSD it was plain that its primary goal was to expand the CSD’s SOI so it could condemn an access area over Cargasacchi Ranch, which it legally cannot be involved with:

“The District shall not have the authority to provide services outside of its boundaries, including the construction of an access road, either with or without the use of eminent domain.”

(LAFCO Resolution 03-13 at paragraph 5 D.)

Attachment 2 to this letter are the records of the Auditor Controller showing the budgets and expenditures of SRHCSD when it was functioning, disclosing the hundreds of thousands of wasted taxpayer dollars.

Another reason a Commission should dissolve a CSD (remember, there need only be one deficiency) is if:

“The district has shown willful neglect by failing to consistently adhere to the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) and other public disclosure laws to which the agency is subject”

(Cal. Gov. Code § 56375.1(a)(1)(C).)

As the Staff report presented in November 2023 openly admits, SRHCSD maintains no office, has no records, and makes no public disclosures, including failing to provide audits of the funds it holds. When I attempted to obtain public

records from the version of SRHC SD operated by Martha New, I was told they had no records of any kind.

Yet another situation, sufficient on its own to dissolve this CSD, is where, as here:

“The district has failed to meet the minimum number of times required in its principal act in the prior calendar year and has taken no action to remediate the failures to ensure future meetings are conducted on a timely basis.”

(Cal. Gov. Code § 56375.1(a)(1)(D).)

Again, the MSR presented to this Commission in November, in which it was recommended to expand SRHCSD’s SOI admitted, as does SRHCSD’s putative “president” Martha New, the CSD held no meetings for seven (7) years, and has only held two or three since, all in 2021. It has been three (3) years since SRHCSD has even held a public meeting. How could the Commission possibly consider expanding its “SOI”?

Finally, the Commission has grounds to dissolve SRHCSD right now where:

“The district has consistently failed to perform timely audits in the prior three years, or failed to meet minimum financial requirements under Section 26909 over the prior five years as an alternative to performing an audit.”

(Cal. Gov. Code § 56375.1 (a)(1)(E).)

The idea that SRHCSD has any prospect of becoming functional, based upon the impact of legislation Das Williams was lobbied to specially create for SRHCSD, Government Code §61040.1, is laughable. Staff recommendations to this Commission, and other public records reflect the mistaken understanding that Williams’ “special law” somehow transformed SRHCSD into a three-member board governance.

It didn’t.

Section 61040.1, attached hereto as Attachment 3, had a number of distinct procedural prerequisites that had to be followed to convert SRHCSD to 3-member governance. None of those prerequisites, including a petition by the landowners, public meetings, votes of the “entire” 5-member board, and passing of a resolution, ever took place.

SRHCSD cannot, as a matter of law, be governed by only three board members, unless they are a quorum of a 5-member board, which SRHCSD has not had since 2013.

Finally, should this Commission cloud the title to Cargasacchi Ranch with a “probable” expansion of the boundaries of SRHCSD, which is what an SOI expansion is as a matter of law, particularly under these circumstances, it will commit, at least in part, a taking of the Cargasacchis’ land without using the process of eminent domain, and leave them uncompensated for the cloud on their title. The very concept of allowing that cloud to exist for 11 more years, as recommended by Staff, is an affront to common sense and private property rights.

LAFCO counsel should be requested to address each and all of these legal issues before any further action is considered with regard to SRHCSD, much less taking private land.

Given all of the forgoing, the Commission is respectfully requested to at the least table Business Item #1 until the myriad legal issues can be resolved, which the Commission should direct be done in consultation with the Cargasacchis’ counsel. At best, the Commission should reject the proposed resolution, and direct Staff to prepare a brief for the Commission on the process for dissolving SRHCSD, which is a process far more involved and immediate than waiting 11 years to declare SRHCSD what it long has been: inactive.

By this communication, no client of this office makes any admission in whole or in part, nor waives, in whole or in part, any right, claim, remedy, and or defense, each and all of which are expressly reserved hereby.

Very truly yours,

LAW OFFICES OF E. PATRICK MORRIS

E. Patrick Morris

E. Patrick Morris

Cc: Clients

LAW OFFICES
REETZ, FOX & BARTLETT LLP
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November 13, 2023

Via Email Only

County of Santa Barbara
Planning and Development
624 W. Foster Road, Suite C
Santa Maria, CA 93455-3623

PERMIT NUMBER: 23GRD-00221
PROJECT ADDRESS: 0 SWEENEY ROAD, LOMPOC, CA 93436
APN: 099-150-016

Dear Planning and Development,

This letter addresses your concern for property owner/agent authorization in connection with the above referenced permit.

Property owner authorization for this work is shown by the Memorandum of Agreement dated March 18, 1990. A copy of the MOA is attached as Exhibit A. This document expressly authorizes the new MOA Road on the Cargasacchi property.

Additionally, location of the road on the Cargasacchi property and authorization for Hank Blanco to build the MOA Road was confirmed by judgment of the Santa Barbara Superior Court, Cook Division, the Honorable Timothy J. Staffel filed September 27, 2022. A copy of the judgement is attached as Exhibit B. In particular notice the highlighted portions of pages 17 and 18. The judgment clearly states that Mr. Blanco is authorized to build the MOA Road as proposed.

If you have any questions or concerns in this matter, please contact me directly.

Sincerely,

REETZ, FOX & BARTLETT LLP



Randall Fox

RF/jat
Blanco\11-1990 MOA Road\ 23.11.13a Planning Ltr
Enclosures

EXHIBIT A

RECORDING REQUESTED BY
FIRST AMERICAN TITLE

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Mr. John J. Thompson
4634 Mint Lane
Santa Barbara, California 93110
(805) 964-2339

90-017789
Recorded
Official Records
County of
Santa Barbara
Keimoth & Patti
Recorder
2:48pm 18-Mar-90

Rec Fee
Total 99.00
99.00

PH 48

MEMORANDUM OF AGREEMENT
AND EASEMENT LOCATION DOCUMENT

This Memorandum of Agreement and Easement Location Document is made effective this 1st day of September, 1989, by and between GIOVANNI CARGASACCHI and CLEMENTINA CARGASACCHI, husband and wife (hereinafter "SERVIENT TENEMENT OWNERS") and the owners of the LAKEVIEW PROPERTIES, and RANCHO DOS MUNDOS, which real properties are described in Exhibit "A" attached hereto and incorporated herein by reference, the owners of which real properties are hereinafter collectively referred to as the "DOMINANT TENEMENT OWNERS."

RECITALS

A. WHEREAS, Bartolo Cargasacchi, an unmarried man (herein "Bartolo"), granted a non-exclusive easement and right of way for road purposes to Wallace F. Dyer and Mary L. Dyer, husband and wife (herein "Dyers"), by a Grant of Easement dated January 3, 1968 and recorded January 4, 1968 as Instrument No. 367 in Book 2216, Page 1273 of Official Records of Santa Barbara County, California (herein the "Original Grant of Easement"); and

B. WHEREAS, said Original Grant of Easement traversed that certain parcel of real property located in the County of Santa Barbara, State of California, and legally described in Exhibit "B" attached hereto and incorporated herein by reference, said real property being referred to herein as the "SERVIENT TENEMENT"; and

C. WHEREAS, said Original Grant of Easement to the Dyers was for the benefit of a parcel of real property which was subdivided as described in Recital D. hereof; and

D. WHEREAS, on November 21, 1968, a successor in interest to the Dyers recorded a Record of Survey in Book 84 of Records of Survey at pages 31 through 33 of Official Records of Santa Barbara County, California, which Record of Survey

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GMS

This Memorandum of Agreement and Easement Location Document is made effective this 1st day of September, 1989, by and between GIOVANNI CARGASACCHI and CLEMENTINA CARGASACCHI, husband and wife (hereinafter "SERVIENT TENEMENT OWNERS") and the owners of the LAKEVIEW PROPERTIES, and RANCHO DOS MUNDOS, which real properties are described in Exhibit "A" attached hereto and incorporated herein by reference, the owners of which real properties are hereinafter collectively referred to as the "DOMINANT TENEMENT OWNERS."

RECITALS

A. WHEREAS, Bartolo Cargasacchi, an unmarried man (herein "Bartolo"), granted a non-exclusive easement and right of way for road purposes to Wallace P. Dyer and Mary L. Dyer, husband and wife (herein "Dyers"), by a Grant of Easement dated January 3, 1968 and recorded January 4, 1968 as Instrument No. 367 in Book 2216, Page 1273 of Official Records of Santa Barbara County, California (herein the "Original Grant of Easement"); and

B. WHEREAS, said Original Grant of Easement traversed that certain parcel of real property located in the County of Santa Barbara, State of California, and legally described in Exhibit "B" attached hereto and incorporated herein by reference, said real property being referred to herein as the "SERVIENT TENEMENT"; and

C. WHEREAS, said Original Grant of Easement to the Dyers was for the benefit of a parcel of real property which was subdivided as described in Recital D. hereof; and

D. WHEREAS, on November 21, 1968, a successor in interest to the Dyers recorded a Record of Survey in Book 84 of Records of Survey at pages 31 through 33 of Official Records of Santa Barbara County, California, which Record of Survey

subdivided the LAKEVIEW PROPERTIES portion of the DOMINANT TENEMENTS into thirty-eight (38) separate parcels, which parcels are separately identified in said Record of Survey as Parcels 1 through 38, inclusive; and

E. WHEREAS, on May 5, 1987, SERVICENT TENEMENT OWNERS executed a "Clarification to and Expansion of Grant of Easement" which was recorded on May 14, 1987 as Instrument No. 1987-035869, Official Records of Santa Barbara County (hereinafter "CLARIFICATION DOCUMENT"); and

F. WHEREAS, said CLARIFICATION DOCUMENT clarified and expanded an easement grant and right of way, for use in common with others, for road purposes, over the real property described in Exhibit "B" hereto (hereinafter "SERVICENT TENEMENT"); and

G. WHEREAS, the CLARIFICATION DOCUMENT stated that the easement rights created by the Original Grant of Easement, as clarified and expanded by the Clarification Document, were appurtenant to Parcels 1 through 38, inclusive, as shown on the Record of Survey recorded in Book 84 of Records of Survey at pages 31 through 33 of Official Records of Santa Barbara County, California, but did not state that such rights, as so clarified and expanded, were appurtenant to RANCHO DOS MUNDOS; and

H. WHEREAS, said Original Grant of Easement, together with the CLARIFICATION DOCUMENT, upon the terms and conditions set forth therein, provide for an easement and right of way, for use in common with others, for road purposes, on, over, and across a strip of land, 30 feet in width, from the West boundary of the SERVICENT TENEMENT, abutting the end of the existing County Road known as Swensy Road, over and across the SERVICENT TENEMENT, to the West boundary of the DOMINANT TENEMENTS; and

I. WHEREAS, said Original Grant of Easement and CLARIFICATION DOCUMENT did not specifically locate the road easement and right of way, except as described in the preceding paragraph hereof; and

J. WHEREAS, the parties hereto wish by this Memorandum of Agreement and Easement Location Document, subject to the terms and conditions set forth herein, to provide for the specific location of the road easement and right of way, and to make other agreements regarding the road easement, as herein contained;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Location of Easement. SERVICENT TENEMENT OWNERS hereby grant the location and DOMINANT TENEMENT OWNERS hereby accept the location of the above-described easement and right of way as shown on the photograph which :

is attached hereto and incorporated herein by reference as Exhibit "C." It will begin at the western entrance to the SERVIENT TENEMENT and extend in a straight line directly east until it intersects the existing road at the base of the foothill. From this point of intersection it will generally follow the existing road, as hereinafter described, through the foothills to the eastern gate where it leaves the SERVIENT TENEMENT and enters the DOMINANT TENEMENTS. The Original Grant of Easement as clarified and expanded by the CLARIFICATION DOCUMENT shall be appurtenant to each of the DOMINANT TENEMENTS described in Exhibit "A" hereto, and the easement and right of way is located for each of them as set forth above.

2. Preparation of Legal Description. After the signing of this Memorandum of Agreement and Easement Location Document, the LAKEVIEW PROPERTIES COMMITTEE, on behalf of the DOMINANT TENEMENT OWNERS shall, at their sole expense, have prepared a surveyed description of said 30 foot easement. Said surveyed description shall become Exhibit "D" of this Memorandum of Agreement and Easement Location Document. Said surveyed description shall also provide that, after the road is constructed, the legal description will be adjusted so that the thirty (30) foot easement is located fifteen (15) feet on either side of the centerline of the road as constructed. The Legal Description (Exhibit "D") shall be approved in writing by SERVIENT TENEMENT OWNERS and by the DOMINANT TENEMENT OWNERS, either individually or by their Attorney in Fact.

3. Road Width. The width of the road easement shall be thirty (30) feet throughout the SERVIENT TENEMENT, and it will be measured as fifteen (15) feet on each side of the center-line of the finished road. The road shall be paved to a width of twenty (20) feet across the flat farm land, and to a width of sixteen (16) feet across the hillside land. This narrowing of twenty (20) feet to sixteen (16) feet through the hillside land will be subject to the approval of Santa Barbara County and will not be objected to by SERVIENT TENEMENT OWNERS. It is acknowledged by all parties that in the hillside area it may be necessary, for road construction purposes, that some cuts and/or fills may have to be made outside of the thirty (30) foot easement in order to achieve a final sixteen (16) foot paved width. Permission for these cuts and fills outside of the easement is hereby granted by the SERVIENT TENEMENT OWNERS on a one time only basis in order to facilitate the construction of the road. These cuts and fills outside of the easement will be limited to the North side of the existing road, unless otherwise agreed to by SERVIENT TENEMENT OWNERS, in order to avoid intruding into the farm land to the immediate south. Following road construction, DOMINANT TENEMENT OWNERS shall reseed the disturbed slope areas as directed by SERVIENT TENEMENT OWNERS.

4. Gates. The Original Grant of Easement, the CLARIFICATION DOCUMENT, and this instrument are subject to the right of SERVIENT TENEMENT OWNERS to maintain gates and cattle guards across said right-of-way, and said gates shall be kept closed.

5. No Overburdening by Additional Parcels. The easement was granted and restricted to the use of each one of the parcels of the original LAKEVIEW PROPERTIES, and RANCHO DOS MUNDOS, which properties are more fully described in Exhibit "A" hereto. DOMINANT TENEMENT OWNERS shall not materially increase the burden or impose new or additional burdens upon the easement or SERVIENT TENEMENT OWNERS. The right to grant permission for any future requests to increase the use and/or burden of the easement and to grant additional easements is hereby reserved to the SERVIENT TENEMENT OWNERS. DOMINANT TENEMENT OWNERS hereby release all other easements or other rights that lie outside the easement location described herein, and hereby release and quitclaim all other rights and claims across the SERVIENT TENEMENT, whether acquired by prescription, grant or otherwise.

6. Erosion Control. The design of the road shall be fully sensitive to the natural flow of surface water across the SERVIENT TENEMENT. The road shall be designed so as to avoid any undue channeling or concentration of runoff water. The engineer shall consult with SERVIENT TENEMENT OWNERS in order to become familiar with the problems of surface flow on the SERVIENT TENEMENT and SERVIENT TENEMENT OWNERS will be invited to, but shall not be required to, sign the final plans thereby showing their approval of the appropriateness of the design considerations. If, however, there is an abnormal amount of erosion that is caused by the road during a normal amount of rainfall and this unusual erosion is caused by a deficiency in either the design, construction, or maintenance of the road, then the necessary modifications shall be made to the road to correct the problem and the damage caused by the erosion shall be repaired, all at DOMINANT TENEMENT OWNERS' expense. It is understood by all parties that unusually heavy rains will occur and they can and will cause severe erosion problems in spite of the most careful engineering and the best construction.

7. Crossings and Culverts. At locations to be designated by SERVIENT TENEMENT OWNERS, DOMINANT TENEMENT OWNERS will provide and maintain three (3) crossings which are twenty-five (25) feet wide for the use of SERVIENT TENEMENT OWNERS' tractors with steel tracks and other abrasive equipment. Tractors with steel tracks shall cross the road in a reasonably straight line. DOMINANT TENEMENT OWNERS shall install and maintain three (3) culverts, each fifteen (15) inches in diameter for the purpose of receiving SERVIENT TENEMENT OWNERS' high-pressure water pipes, thereby allowing the pipes to pass under the roadbed and to protect the road in the event that a

water pipe ruptures. The layout of these culverts shall be to SERVIENT TENEMENT OWNERS' specifications.

8. Construction and Maintenance of the Road. DOMINANT TENEMENT OWNERS shall be responsible for all of the costs of design, construction and maintenance of the road. Before the road is constructed, a mechanism such as an assessment district shall be formed to insure that funds will be available to pay the costs of construction and maintenance of the road. The road shall be constructed between crop seasons, and completed before March 30th of the year in which construction occurs, including the removal of the gravel of the old roadway between the buildings and the hillside. The old road may be used until the new road is completed. All construction contractors shall be licensed and bonded. DOMINANT TENEMENT OWNERS shall promptly pay all labor and material suppliers, and shall defend, indemnify, and hold harmless SERVIENT TENEMENT OWNERS from all labor and material suppliers mechanics liens in connection with the road construction and maintenance.

9. Liability. DOMINANT TENEMENT OWNERS acknowledge that SERVIENT TENEMENT OWNERS run livestock on the SERVIENT TENEMENT and on the road easement, and that at certain times it may be dangerous to use the easement, and DOMINANT TENEMENT OWNERS acknowledge that they do so at their own risk. DOMINANT TENEMENT OWNERS shall be responsible and liable for any and all of their own activities or those of their guests while on the SERVIENT TENEMENT and DOMINANT TENEMENT OWNERS agree to hold SERVIENT TENEMENT OWNERS harmless for any claims or damages that derive from any of DOMINANT TENEMENT OWNERS' activities while using the easement.

With regard to liability insurance, if a funding mechanism such as an assessment district or homeowners association is established to finance construction of the road, or at any time thereafter, then such funding mechanism shall, if legally permissible, purchase and maintain a policy of liability insurance in the amount of One Million Dollars (\$1,000,000.00), naming SERVIENT TENEMENT OWNERS as additional insureds. If such a funding mechanism is not established, then DOMINANT TENEMENT OWNERS will make every effort to ensure that each of the DOMINANT TENEMENT OWNERS will individually have his or her own homeowner's policy extended to include the road easement and to name SERVIENT TENEMENT OWNERS as additional insureds. The purpose of this insurance is to protect SERVIENT TENEMENT OWNERS from claims that may arise from parties beyond their control who claim injury or damage while using the easement.

10. California Law. The law of the state of California regarding easements shall apply to other problems which may arise.

11. Relocation. It is understood and intended by all parties that this Memorandum of Agreement and Easement Location Document results in the relocation of the original easement and that the terms and conditions of this Memorandum of Agreement and Easement Location Document shall apply to all who were a party or who derived benefit from the Original Grant of Easement or CLARIFICATION DOCUMENT. This Memorandum of Agreement and Easement Location Document does not constitute an easement in addition to the Original Grant of Easement, but is only a clarification and expansion thereof. Except as expressly clarified and expanded herein, all terms, conditions and stipulations of the Original Grant of Easement and CLARIFICATION DOCUMENT shall remain in full force and effect and are hereby confirmed as such.

12. Subdivision of Servient Tenement. In the event that the SERVIENT TENEMENT is subdivided, then each additional parcel shall share equally only the just cost of road maintenance of that portion of the road utilized by such additional parcel. There shall be no fees, assessments, liens, dues, or other costs charged to such additional parcel's use of the road except as provided in the preceding sentence and such additional parcels and their owners shall not be required by DOMINANT TENANT OWNERS to join an assessment district or any other organization. For the purpose of this paragraph, the term "additional parcel" shall mean any parcel in excess of the two (2) that comprise the SERVIENT TENEMENT, it being the intent of the parties that any two parcels constituting a portion of the SERVIENT TENEMENT shall be exempt from the cost sharing provisions of this paragraph. Further, this paragraph shall apply only to such additional parcel or parcels that elect to use the road for ingress and egress.

13. Recordation; Binding Effect. This Memorandum of Agreement and Easement Location Document shall have no binding effect on any of the parties hereto unless and until: a) it has been signed by each of the SERVIENT TENEMENT OWNERS and by each of the DOMINANT TENEMENT OWNERS (either individually or by their Attorneys in Fact); and b) the narrowing of the road to sixteen feet in width as described in Paragraph 3. hereof has been approved in writing by the County of Santa Barbara. After the occurrence of the above described events, and after approval of the legal description as provided in paragraph 2. hereof, JOHN J. THOMPSON shall promptly record this Memorandum of Agreement and Easement Location Document.

14. Counterparts. This Memorandum of Agreement and Easement Location Document may be signed in counterparts, and all copies so executed shall constitute one agreement which shall be binding upon the parties hereto.

15. Dismissal of Lawsuit; Inadmissible Settlement Offer. Immediately upon the occurrence of all of the events described

in Paragraph 13. hereof, and the recordation of this Memorandum of Agreement and Easement Location Document, each of the parties hereto agrees to direct his or her Attorney to prepare, execute, and file with the Clerk of the Superior Court, Santa Maria Branch, a Request for Dismissal with prejudice of the entire action entitled Thompson et. al. v. Cargasaghi et. al and all related cross-actions, Case No. SM 61094. In the event that the events described in Paragraph 13. hereof do not occur, and this Memorandum of Agreement and Easement Location Document is not recorded, then the entire contents of this Memorandum of Agreement shall be construed as a settlement offer, and shall be inadmissible in the trial of said Superior court action, pursuant to California Evidence Code section 1152.

16. Covenant Running with the Land. It is intended and agreed that each of the obligations contained herein shall be covenants running with the land of the SERVIENT TENEMENT OWNERS and the DOMINANT TENEMENT OWNERS, pursuant to California Civil Code section 1468, which shall benefit and be binding upon each of the successor owners of the SERVIENT TENEMENT and each of the DOMINANT TENEMENTS. Each of the current and successor owners of the SERVIENT TENEMENT and each of the DOMINANT TENEMENTS is hereby expressed to be bound by the provisions hereof, for the benefit of the SERVIENT TENEMENT and each of the DOMINANT TENEMENTS.

17. Prudent Use. In traversing the easement, DOMINANT TENEMENT OWNERS, their agents, employees, contractors, guests and successors, shall at all times do so in a proper, safe and prudent manner, so as not to cause harm to persons, property or livestock.

18. Formation of Assessment District. Following recordation of this instrument as provided herein, DOMINANT TENEMENT OWNERS shall immediately make a good-faith effort to form an assessment district to finance construction and maintenance of the road.

19. Purchase of Title Policy Endorsement. Prior to the recordation of this Agreement, DOMINANT TENEMENT OWNERS shall obtain from First American Title Insurance Company an endorsement to SERVIENT TENEMENT OWNERS' policy of title insurance, to the satisfaction of SERVIENT TENEMENT OWNERS.

In Witness Whereof, the Parties have affixed their signatures:

SERVIENT TENEMENT OWNERS:

Giovanni Cargasacchi
Giovanni Cargasacchi

Clementina Cargasacchi
Clementina Cargasacchi

DOMINANT TENEMENT OWNERS:

LAKEVIEW PROPERTIES:

(Parcels 1, 2, and 10) Wen M. Chen, by his Attorney in Fact
Wen M. Chen, by his Attorney in Fact

(Parcel 3) Jose R. Rocha, Executor for Jose Rocha
Estate of Jose Rocha, Deceased
by its Executor

Socorro Rocha, by her Attorney in Fact
Socorro Rocha, by her Attorney in Fact

(Parcels 4, 5, 7, and 8) Clayton Sanchez, by his Attorney in Fact
Clayton Sanchez, by his Attorney in Fact

W. Bruce Sanchez, by his Attorney in Fact
W. Bruce Sanchez, by his Attorney in Fact

(Parcel 6) Ralph A. Weston, individually
Ralph A. Weston, individually

Patricia F. Weston, by her Attorney in Fact
Patricia F. Weston, by her Attorney in Fact

(Parcel 9) Robert J. Alexander, Jr., by his Attorney in Fact
Robert J. Alexander, Jr., by his Attorney in Fact

(Parcels 11 & 12) Norman A. Erdman by his Attorney in Fact
Norman A. Erdman, by his Attorney in Fact

Etta M. Erdman by her Attorney in Fact
Etta M. Erdman, by her Attorney in Fact

(Parcel 13) Jane A. Hall, individually

John E. Hall, individually

John R. Hanley, individually

Gwen C. Hanley, individually

(Parcel 14) Alan C. Woodbury by his Attorney in Fact
Alan C. Woodbury, by his Attorney in Fact

(Parcel 15) Richard E. Hansen by his Attorney in Fact
Richard E. Hansen, by his Attorney in Fact

(Parcel 16) Dale L. Petersen by his Attorney in Fact
Dale L. Petersen, by his Attorney in Fact

(Parcel 17) Dennis Mulgrew by his Attorney in Fact
Dennis Mulgrew, by his Attorney in Fact

Margaret A. Mulgrew by her Attorney in Fact
Margaret A. Mulgrew, by her Attorney in Fact

(Parcel 18) John Wurts by his Attorney in Fact
John Wurts, by his Attorney in Fact

Julie Wurts by Ralph A. Weston
 Julie Wurts, by her Attorney in Fact

(Parcel 19) *James F. Moore by Ralph A. Weston*
 James F. Moore, by his Attorney in Fact

Karen L. Moore by Ralph A. Weston
 Karen L. Moore, by her Attorney in Fact

(Parcel 20) *Robert L. Clark by Ralph A. Weston*
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 Willis G. Skoe, by his Attorney in Fact

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Shelby J. Hughes by Ralph A. Weston
 Shelby J. Hughes, by her Attorney in Fact

(Parcel 24) *Theodore E. Knudson by Ralph A. Weston*
 Theodore E. Knudson, by his Attorney in Fact

Gerda Knudson by Ralph A. Weston
 Gerda Knudson, by her Attorney in Fact

(Parcels 25, 26 and 27) *Ralph A. Weston*
 Ralph A. Weston, individually

Patricia F. Weston by Ralph A. Weston
 Patricia F. Weston, by her Attorney in Fact

(Parcel 28) Michael A. Monasterio by Ralph A. Weston
Michael A. Monasterio, by his Attorney
in Fact

Beverly E. Monasterio by Ralph A. Weston
Beverly E. Monasterio, by her Attorney
in Fact

(Parcel 29) Richard Howard Grosland by Ralph A. Weston
Richard Howard Grosland, by his Attorney
in Fact

John Patrick Palmer by Ralph A. Weston
John Patrick Palmer, by his Attorney
in Fact

Lois Elaine Palmer by Ralph A. Weston
Lois Elaine Palmer, by her Attorney in Fact

(Parcel 30) Richard J. Swift by Ralph A. Weston
Richard J. Swift, by his Attorney in Fact

Mary J. Swift by Ralph A. Weston
Mary J. Swift, by her Attorney in Fact

(Parcels 31 & 36) John J. Thompson
John J. Thompson, individually

Rosemary A. Thompson by Ralph A. Weston
Rosemary A. Thompson, by her Attorney
in Fact

(Parcel 32) Miklos D. F. Udvardy, individually

Maud E. Udvardy, individually

Miklos A. P. Udvardy, individually

Monica L. Udvardy, individually

(Parcels 33 & 34) Harold R. Briggs By *for of the person*
Harold R. Briggs, by his Attorney in Fact

Dorothy M. Briggs By *for of the person*
Dorothy M. Briggs, by his Attorney in Fact

(Parcel 35)

Frederick E. Trager, individually

(Parcels 37 & 38)

Christopher E. Marks, individually

Carol L. Marks, individually

RANCHO DOS MUNDOS:

Rancho Dos Mundós, a California
Partnership:

By: Robert E. Marks, General Partner

By: Christopher E. Marks, General Partner

By: Carol L. Marks, General Partner

(Add Notary Forms)

Monica L. Udvardy, individually

(Parcels 33 & 34)

Harold E. Briggs, by his Attorney in Fact

Dorothy M. Briggs, by his Attorney in Fact

(Parcel 35)

[Signature]
Frederic E. Trager, individually

(Parcels 37 & 38)

Christopher E. Marks, individually

Carol L. Marks, individually

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By: Carol L. Marks, General Partner

(Add Notary Forms)

(Parcel 28)

Michael A. Monasterio, by his Attorney
in Fact

Beverly E. Monasterio, by her Attorney
in Fact

(Parcel 29)

Richard Howard Grosland, by his Attorney
in Fact

John Patrick Palmer, by his Attorney
in Fact

Lois Elaine Palmer, by her Attorney in Fact

(Parcel 30)

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Mary J. Swift, by her Attorney in Fact

(Parcels 31 & 36)

John J. Thompson, individually

Rosemary A. Thompson, by her Attorney
in Fact

(Parcel 32)

Miklos D. F. Udvardy, individually *his Attorney in Fact*

Maud E. Udvardy, individually *her Attorney in Fact*

Miklos A. P. Udvardy
Miklos A. P. Udvardy, individually

Monica L. Udvardy, by P.O.A. Mark E. Marks & Cheryl
Monica L. Udvardy, individually Not Attorney-in-Fact

(Parcels 33 & 34)

Harold R. Briggs, by his Attorney in Fact

Dorothy M. Briggs, by her Attorney in Fact

(Parcel 35)

Frederick E. Traor, individually

(Parcels 37 & 38)

Christopher E. Marks, individually

Carol L. Marks, individually

RANCHO DOS MUNDOS:

Rancho Dos Mundos, a California
Partnership:

By: Robert E. Marks, General Partner

By: Christopher E. Marks, General Partner

By: Carol L. Marks, General Partner

(Add Notary Forms)

(Parcels 11 & 12)

Norman A. Erdman, by his Attorney in Fact

Etta M. Erdman, by her Attorney in Fact

(Parcel 13)

James A. Hall
James A. Hall, individually

John E. Hall
John E. Hall, individually

John R. Hanley
John R. Hanley, individually

Gwen C. Hanley
Gwen C. Hanley, individually

(Parcel 14)

Alan C. Woodbury, by his Attorney in Fact

(Parcel 15)

Richard E. Hansen, by his Attorney in Fact

(Parcel 16)

Dale L. Petersen, by his Attorney in Fact

(Parcel 17)

Dennis Mulgrew, by his Attorney in Fact

Margaret A. Mulgrew, by her Attorney
in Fact

(Parcel 18)

John Wurts, by his Attorney in Fact

Niklos A. P. Udvardy, individually

Monica L. Udvardy, individually

(Parcels 33 & 34)

Harold R. Briggs, by his Attorney in Fact

Dorothy M. Briggs, by his Attorney in Fact

(Parcel 35)

Frederick E. Trager, individually

(Parcels 37 & 38)

Christopher E. Marks
Christopher E. Marks, individually

Carol L. Marks
Carol L. Marks, individually

RANCHO DOS MUNDOS:

Rancho Dos Mundos, a California
Partnership:

By: *Robert E. Marks*
Robert E. Marks, General Partner

By: *Christopher E. Marks*
Christopher E. Marks, General Partner

By: *Carol L. Marks*
Carol L. Marks, General Partner

(Add Notary Forms)

EXHIBIT "A"

LEGAL DESCRIPTION OF DOMINANT INTERESTS:

LAKEVIEW PROPERTY:

All that certain Real Property situated in the State of California, in the unincorporated area of the County of Santa Barbara, described as follows:

Parcels 1 through 38, inclusive, as shown on the Record of Survey filed November 21, 1968, in Book 84, Pages 31 through 33, Records of Survey, in the Office of the County Recorder of Santa Barbara County.

RANCHO DOS MUNDOS:

All that certain Real Property situated in the State of California, in the unincorporated area of the County of Santa Barbara, described as follows:

Beginning at a 1/2" survey pipe set in the westerly line of Parcel One of a tract of land described in the deed to Wallace P. Dyer, et al., recorded November 7, 1952, as Instrument No. 17442 in Book 1107 at Page 499, Official Records, records of said County, said 1/2" survey pipe also being in that westerly line of Rancho Santa Rosa as shown in Book 2 at Page 37 and 38, Maps and Surveys, records of said County, from which a 1-1/4" survey pipe set at "S.R. 10" at the northerly end of the first course as described in said Parcel One in said deed to Wallace P. Dyer, et al., bears North 8°44'45" East, 2836.97 feet; thence,

1st, South 8°44'45" West, along the westerly line of said Dyer tract and the westerly line of said Rancho Santa Rosa, 366.84 feet to a 3/4" survey pipe, from which a 3/4" survey pipe set at the southwesterly corner thereof, (SR 11) bears South 8°44'45" West, 5196.21 feet, and a 1" survey pipe set on top of bluff bank bears North 8°44'45" East, 64.51 feet; thence, into said Dyer tract,

2nd, North 30°37'25" East, 476.05 feet to a 3/4" survey pipe; thence

3rd, South 75°50'45" West, 192.57 feet to the Point of Beginning.

Subject to conditions, restrictions, easements, rights and rights-of-way of record.

EXH A PAGE 1 OF 1

EXHIBIT "B"

LEGAL DESCRIPTION OF SERVICENT TENEMENT:

All that certain real property situated in the State of California, in the unincorporated area of the County of Santa Barbara, described as follows:

All that portion of the Santa Rita Rancho in the said County of Santa Barbara, described as follows, to wit:

Beginning at a point on the Easterly line of said Rancho as described in the patent issued from the United States of America to Jose Roman Malo, dated June 25, 1875 and recorded in Book "A", at page 277 of Patents, Records of said County, said point being at the Southeasterly corner of the tract of land set off and allotted to J. A. Blackburn, according to the decree of partition issued out of the District Court of the First Judicial District of the State of California, in and for the County of Santa Barbara, in that certain action entitled "Jessee Hill, et al. vs. Albert Craig, et al.", a copy of which is recorded in Book "R", at page 435, of Deeds, records of said County, thence West along the Southerly line of said Blackburn tract of land, 77.97 chains to a stake marked "W. No. 2 & E. No. 2"; thence South, along the line between Sections 32 and 33 of Township 7 North, Range 33 West, S. B. M., 20 chains to the common corner of said Sections 32 and 33 and Sections 4 and 5 of Township 6 North, Range 33 West, S. B. M.; thence continuing South, along the line between said Sections 4 and 5 and between Sections 8 and 9 of said Township 6 North, Range 33 West, S. B. M., 116.70 chains to the Southerly line of said Rancho in the center of the Santa Ynez River; thence North 79 1/2 deg. East, following along the said Southerly line of said Rancho, 32.87 chains to an angle point in said Southerly line; thence South 57 deg. East, along the said Southerly line, 22.90 chains to the most Southeasterly corner of said Rancho; thence following along the Easterly line of said Rancho and along the Westerly line of the "Rancho Santa Rosa", North 8 deg. 57 sec. East 61.39 chains to a station post marked "S. R. No. 3 and S. R. No. 10"; thence North 11 1/2 Deg. East, along the said Easterly line of said Santa Rita Rancho, 84.60 chains to the point of beginning; being the tract of land set off and allotted to Henry Whisman and John Whisman by decree of partition entered in the action hereinabove referred to, containing 875.84 acres, more or less.

EXH. B PAGE 1 OF 1



JOHN MILLER 1904-1908
PAUL P. J. C.
1907

EXHIBIT "D"

APPROVAL OF LEGAL DESCRIPTION

This APPROVAL OF LEGAL DESCRIPTION is made as of the date of signing, by and between GIOVANNI CARGASACCHI and CLEMENTINA CARGASACCHI, husband and wife (hereinafter "SERVIENT TENEMENT OWNERS") and the owners of the LAKEVIEW PROPERTIES, and RANCHO DOS MUNDOS, which real properties are described in Exhibit "A" attached hereto and incorporated herein by reference, the owners of which real properties are hereinafter collectively referred to as the "DOMINANT TENEMENT OWNERS."

RECITALS

A. WHEREAS, the MEMORANDUM OF AGREEMENT AND EASEMENT LOCATION DOCUMENT, to which this Exhibit "D" is attached, provided, in Paragraph 2., for the surveying of and the preparation of a legal description for the 30 foot road easement, which legal description is to become Exhibit "D" of the MEMORANDUM OF AGREEMENT AND EASEMENT LOCATION DOCUMENT; and

B. WHEREAS, said Paragraph 2. also provided that said legal description (Exhibit "D") shall be approved in writing by SERVIENT TENEMENT OWNERS and by the DOMINANT TENEMENT OWNERS, either individually or by their Attorney in Fact; and

C. WHEREAS, the SERVIENT TENEMENT OWNERS and DOMINANT TENEMENT OWNERS wish, by the signing of this Approval of Legal Description, to approve the surveyed legal description which has been prepared, and which is attached hereto to this Exhibit "D."

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Approval of Legal Description. Pursuant to Paragraph 2. of the MEMORANDUM OF AGREEMENT AND EASEMENT LOCATION DOCUMENT, The parties hereto approve the legal description for the 30 foot road easement which is attached hereto as a part of this Exhibit "D."

2. Adjustment of Legal Description after Road Construction. Pursuant to Paragraph 2. of the MEMORANDUM OF AGREEMENT AND EASEMENT LOCATION DOCUMENT, after the construction of the road, the legal description approved herein shall be adjusted so that the 30 foot easement is located fifteen (15)

feet on either side of the centerline of the road as constructed.

3. Counterparts. This Approval of Legal Description may be signed in counterparts, and all copies so executed shall constitute one agreement which shall be binding upon the parties hereto.

In Witness Whereof, the Parties have affixed their signatures:

SERVIENT TENEMENT OWNERS:

Giovanni Cargasacchi

Clementina Cargasacchi

DOMINANT TENEMENT OWNERS:

LAKEVIEW PROPERTIES:

(Parcels 1, 2, and 10) Wen M. Chen, by Ralph A. Weston, his attorney in fact
Wen M. Chen, by his Attorney in Fact

(Parcel 3) Socorro P. Rocha, Executor for Jose Rocha.
Estate of Jose Rocha, Deceased,
by its Executor.

Socorro Rocha, by Ralph A. Weston, her attorney in fact
Socorro Rocha, by her Attorney in Fact

(Parcels 4, 5, 7, and 8) Clayton Sanchez, by Ralph A. Weston, his attorney in fact
Clayton Sanchez, by his Attorney in Fact

W. Bruce Sanchez, by Ralph A. Weston, his attorney in fact
W. Bruce Sanchez, by his Attorney in Fact

(Parcel 6) Ralph A. Weston
Ralph A. Weston, individually

feet on either side of the centerline of the road as constructed.

3. Counterparts. This Approval of Legal Description may be signed in counterparts, and all copies so executed shall constitute one agreement which shall be binding upon the parties hereto.

In Witness Whereof, the Parties have affixed their signatures:

SERVIENT TENEMENT OWNERS:

Giovanni Cargasacchi
Giovanni Cargasacchi

Clementina Cargasacchi
Clementina Cargasacchi

DOMINANT TENEMENT OWNERS:

LAKEVIEW PROPERTIES:

(Parcels 1, 2,
and 10)

Wen M. Chen, by his Attorney in Fact

(Parcel 3)

Estate of Jose Rocha, Deceased,
by its Executor

Socorro Rocha, by her Attorney in Fact

(Parcels 4, 5,
7, and 8)

Clayton Sanchez, by his Attorney in Fact

W. Bruce Sanchez, by his Attorney in Fact

(Parcel 6)

Ralph A. Weston, individual'y

Patricia F. Weston by Ralph Weston her attorney in fact
Patricia F. Weston, by her Attorney in Fact

(Parcel 9)

Robert J. Alexander Sr. by Ralph Weston his attorney in fact
Robert J. Alexander, Sr. by his Attorney
in Fact

(Parcels 11 & 12)

Norman A. Erdman by Ralph Weston his attorney in fact
Norman A. Erdman, by his Attorney in Fact

Etta M. Erdman by Ralph Weston her attorney in fact
Etta M. Erdman, by her Attorney in Fact

(Parcel 13)

Jane A. Hall, individually

John E. Hall, individually

John R. Hanley, individually

Gwen C. Hanley, individually

(Parcel 14)

Alan C. Woodbury by Ralph Weston his attorney in fact
Alan C. Woodbury, by his Attorney in Fact

(Parcel 15)

Richard E. Hansen by Ralph Weston his attorney in fact
Richard E. Hansen, by his Attorney in Fact

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Dale L. Petersen by Ralph Weston his attorney in fact
Dale L. Petersen, by his Attorney in Fact

(Parcel 17)

Dennis Mulgrew by Ralph Weston his attorney in fact
Dennis Mulgrew, by his Attorney in Fact

Margaret A. Mulgrew by Ralph Weston her attorney in fact
Margaret A. Mulgrew, by her Attorney
in Fact

(Parcel 18) *John Wurts by Ralph W. Weston his attorney in fact*
John Wurts, by his Attorney in Fact

Julie Wurts by Ralph W. Weston her attorney in fact
Julie Wurts, by her Attorney in Fact

(Parcel 19) *James F. Moore by Ralph W. Weston his attorney in fact*
James F. Moore, by his Attorney in Fact

Karen L. Moore by Ralph W. Weston her attorney in fact
Karen L. Moore, by her Attorney in Fact

(Parcel 20) *Robert L. Clark by Ralph W. Weston his attorney in fact*
Robert L. Clark, by his Attorney in Fact

(Parcel 21) *Willis G. Skoe by Ralph W. Weston his attorney in fact*
Willis G. Skoe, by his Attorney in Fact

(Parcel 22) *Robert J. Skinner by Ralph W. Weston his attorney in fact*
Robert J. Skinner, by his Attorney in Fact

Janet L. Skinner by Ralph W. Weston her attorney in fact
Janet L. Skinner, by her Attorney in Fact

(Parcel 23) *Ralph H. Hughes by Ralph W. Weston his attorney in fact*
Ralph H. Hughes, by his Attorney in Fact

Shelby J. Hughes by Ralph W. Weston her attorney in fact
Shelby J. Hughes, by her Attorney in Fact

(Parcel 24) *Theodore E. Knudson by Ralph W. Weston his attorney in fact*
Theodore E. Knudson, by his Attorney in Fact

Gerda Knudson by Ralph W. Weston her attorney in fact
Gerda Knudson, by her Attorney in Fact

(Parcels 25,
26 and 27)

Ralph A. Weston, individually

Patricia F. Weston, by her Attorney in Fact

(Parcel 28)

Michael A. Monasterio, by his Attorney
in Fact

Beverly E. Monasterio, by her Attorney
in Fact

(Parcel 29)

Richard Howard Grosland, by his Attorney
in Fact

John Patrick Palmer, by his Attorney
in Fact

Lois Elaine Palmer, by her Attorney in Fact

(Parcel 30)

Richard J. Swift, by his Attorney in Fact

Mary J. Swift, by her Attorney in Fact

(Parcels 31 & 36)

John J. Thompson, individually

Rosemary A. Thompson, by her Attorney
in Fact

(Parcel 32)

BY Miklos D. F. Udvardy
Miklos D. F. Udvardy, ^{his} ATTORNEY-IN-FACT

(Parcels 25,
26 and 27)

Ralph A. Weston
Ralph A. Weston, individually
Ralph A. Weston her attorney in fact
Patricia F. Weston, by her Attorney in Fact

(Parcel 28)

Michael A. Monasterio
Michael A. Monasterio, by his Attorney in fact
in Fact

Beverly E. Monasterio
Beverly E. Monasterio, by her Attorney in fact
in Fact

(Parcel 29)

Richard Howard Grosland
Richard Howard Grosland, by his Attorney in fact
in Fact

John Patrick Palmer
John Patrick Palmer, by his Attorney in fact
in Fact

Lois Elaine Palmer
Lois Elaine Palmer, by her Attorney in fact
in Fact

(Parcel 30)

Richard W. Swift
Richard W. Swift, by his Attorney in fact
in Fact

Mary D. Swift
Mary D. Swift, by her Attorney in fact
in Fact

(Parcels 31 & 36)

John J. Thompson
John J. Thompson, individually

Rosemary A. Thompson
Rosemary A. Thompson, by her Attorney in fact
in Fact

(Parcel 32)

Miklos D. F. Udvardy, individually

MAUD E. UDVARDY

By: [Signature] ATTORNEY-IN-FACT
Maud E. Udvardy, individually

[Signature]
Miklos A. P. Udvardy, individually

MONICA L. UDVARDY
By: [Signature] ATTORNEY-IN-FACT
Monica L. Udvardy, individually

(Parcels 33 & 34)

[Signature]
Harold R. Briggs, by his Attorney in Fact

[Signature]
Dorothy M. Briggs, by his Attorney in Fact

(Parcel 35)

[Signature]
Frederic E. Tragor, individually

(Parcels 37 & 38)

[Signature]
Christopher E. Marks, individually

[Signature]
Carol L. Marks, individually

RANCHO DOS MUNDOS:

Rancho Dos Mundos, a California
Partnership:

By: [Signature]
Robert E. Marks, General Partner

By: [Signature]
Christopher E. Marks, General Partner

By: [Signature]
Carol L. Marks, General Partner

(Add Notary Forms)

Monica L. Udvardy, individually

(Parcels 33 & 34)

Harold R. Briggs, by his Attorney in Fact

Dorothy M. Briggs, by his Attorney in Fact

(Parcel 35)

Frederic E. Trager, individually

(Parcels 37 & 38)

Christopher E. Marks 1/4/90 @
Christopher E. Marks, individually

Carol L. Marks
Carol L. Marks, individually

RANCHO DOS MUNDOS:

Rancho Dos Mundos, a California
Partnership:

By: *Robert E. Marks* 1/4/90 @
Robert E. Marks, General Partner

By: *Christopher E. Marks* 1/4/90 @
Christopher E. Marks, General Partner

By: *Carol L. Marks*
Carol L. Marks, General Partner

(Add Notary Forms)

Maud E. Udvardy, individually

Miklos A. P. Udvardy, individually

Monica L. Udvardy, individually

(Parcels 33 & 34)

Harold R. Briggs, by his Attorney in Fact

Dorothy M. Briggs, by his Attorney in Fact

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By: Christopher E. Marks, General Partner

By: Carol L. Marks, General Partner

Maud E. Udvardy, individually

Miklos A. P. Udvardy, individually

Monica L. Udvardy, individually

(Parcels 33 & 34) Harold R. Briggs by Paul Williston his attorney in fact
Harold R. Briggs, by his Attorney in Fact

Dorothy M. Briggs by Paul Williston her attorney in fact
Dorothy M. Briggs, by his Attorney in Fact

(Parcel 35)

Frederic E. Trager, individually.

(Parcels 37 & 38)

Christopher E. Marks, individually

Carol L. Marks, individually

RANCHO DOS MUNDOS:

Rancho Dos Mundos, a California Partnership:

By: Robert E. Marks, General Partner

By: Christopher E. Marks, General Partner

By: Carol L. Marks, General Partner

(Add Notary Forms)

EXHIBIT "D"

Commencing at the Southwest corner of the Lands of Cargasacchi as shown on a map in book 62 page 52, Santa Barbara County Records;

Thence, Northerly along the Westerly line of the Lands of Cargasacchi N 0°00'30" E 1238.12 feet to a fence post marked "F.F.F. W.P #1" as shown on said map;

Thence, Continuing Northerly along said Westerly line N 0°00'30" E 397.14 feet to the POINT OF BEGINNING of the centerline of a 30' wide roadway easement;

Thence, S 86°17'16" E 2527.89 feet to the beginning of a curve;

Thence, curving to the right with a radius of 110.00 feet, through an angle of 52°42'57" for a distance of 101.21 feet;

Thence, S 33°34'19" E 97.67 feet to the beginning of a curve;

Thence, curving to the left with a radius of 500.00 feet through an angle of 36°16'03" for a distance of 316.49 feet;

Thence, S 69°50'21" E 22.13 feet to the beginning of a curve;

Thence, curving to the right with a radius of 130.00 feet through an angle of 29°30'02" for a distance of 67.69 feet;

Thence, S 40°00'20" E 133.12 feet to the beginning of a curve;

Thence, curving to the left with a radius of 440.00 feet through an angle of 7°54'40" for a distance of 60.75 feet;

Thence, S 47°54'39" E 142.34 feet to the beginning of a curve;

Thence, curving to the right with a radius of 440.00 feet through an angle of 11°25'46" for a distance of 87.77 feet;

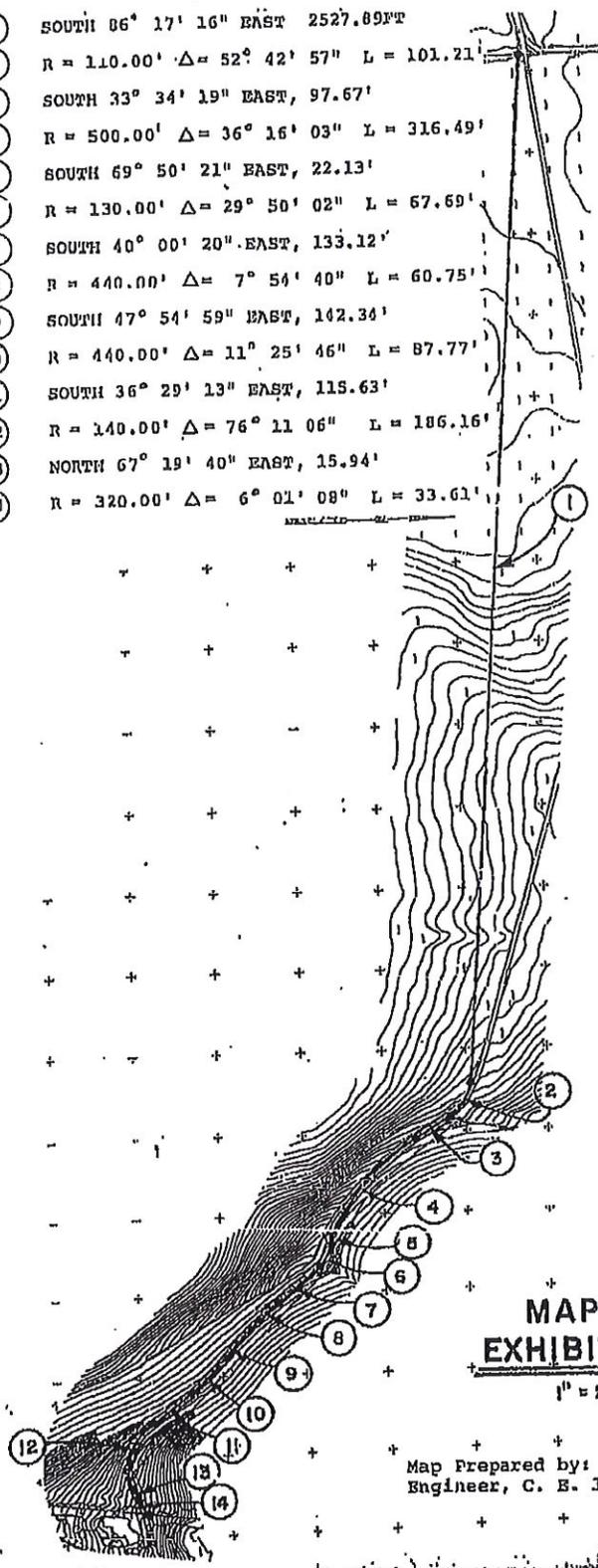
Thence, S 36°29'13" E 115.63 feet to the beginning of a curve;

Thence, curving to the left with a radius of 140.00 feet through an angle of 76°11'06" for a distance of 186.16 feet;

Thence, N 67°19'40" E 15.94 feet to the beginning of a curve;

Thence, curving to the right with a radius of 320.00 feet through an angle of 6°01'38" for a distance of 33.61 feet to a point in the westerly line of lot 36 as shown on a map filed in Record of Survey book 64, page 33, Santa Barbara County Records. Said point being N 8°34'13" E 22.99 feet from a found 1/2" iron pipe marking the Northwest corner of that parcel described in O.R. 2173-11 as shown on said map showing said lot 36, said point being the end of the centerline of the 30' wide roadway easement.

- ① SOUTH 86° 17' 16" EAST 2527.89 FT
- ② R = 110.00' Δ = 52° 42' 57" L = 101.21'
- ③ SOUTH 33° 34' 19" EAST, 97.67'
- ④ R = 500.00' Δ = 36° 16' 03" L = 316.49'
- ⑤ SOUTH 69° 50' 21" EAST, 22.13'
- ⑥ R = 130.00' Δ = 29° 50' 02" L = 67.69'
- ⑦ SOUTH 40° 00' 20" EAST, 133.12'
- ⑧ R = 440.00' Δ = 7° 54' 40" L = 60.75'
- ⑨ SOUTH 47° 54' 59" EAST, 142.34'
- ⑩ R = 440.00' Δ = 11° 25' 46" L = 87.77'
- ⑪ SOUTH 36° 29' 13" EAST, 115.63'
- ⑫ R = 140.00' Δ = 76° 11' 06" L = 186.16'
- ⑬ NORTH 67° 19' 40" EAST, 15.94'
- ⑭ R = 320.00' Δ = 6° 01' 08" L = 33.61'



MAP OF EXHIBIT "D"

1" = 288' ±

Map Prepared by: Sid Goldstien - Civil Engineer, C. E. 33042

EXHIBIT B

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E. Patrick Morris (Bar No. 144344)
LAW OFFICES OF E. PATRICK MORRIS
137 East Anapamu Street
Santa Barbara, California 93101
(805) 560-9833
(805) 560-6964 Fax

FILED
SUPERIOR COURT of CALIFORNIA
COUNTY of SANTA BARBARA
09/27/2022
Darrel E. Parker, Executive Officer
BY Barajas-Garcia, Cynthia
Deputy Clerk

Attorneys for Defendants
GIOVANNI CARGASACCHI INDIVIDUALLY AND AS TRUSTEE OF
THE CARGASACCHI FAMILY TRUST; PETER CARGASACCHI,
JOHN M. CARGASACCHI, MARK J. CARGASACCHI, AND
LAURA TERESA CARGASACCHI BELLUZ, TRUSTEE

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SANTA BARBARA

COOK DIVISION

HENRY BLANCO,

Plaintiff

v.

GIOVANNI CARGASACCHI;
INDIVIDUALLY AND AS TRUSTEE OF
THE CARGASACCHI FAMILY TRUST;
JPMORGAN CHASE BANK, N.A.; PETER
A. CARGASACCHI; JOHN M.
CARGASACCHI; LAURA TERESA
CARGASACCHI BELLUZ, TRUSTEE OF
THE LAURA TERESA CARGASACCHI
BELLUZ SEPARATE PROPERTY TRUST
DATED NOVEMBER 18, 2015; MARK J.
CARGASACCHI; AND ALL PERSONS
UNKNOWN CLAIMING ANY LEGAL OR
EQUITABLE RIGHT, TITLE, ESTATE,
LIEN, OR INTEREST IN THE PROPERTY
DESCRIBED IN THE COMPLAINT
ADVERSE TO PLAINTIFF'S TITLE, OR
ANY CLOUD ON PLAINTIFF'S TITLE
THERETO; AND DOES 1 THROUGH 50,
INCLUSIVE,

Defendants

) Case No. 17CV04672
) Hon. Timothy Staffel SM 3
) Trial Date: December 15 -16, 2021
)
)
)

[proposed] JUDGMENT AFTER COURT TRIAL

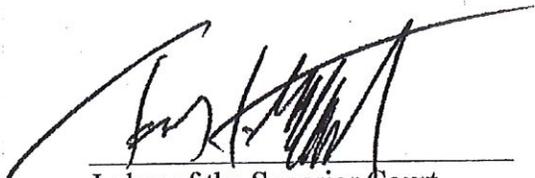
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THIS MATTER CAME BEFORE THE COURT for trial to the Court on December 15 and 16, 2021. The Court rendered its Statement of Decision on July 6, 2022.

JUDGMENT IS ENTERED for Defendants and each of them, and as against Plaintiff Henry Blanco, as set forth in the Court's Statement of Decision rendered on July 6, 2022, attached hereto and included as the Judgment of the Court this date.

IT IS SO ORDERED, ADJUDGED AND DECREED; this

27th Day of September, 2022.



Judge of the Superior Court
Timothy J. Staffel

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FILED
SUPERIOR COURT of CALIFORNIA
COUNTY of SANTA BARBARA
07/06/2022
Darrel E. Parker, Executive Officer
BY Hernandez, J Deputy Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA BARBARA

Henry Blanco,

Plaintiff,

v.

Giovanni Cargasacchi, et al.

Defendants.

) Case No.: 17CV04672

STATEMENT OF DECISION

INTRODUCTION

Plaintiff Henry Blanco (hereafter plaintiff), the dominant tenement holder of the easement at issue, contends he should be able to improve the existing access way easement, established for "road purposes" in 1968, and presently in use, in order to implement County of Santa Barbara's (County's) road improvement requirements before securing grading and building permits for residential construction. Defendants Giovanni Cargasacchi individually and as Trustee of the Cargasacchi Family Trust, Peter Cargasacchi, Laura Teresa Cargasacchi Belluz, as Trustee of the Laura Theresa Cargasacchi Belluz Separate Property Trust Dated November 18, 2015, and Mark Cargasacchi, as owners of the Cargasacchi Ranch, (hereafter, collectively as

1 defendants), who are the servient tenement holders of the easement in question, disagree.
2 Defendants argue that before proceeding with residential construction (and thus securing permits
3 from the County for that purpose), plaintiff must comply with the requirements of a 1990
4 document that modified the nature of the easement and not the original 1968 easement grant.
5 The court, after examining the arguments, evidence, and documents submitted at the bench trial,
6 and after exploring the questions *exclusively* through the prism of quiet title and declaratory
7 relief as presented, concludes defendants have the better argument. The 1990 document, given
8 its logical import and the current present realities, governs how plaintiff must proceed before
9 securing building permits from the County. Accordingly, the court denies relief as requested by
10 plaintiff, for reasons discussed in greater depth below.

11 **FACTUAL AND PROCEDURAL BACKGROUND**

12 Plaintiff owns the residence, located at 4375, Sweeney Road, Lompoc, which is 7,476
13 square feet, along with a 13-acre vineyard. This is one of 38 parcels associated with the
14 Lakeview Estate, located in the Santa Ynez Valley. The parcel and residence were previously
15 owned by Christopher and Kristi Marks (hereafter, the Marks), who finished 90% of the
16 residential construction, but stopped after suffering financial difficulties. Plaintiff purchased the
17 property from the Marks in 2012, and presently wishes to complete the remaining construction as
18 needed. He has attempted to secure a building and grading permit with County authorities;
19 however, the County has designated Lakeview Estates as a "Special Problems Area" given width
20 and road access problems to the Lakeview Estates. The County, looking to the "old easement
21 road" created in 1968, required significant upgrades before it would issue the grading and
22 building permit.¹ The County indicated that plaintiff had not yet provided the metes and bounds
23 of the 1968 road, and most significantly, had failed to show that he had the authority to alter and
24 improve the land without the consent of the defendants, the servient tenement holders of the
25 easement at issue. Plaintiff initiated two separate but related lawsuits as a result. The first was a
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27 ¹ Plaintiff, for example, had to secure an engineering and geological report on the condition of the original
28 easement road established in 1968, although it ultimately found the road was in good condition, was sufficiently
wide for passenger vehicles, and could support emergency vehicles. County demanded additional improvements as
well.

1 petition for writ of mandate against County, attempting to compel the County to issue the
2 necessary permits for constructions and grading, which is not at issue in this matter.²

3 The second is the present lawsuit filed against defendants, culminating in the third
4 amended complaint as the operative pleading. The lawsuit has changed over the course of the
5 litigation, however. Originally, in the third amended pleading, plaintiff advanced six (6) causes
6 of actions against the defendants, including quiet title, interference with easement, breach of
7 contract, breach of the implied covenant of good faith and fair dealing, declaratory relief, and
8 “preliminary injunction.” As injunctive relief is not a cause of action but a remedy (*Guessous v.*
9 *Chrome Hearts, LLC* (2009) 179 Cal.App.4th 1177, 1187), injunctive relief will be applied only
10 if plaintiff advances a successful interpretation of the grant easement documents at issue.
11 Plaintiff has since dismissed the second cause of action (interference with easement) and the
12 fourth cause of action (breach of the convenient of good faith and fair dealing). Further, after the
13 initial rounds of trial briefs were submitted, plaintiff expressly withdrew the breach of contract
14 claim (the third cause of action),³ further eschewing any “reliance on the 2004 [agreement]
15 between” between defendants and plaintiff’s predecessor in interest. Counsel for plaintiff made
16 this crystal clear at the May 18, 2022, hearing.⁴ Following the dismissal of the second, third,
17 and fourth causes of action, as well as counsel’s comments concerning the 2004 agreement, there
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22 ² This case was titled *Blanco v. County of Santa Barbara et al.*, Case No. 17CV04565. This court ultimately
23 granted County’s motion for judgment on the pleadings, without leave to amend, as plaintiff had failed to exhaust
24 administrative remedies. Court of Appeal, Second Appellate District Six affirmed in a nonpublished opinion.
(*Blanco v. County of Santa Barbara*, B308340, opn. filed on Oct. 18, 2021.) The remittitur was issued on December
25 21, 2021. The court takes judicial notice of the trial court case file in Case No. 17CV04565, which includes the
26 Court of Appeal opinion, as the facts in that case help frame the issues raised in the present matter.

27 ³ The third cause of action advanced a breach of the 2004 agreement between plaintiff’s predecessor in
28 interest and the defendants, discussed in greater depth in this decision. Plaintiff claimed as to this cause of action
that the defendants breached the agreement, which allowed the Marks to utilize the 1968 easement road to finish
construction of the residence.

⁴ Plaintiff’s counsel explained what he meant by this withdrawal: “Well, the [2004 Document] is in
evidence.⁴ We didn’t use it in court case, but if the Court feels it’s something it can take judicial notice of, I believe
the Court has authority to look at anything that’s outside the record if it’s subject to judicial notice., even if we
didn’t use it as an exhibit.”

1 are only two remaining causes of action remaining before the court – quiet title (the first) and
2 declaratory relief (the fifth).⁵

3 Plaintiff filed his first trial brief on November 21, 2021, and defendants filed their trial
4 brief on December 13, 2021. The parties filed a joint list of stipulated facts on October 21, 2021,
5 after a two-day bench trial, concluding on December 15, 2021. The court went on a site visit on
6 February 25, 2022. Plaintiff filed his closing argument brief on April 4, 2022, and the
7 defendants filed their closing trial brief on April 6, 2022. On May 18, 2022, the court heard
8 closing arguments, and indicated that this statement of decision would be submitted to the parties
9 by July 6, 2022.

10 CRITICAL DOCUMENTS

11 There are four sets of documents that frame how the court will proceed in assessing the
12 two remaining causes of action, for both parties in the end ask the court to interpret their
13 meaning and determine their impact in resolving the present dispute. Each of the four documents
14 will be discussed below.

15 In 1968, Bartolo Cargasacchi granted to Wallace and Mary Dyer (plaintiff's predecessor
16 in interest) an "easement and right of way, for use in common with others, for road purposes,
17 on and over and across a strip of land from the west boundary of the land described in Schedule
18 A attached hereto, abutting the end of the existing County Road know as Sweeney Road, over
19 and across said land described in Schedule A, to the west boundary of the land described in
20 Schedule B, attached hereto. [¶] Subject to the right of the grantor to maintain gates and cattle
21 guards across said right-of-way and said gates shall be kept closed." (Emphasis added.) This
22 document will be termed the "1968 Grant Easement."

23 In 1987, in a recorded documented entitled "Clarification to and Expansion of Grant of
24 Easement," (hereafter, the 1987 Clarification) Giovanni and Clementia Cargasacchi, successors
25 to Bartolo Gargasacchi, agreed to "resolve . . . disputes about" 1) the width of the easement
26 created in the 1968 Grant Easement, and 1) whether the original grant of easement "created an

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28 ⁵ These dismissals, along with counsel's concession, has altered the nature of the court's analysis. The 2004 agreement, with its potential contractual basis for relief, has been removed from the calculus. The court will summarize this document (called the 2004 Document) in the body of this decision with these limitations in mind.

1 easement that was appurtenant to each of the thirty-eight (38) separate parcels of the subdivision
2 of the Dominant tenement” This document goes on to clarify as follows: An “easement
3 and right of way, for use in common with others, for road purposes, on and over and across a
4 strip of land, 30 feet in width, from the west boundary of the land described in Exhibit B attached
5 hereto, abutting the end of the existing County Road known as Sweeny Road, over and across
6 said Land Described in Exhibit B, to the west Boundary of the Land Described in Exhibit C
7 attached hereto. Subject to the right of the Grantor to maintain gates and cattle guards across
8 said right of way and said gates shall be kept closed.” Further, the “easement rights created by
9 the Original Grant of Easement [from 1968] . . . are appurtenant to Parcels 1 to 38, inclusive, as
10 shown on the Record of Survey described in Recital D.” The documents conclude: “This
11 Clarification to and Expansion of Grant of Easement does not constitute an easement in addition
12 to the Original Grant of Easement but is a clarification and expansion thereof. Except as
13 expressly clarified and expanded herein, all terms, conditions, and stipulations of the Original
14 Grant of Easement shall remain in full force and effect and hereby confirmed as such.”

15 On September 1, 1989, a “Memorandum of Understanding and Easement Location
16 Document” was consummated between Giovanni and Clementia Cargasacchi, successors in
17 interest to Bartolo Cargasacchi (the servient tenement holder), and all then existing owners of the
18 Lakeview Estates (38 estates, known as the dominant tenement holders). This document
19 expressly references the 1968 Grant Easement and the 1987 Clarification; and reiterates that use
20 of the easement in question was conditioned on the servient tenement holders maintaining gates
21 and cattle guards across the easement. A certain number of statements were made about the
22 nature of the easement in question (as relevant for our purposes). This document was recorded
23 in 1990 and will be termed the 1990 Memorandum.

24 The 1990 Memorandum provided a number of importation qualifications to the easement.
25 First, the parties acknowledged that the 1968 Grant Easement Document and the 1987
26 Clarification failed to specifically identify the location of the easement; they wished to remedy
27 that, and did so as follows: “Servient Tenement Owners hereby grant the location and Dominant
28 Tenement Owners hereby accept the location of the above-described easement and right of way
shown on the photograph is attached hereto and incorporated herein by reference as Exhibit C. It

1 will begin at the western entrance to entrance to the Servient Tenement and extend in a straight
2 line directly east until intersects the existing road at the base of the foothill. From this point of
3 intersection, it will generally follow the existing road, as hereinafter described through the
4 foothills to the eastern gate where it leaves the Servient Tenement and enter the Dominant
5 Tenements. The Original Grant of Easement as clarified and expanded by the Clarification
6 Document shall be appurtenant to each of the Dominant Tenements described in Exhibit "A"
7 hereto, and the easement right of way is located for each of them as set forth above." All 38
8 Lakeview Estates parcels would have access. The location of the new road easement would be
9 expressly decided by a survey of the 30-foot easement, and the description of the survey would
10 become Exhibit D of the 1990 Memorandum. (Paragraph 1.) It specifically defines the contours
11 of the road to be surveyed. (Paragraph 3.) There is an Exhibit D attached to the 1990
12 Memorandum, which is recorded.

13 Second, it noted that "Dominant Tenement Owners shall not materially increase the
14 burden or impose new or additional burdens upon the easement Servient Tenement Owners. The
15 right to grant permission for future requests to increase the use and/or burden of the easement
16 and to grant additional easements is hereby reserved to the Servient Tenement Owners.
17 Dominant Tenement Owners hereby release all other easements or other rights that lie outside
18 the easement location described herein, and hereby release and quitclaim all other rights and
19 claims across the servient tenement, whether acquired by prescription, grant or otherwise."
20 (Paragraph 5.)

21 Third, it provided "Dominant Tenement Owners shall be responsible for all of the costs
22 of design, construction, and maintenance of the road..." (Paragraph 8.)

23 Fourth, the 1990 Memorandum indicated that "it is understood and intended by all parties
24 that this Memorandum of Agreement and Easement Location Document results in the relocation
25 of original easement and that the terms and conditions Memorandum of Agreement and
26 Easement Location Document shall apply to all who were a party or who derived benefit from
27 the Original Grand of Easement or Clarification Document. This Memorandum of Agreement
28 and Easement Location does not constitute an agreement in addition to the Original Grant of
Easement, but only a clarification and explanation thereof. Except as expressly clarified and

1 expanded hearing, all terms, conditions and stipulations of the of the Original Grant of Easement
2 and Clarification Document shall remain in full force and effect and are hereby confirmed as
3 such.” (Paragraph 11.)

4 Finally, in the last relevant document, on October 24, 2004, Giovanni and Clementia
5 Gargasacchi and Christopher and Kristi Marks consummated an agreement entitled “Agreement
6 to Permit a Limited Increase in Use of Easement” (this will be called the 2004 Document⁶). The
7 Marks, predecessors in interest to plaintiff, was in the process of building a single-family
8 residence; based on Paragraph 5 of the 1990 Memorandum, outlined above, the Cargassacchis
9 agreed “an increase in use of the original right contained in the [1990 Memorandum], but limited
10 to only the finishing construction of a single-family residence not partly constructed. . .” “This
11 limited increase in the existing right to use the easement is given within and intended to be in full
12 compliance with the terms and conditions of the [1990 Memorandum] and is subject to all the
13 conditions and terms of the [1990 Memorandum], in the same manner as the original right to use
14 the easement prior to this agreement.” “This agreement is not intended to give assurance or
15 imply in any way that the old, farm dirt road currently being used will provide a safe year-round
16 access road to the Lakeview subdivision. The present road is not to be changed or altered by
17 permittee. Permittee assumes all risk and liability for themselves, guests and invitees in using
18 the roadway. . .” (Paragraphs C, (2), (7)).⁷

19 NATURE OF DISPUTE AS FRAMED BY PARTIES

20 Plaintiff, one of the unquestioned dominant tenement holders of the easement in question,
21 begins with a simple exhortation: he needs to use the access road to complete the construction of
22 his residence, which is approximately 90 percent completed. He acknowledges that the “new
23 road” contemplated by the 1990 Memorandum, noted above, has never been built. But that is of
24 little moment, for what exists today is the original easement road, created in 1968 as a general
25 access easement and as clarified in 1987 Clarification and recognized in the 1990 Memorandum
26 (and presumably used by the Marks most recently in 2004 until his financial troubles). It is this

27 ⁶ The parties agreed on this description at the May 18, 2022, hearing.

28 ⁷ The court again emphasizes that plaintiff has withdrawn all causes of action based on the 2004 Document,
as well as any other basis for relief. The court includes a description here because the document was admitted at
trial.

1 original road easement he claims he should be able to use to finish the construction of his
2 residence, and it is this original road that he should be allowed to improve as mandated by the
3 County (i.e., to be made compliant with the County's road improvement requirements as a
4 condition to issuing all necessary permits). He contends that as to the original easement road, the
5 law allows him to make normal future improvements, and there is no evidence that this will
6 create an abnormal burden on defendants as the servient tenement holder. Plaintiff insists in his
7 closing trial brief that there is no evidence in the record to show that improving this original
8 easement road will impact defendants' crops, increase road or pedestrian traffic, or otherwise
9 pose any inconvenience. These improvements, he claims, will only be a benefit to all.

10 Plaintiff also emphasizes that defendants, who became owners of the Cargasacchi Ranch
11 in 1985, knew and must have reasonably anticipated that the increase in traffic on the original
12 easement road was likely, as evidenced by the 1987 Clarification in which they agreed that the
13 old easement road would be appurtenant to all 38 estates of the Lakeview Estates. Specifically,
14 plaintiff observes that the 1987 Clarification established a 30-foot-wide easement, which is more
15 than enough to accommodate the County's road requirements. Plaintiff claims that the 1990
16 Memorandum expressly acknowledges the "30 foot" easement was in full force and effect, and
17 specifically states "the old road [i.e., the current road] may be used until the new road
18 [contemplated by the 1990 Memorandum] is completed." He emphasizes that nothing in the
19 1990 Memorandum precludes the improvements he contemplates. He asks, therefore, that court
20 quiet title and declare relief in his favor, allowing him to improve the existing old road easement
21 (at his expense), in compliance with County's regulations.

22 Defendants reject plaintiff's interpretation of these documents. They acknowledge the
23 current easement road in use is the one that was created by the 1968 Grant Easement and further
24 clarified by the 1987 Clarification. But they insist that it can no longer be used as the road
25 subject to County improvements. They claim that plaintiff has no right to the continuation and
26 improvement of the "old easement" road given the clear language in the 1990 Memorandum that
27 established of a "new easement" road, with a different location and different measurements.
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1 Essentially, they claim that if the County requires road improvements to secure building permits,
2 the new easement road, as contemplated by the 1990 Memorandum, must be used, and not the
3 existing "old road" easement in current use. There is, in their view, a natural but anticipated
4 sunset on the viability and continuation of the old easement road; plaintiff's efforts will
5 essentially give the "old road" new and continuing life through modern improvements at the
6 expense of the express language in the 1990 Memorandum, rendering the latter document for all
7 intents and purposes obsolete and irrelevant. While it is true, they acknowledge, that the 1990
8 Memorandum has language that reads, "The old road may be used until the new road is
9 completed," they opine this "hardly creates any 'easement' right to use the 'old road.'"
10 Defendants emphasize that the court has no authority to rewrite the 1990 Memorandum, which is
11 what would it is essentially doing should plaintiff prevail.
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14 LEGAL BACKGROUND

15 It is plaintiff's burden, in a quiet title cause of action pursuant to Code of Civil
16 Procedures section 760.010, et seq., to show in this context, as the dominant tenement holder,
17 that its interpretation of the grant easement documents is the appropriate one. The same would
18 be true for the declaratory relief cause pursuant to Code of Civil Procedure 1060, et seq., as the
19 conflict involves a future controversy about real property. (See, e.g., *Entin v. Superior Court*
20 (2012) 208 Cal.App.4th 770, 783; *Caira v. Offner* (2005) 126 Cal.App.4th 12, 24-25 ["An action
21 to quiet title is akin to an action for declaratory relief in that the plaintiff seeks a judgment
22 declaring his rights in relation to a piece of property].) The court is essentially asked to examine
23 the nature and scope of the title, scope, and nature of the easement, as reflected in the easement
24 documents submitted and discussed above, and to declare the rights and obligations of each
25 party. (*Caria, supra*, at p. 26.)

26 Further, both causes of action at issue, as framed, require the court to construe the
27 easement language in three of the critical documents detailed above and without resort to the
28 2004 Document, in light of plaintiff's concession. " "An easement is a restricted right to

1 specific, limited, definable use or activity upon another's property, which right must be *less* than
2 the right of ownership.' ” ” (*Zissler v. Saville* (2018) 29 Cal.App.5th 630, 638.) The easement,
3 which attaches to the dominant tenement holder and burdens the servient tenement, does not own
4 the property, but simply possesses a right to use another's property for a specific purpose.
5 (*Blackmore v. Powell* (2007) 150 Cal.App.4th 1593, 1599.) “In construing an instrument
6 conveying an easement, the rules applicable to the construction of deeds generally apply. If the
7 language is clear and explicit in the conveyance, there is no occasion for the use of parole
8 evidence to show the nature and extent of the rights acquired. [Citations.] If the language is
9 ambiguous, extrinsic evidence may be used as an aid to interpretation unless such evidence
10 imparts a meaning to which the instrument creating the easement is not reasonably susceptible.”
11 (*Scruby v. Vintage Grapevine, Inc.* (1995) 37 Cal.App.4th 697, 702.) Whether an ambiguity
12 exists is a question of law, subject to independent review on appeal. (*Wolf v. Superior*
13 *Court* (2004) 114 Cal.App.4th 1343, 1351.) When there is no material conflict in the extrinsic
14 evidence, the court interprets the contract as a matter of law. (*City of Hope National Medical*
15 *Center v. Genentech, Inc.* (2008) 43 Cal.4th 375, 395; *Gilkison v. Disney Enterprises,*
16 *Inc.* (2021) 66 Cal.App.5th 900, 915; *Wolf v. Walt Disney Pictures & Television* (2008) 162
17 Cal.App.4th 1107, 1126.) If, however, there is a conflict in the extrinsic evidence, the conflict
18 must be resolved by the fact finder, and we review those findings for substantial evidence.
19 (*Wolf*, at p. 1127; *Winet v. Price* (1992) 4 Cal.App.4th 1159, 1166.)

20 Relevant to this discussion is *Zissler, supra*, 29 Cal.App.5th 630, a case referenced
21 throughout this litigation following its filing. In *Zissler*, an unpaved dirt road easement was
22 created by a grant recorded in 1994. The language of the grant indicated that “George and
23 Annette Corbett conveyed to Peter and Kristi Lupoli an easement ‘[p]roviding Grantee access,
24 ingress and egress to vehicles and pedestrians over Grantors’ real property from Green Meadows
25 Road to Grantees’ real property.” The easement “runs across ‘the most easterly portion of
26 Grantors’ real property [,]” and was 10 feet wide and 90.46 feet long. Saville was the successor
27 to the Corbetts, making him the servient tenement holder, while Zissler was the successor of the
28 Lupolis, making him the dominant tenement holder, and the parties disagreed as to the meaning

1 of the easement language. Zissler wanted to use the easement for a construction project on his
2 property, a project that would take 18 to 24 months, and involve approximately 14,000 trips.
3 Saville filed a complaint for declaratory and injunctive relief, asking the court to limit the use of
4 the easement to its historic use, not exceeding twelve (12) vehicle trips per year, and forbidding
5 use of the easement for construction activity. Respondent specifically argued the easement was
6 limited to landscaping use, presenting evidence from Peter Lupoli, who drafted the written
7 easement, as well as Lupolis' gardener. Zissler filed a cross-complaint, also asking for
8 declaratory relief.

9 The trial court denied Zissler's request to exclude extrinsic evidence in interpreting the
10 instrument, rejecting a plain reading of the easement language. The trial court found the grant
11 easement language ambiguous; looked to extrinsic evidence for its meaning; and ultimately
12 considered the easement to be a "general easement" for pedestrian and vehicular use, limited to
13 its historic use. The trial court ultimately determined that the easement could not be used for any
14 construction activity, and that the road would remain unpaved. Zissler appealed.

15 The *Zissler* court reversed. First, the appellate court concluded that the trial court erred
16 in treating the easement as a "general easement" with restricted historical use limitations. The
17 easement at issue was not a general easement as contemplated by *Winslow v. City of Vallejo*
18 (1906) 148 Cal. 723, a case relied upon by the trial court:⁸ the easement language at issue in
19 *Zissler*, unlike in *Winslow*, specified the easement's precise location, width, and length.
20 Additionally, the current language specified its purpose – "grantee access, ingress and egress to
21 vehicles and pedestrians over Grantor's real property from Green Meadows Road to Grantee's
22 real property." The appellate court emphasized that (contrary to the trial court's interpretation)

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24 ⁸ The *Zissler* court noted that in *Winslow*, the grant easement involved an easement over the grantor's land
25 for "the purpose of installing and maintaining water pipes. Our Supreme Court determined that the 'conveyance is
26 general in its terms and affords no basis for determining the number of pipes, their size, or their exact location.'
27 [Citation.] . . . The Supreme Court concluded that the city was 'bound' by its 'election' to lay the inch pipe and
28 therefore could not lay an additional pipe." *Winslow* relied on well-settled rule that "where a grant of an easement
is general as to the extent of the burden to be imposed on the servient tenement, an exercise of the right, with
acquiescence and consent of both parties, in a particular course or manner fixes the right and limits it to particular
course or manner in which it has been enjoyed.'" The *Winslow* court found nothing in the grant easement language
was intended to give the [city] the right to increase from time to time the number pipes laid." [Citation omitted.]"
(*Zissler, supra*, at p. 597-598.)

1 there was nothing objectively ambiguous about this language. Indeed, “an ambiguity is not
2 apparent from the ‘failure’ to specify how frequently the road can be used. It would be unusual
3 for a residential ingress-egress easement to quantify the number of trips allowed per day, week,
4 or month. Similarly, it would be unusual for such a residential easement to specify the type of
5 vehicle allowed on the road. As to the allegedly unspecified purpose of the easement, the
6 purpose is clear: to permit pedestrians and vehicles to go from point A to point B by traversing
7 the servient estate.” (*Id.* at p. 640.) The language utilized is not doubtful, susceptible to double
8 or different meanings, indistinct, uncertain, unclear, or indefinite. (*Ibid.*)

9 The *Zissler* court then looked to a number of cases that contained similar unambiguous
10 language in support. In *Laux v. Freed* (1960) 53 Cal.2d 512, plaintiff deeded to defendant “[a]
11 right of way over a road as presently constituted along the East Branch of Sand Creek . . . “The
12 California Supreme Court found “nothing unclear, uncertain, or ambiguous” in this language,
13 citing *Laux* at page 523. The *Zissler* court further noted that the *Laux* court itself noted that a
14 grant in general terms of an easement of way “will ordinarily be construed as creating a general
15 right of way capable of use in connection with the dominant tenement for all reasonable
16 purposes.” (*Zissler, supra*, at p. 640.)

17 The *Zissler* court also cited to *Wall v. Rudolph* (1961) 198 Cal.App.2d 684 to reinforce
18 this proposition. In *Wall*, the court construed a grant “‘in broad terms’ of an easement “for road
19 purposes”” as creating “‘a general right of way . . . for all reasonable purposes.’” [Citation.]”
20 The *Wall* court went on to observe that such a right of use “[is] limited only by the requirement
21 that it be reasonably necessary and consistent with the purposes for which the easement was
22 granted.” (*Zissler, supra*, at p. 641, citing *Wall, supra*, at p. 684.) As noted by *Zissler*, the *Wall*
23 court observed that “the reasonable contemplation [of the parties to an express right-of-way
24 easement] presumptively includes normal future development within the scope of the basic
25 purpose.” (*Zissler, supra*, at p. 641, citing *Wall, supra*, at p. 692.) The *Zissler* court then went
26 on to observe that since the parties “to an express right of way easement presumptively
27 contemplate ‘normal future development,’ such an easement will generally not be restricted to its
28 historic use.’ [Citations omitted.]” (*Zissler, supra*, at p. 641.) It ultimately concluded that the

1 “language of the easement [like the language above in the cases cited above] is not reasonably
2 susceptible to a meaning of ‘use of landscaping purposes only.’ . . . The trial court was not
3 permitted to rely on extrinsic evidence to ‘add to, detract from, or vary the terms of an
4 [unambiguous easement].” (*Id.* at p. 644.)

5 The *Zissler* court distinguished cases, such as *Rye v. Tahoe Truckee Sierra Disposal*
6 *Company, Inc.* (2013) 222 Cal.App.4th 84, which did not “discuss the ingress-egress aspects of
7 the easement.” In *Rye*, “the dispute was between the parties concerning the portion of the area
8 subject to the easement that could be used for parking and storage. Unlike *Rye*, here there is no
9 dispute as to the usable portion of the easement. The entire 10’ x 90’ strip of land subject to the
10 easement may be used for ingress and egress. ‘The size [and location] of the right of way was
11 fixed and defined by precise description.’”⁹ (*Zissler, supra*, at p.642.)

12 In the end, the *Zissler* court ordered as follows: “The judgment is reversed, and the matter
13 is remanded to the trial court with directions to prepare a new judgment consistent with the views
14 expressed in this opinion. The trial court is not required to incorporate in the judgment the exact
15 language set forth below. It may vary the language so long as its essence is preserved. The new
16 judgment should include a provision that the easement may be used to the extent that the use is
17 reasonably necessary for the convenient enjoyment of the easement and is consistent with the
18 purpose for which the easement was granted, i.e., access, ingress and egress to vehicles and
19 pedestrians over Grantors’ real property from Green Meadows Road to Grantees’ real property,
20 provided that the use does not unreasonably interfere with the enjoyment of, unreasonably
21 damage, or materially increase the burden on the servient estate.” (*Id.* at pp. 645-646.)

22 DISCUSSION

23 Initially, the court sustains defendants’ objections to the contents of footnotes 2 and 3 of
24 plaintiff’s April 4, 2022, closing brief. The evidence mentioned therein was not admitted at trial
25 and cannot be referenced or relied upon in the closing brief.
26
27

28 ⁹ The court will not explore those aspects of *Zissler* discussing the existence of a bona fide purchaser, as they are not relevant to this matter. (*Zissler, supra*, at pp. 642- 644.)

1 On the merits, it seems evident to the court that the 1968 Grant Easement created a “right
2 of way, for use in common with others, for road purposes,” over a specific location (i.e., strip of
3 land from the west boundary of the land described in Schedule A,” abutting the end of the
4 existing Sweeny Road). This easement was intended for purposes of “ingress and egress,”
5 indicative of a specific purpose. (See *Zissler*, at pp. 639–640.) The term “for road purposes,”
6 while not utilized in the easement at issue in *Zissler*, was used in the easement at issue in *Laux v.*
7 *Freed*, *supra*, 52 Cal.2d 512, 5216, to the effect that it was a “right of way over a road as
8 presently constructed along the East Branch Sand Creek, in the [legal description].” (*Id.* at p.
9 516.) *Laux* interpreted that language broadly. As the language in *Laux* is similar to the language
10 in the 1968 Grant Easement and the 1987 Clarification, it necessitates an equally broad reading.
11 (*Id.* at p. 523; see also *Franceschi v. Kuntz* (1967) 253 Cal.App.2d 1041, 1045 [“a right of way
12 for road purposes granted in broad terms means a general right of way capable of use in
13 connection with the dominant tenement for all reasonable purposes,” particularly when ingress
14 and egress are at issue].)

15 Further, the court agrees with plaintiff that a broad interpretation of this language is
16 limited only “by the requirement that it be reasonably necessary and consistent with the purposes
17 for which the easement was granted.” (*Wall, supra*, at p. 692, citing *Pasadena v. California*
18 *Michigan, Etc. Co.* (1941) 17 Cal.2d 577, 579 [a right for road purposes is limited only by the
19 requirement that it be reasonably necessary and consistent with the purposes for which the
20 easement was granted].) And certainly a “right of way is a privilege of passage over the land of
21 another, ‘with the implied right . . . to make such changes in the surface of the land as are
22 necessary to make it available for travel in a convenient manner.” (*White v. Walsh* (1951) 105
23 Cal.App.2d 828, 832, quoting *Ballard v. Titus* (1910) 157 Cal. 673, 681.)

24 The court also agrees with plaintiff that this original easement language is unambiguously
25 and sufficiently commodious, as required under existing law, to accommodate *normal future*
26 *development*, limited to its original purpose – ingress and egress. This is the clear import of
27 *Zissler*. To reinforce the point, as observed in *People ex rel. Dept. of Transportation v. Southern*
28 *Pac. Transportation Co.* (1978) 84 Cal.App.3d 315, 322, “As civilization advances and new and

1 improved methods of transportation are developed, any use of the right-of-way which is in aid of
2 and within the right-of-way's general purposes may be permitted, and does not entitle the owner
3 of the subservient estate to be compensated anew for every improvement or compensated for
4 every change of the use of the land made imperative by advances of technology and
5 transportation improvements.”

6 Finally, the court agrees with plaintiff that the 1990 Memorandum did not change the
7 purpose of the grant easement at issue – a “right of way easement for road purposes” – as
8 originally established, amounting to a continuation of the language utilized in the 1968 Grant
9 Easement and the 1987 Clarification. Paragraph 1 of the 1990 Memorandum provides that as
10 except as “expressly clarified and expanded herein, all terms, conditions and stipulations of the
11 [1968 Grant Easement and 1987 Clarification] shall remain in full force and effect and are
12 hereby confirmed as such.” (Emphasis added.) This means that all interpretative tools detailed
13 above apply equally well in explaining the language in the 1990 Memorandum. Notably, while
14 the 1990 Memorandum expressly provides that the use of the road easement should not
15 “overburden” the servient tenement; and further, that any “material” “new or additional burden”
16 upon the servient tenement holder requires the latter’s permission; these limitations were already
17 contemplated (albeit impliedly) by the language of the 1968 Grant Easement and the 1987
18 Clarification, as interpreted under existing case law. Paragraph 5 of the 1990 Memorandum
19 seems simply to expressly states what the law clearly implies.

20 All of these principles help frame the inquiry and would likely require the court to grant
21 relief as requested by plaintiff, but for one important and critical condition -- the old easement
22 road contemplated by both the 1968 Grant Easement and 1987 Clarification is the one that
23 should be improved. That foundational condition does not appear to be the case, however, after
24 a review of the governing documents and in light of the existing conditions. No doubt plaintiff’s
25 predecessor was able to use the old easement road (following the 1968 Grant Easement and 1987
26 Clarification) as the road access for construction purposes, without conditions imposed by the
27 County for construction, as reflected in the 2004 Document. But times have changed since
28

1 2004.¹⁰ The County now indisputably requires substantial improvements to an access road –
2 easement or otherwise – before it will issue building and grading permits for residential
3 construction. This is a significant and critical difference between past and present construction
4 efforts. And surely plaintiff must concede that the 1990 Memorandum language must itself be
5 read to incorporate, accommodate, and take into consideration conditions involving normal
6 future development (a principal plaintiff fully and ubiquitously advances), which by logic must
7 include new governmental regulatory changes or construction requirements. And while the 1990
8 Memorandum may be ambiguous as to the specific details, including the date and timing of any
9 transition period between the discontinuation of the old road easement and the creation of the
10 new road easement, one was obviously anticipated. That is the only logical reading of the
11 language in the 1990 Memorandum, based on its totality, as it expressly rejects the old road
12 easement, substitutes it for the new road, and identifies a new location (Exhibit D), with specific
13 requirements and dimensions. Critically, this interpretation conditions any reading of the
14 language in Paragraph 8 of the 1990 Memorandum, relied upon by plaintiff, which as noted
15 provides that the new “road shall be constructed between crop seasons, and completed before the
16 March 30th of the year in which construction occurs, including the removal of gravel of the old
17 roadway between the building and the hillside.” Significantly, it provides “the old road may be
18 used until the new road is completed.”

19 In line with this concept of “normal future development,” predicated in part on changing
20 governmental requirements, the only reasonable resolution of the current dispute is this -- the
21 new road as contemplated by the 1990 Memorandum, *at this time, under existing conditions* –
22 must be the starting point for any future development, not a continuation of the old easement
23 dating from 1968. Thirty-two (32) years have passed since the 1990 Memorandum was
24 recorded, a significant period of time. If plaintiff is permitted to go forward with the
25 improvements of the old road as he requests, the old easement would no longer be “old” -- it
26 becomes essentially the new easement road, semi-permanent and fully operational, with no
27

28 ¹⁰ The court again notes that plaintiff has rejected or withdrawn any reliance on the 2004 Document as the basis for relief. Again, the court takes plaintiff at his word and accepts this concession and/or withdrawal.

1 future transition realistically possible. The 1990 Memorandum's requirements become
2 ephemeral, with the old road improvements newly etched into the landscape, giving continued
3 life to a road that clearly was intended to have limited duration. And while there can be little
4 doubt that the improvements contemplated by plaintiff will be beneficial to all, that is not the
5 dispositive inquiry, (and specifically so since the Third Cause of Action for breach of contract
6 relating to the terms of the 2004 Agreement has been withdrawn by plaintiff). Such an endeavor
7 would significantly undermine and manifestly hinder any and all future road developments as
8 contemplated and authorized by the 1990 Memorandum. A continuation of the old at the
9 expense of the new cannot be sanctioned under any reasonable reading of the 1990
10 Memorandum, following the inexorable march of time and given the present requirements
11 mandated by the County for road access-way improvements. As difficult as this may be, the
12 time has come to phase out the old easement road in lieu of the new road, given the nature of the
13 existing easement documents and viewed through the prism of quiet title/declaratory relief.

14 The court is not unsympathetic to plaintiff's predicament. Following the terms of the
15 1990 Memorandum will likely make it more difficult -- and likely more costly -- for him to finish
16 construction of his residence. But the County's new requirements for improvement must be
17 factored into the equation for future development of the Lakeview Estates. Any other
18 interpretation renders the 1990 Memorandum a nullity for all intents and purposes, something the
19 law simply does not sanction. The causes of action now before the court, framed in terms of
20 quiet title and declaratory relief, require this court to interpret the easement documents in their
21 totality and in a reasonable fashion. The terms of the 1990 Memorandum, under the existing
22 requirements and current situation, governs the outcome moving forward. The time has come to
23 move forward with 1990 Memorandum as the future guide.

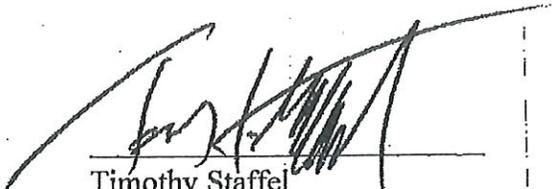
24 Accordingly, the court denies the relief requested by plaintiff. For plaintiff to proceed, he
25 must comply with the requirements of a new road easement, and its attendant construction
26 requirements, as detailed and outlined in the 1990 Memorandum; that is the road that must
27 comply with the County's existing improvement requirements, not the old easement road
28 contemplated by and in existence since 1968. The old road easement (as contemplated by the

1 1968 Grant Easement and the 1987 Clarification), while relevant from this time forward for
2 limited ingress and egress purposes, must be phased out and not given continuing (and in fact
3 expanded) life. The court therefore denies plaintiff's request for injunctive relief. **If plaintiff**
4 **pays for the new road easement as contemplated and detailed in the 1990 Memorandum, an**
5 **assessment district need not be established as a precursor or as condition for construction and**
6 **thus as basis to secure his permit,** although to recoup any money (and require the other dominant
7 tenement holders to pay their pro rata share ultimately) that may be required. That issue is not
8 before the court, and the court makes no determination on the issue.

9 **IT IS SO ORDERED.**

10 **07/06/2022**

11 DATED: _____

12 
13 _____
14 Timothy Staffel
15 Judge of the Superior Court
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RESOLUTION NO. 2014-12

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA RITA HILLS
COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS ADOPTING THE
2014-15 FISCAL YEAR BUDGET

WHEREAS, the Santa Rita Hills Community Services District ("District") became effective May 5, 2009, pursuant to an election and Resolution of the Board of Supervisors of the County of Santa Barbara, and under the authority of the Cortese-Knox-Hertzberg Local Reorganization Act of 2000 (Government Code § 56000 et seq.); and

WHEREAS, the District is required, pursuant to State codes to designate a custodian for its money; and

WHEREAS, such custodianship required that proper methods be used for the acquisition and disbursement of District monies; and

WHEREAS, the District desires to make known its planned activities and associated costs for the FY 2014-2015, and

WHEREAS, the District adopted a preliminary budget for FY 2014-15; and

WHEREAS, the District has published a Notice of Public Hearing in a publicly distributed newspaper – The Lompoc Record, on July 1, 2014.

NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS OF THE SANTA RITA HILLS COMMUNITY SERVICES DISTRICT, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, HAVING DULY CONSIDERED THE SAME, DO HEREBY DECLARE AND ADOPT THE FOLLOWING:

1. That the Recitals set forth above are true, correct, and valid.
2. That the final budget of said Community Services District for the FY 2014-15, a copy of which is attached, and made a part hereof, is hereby adopted.

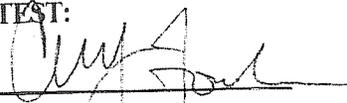
PASSED AND ADOPTED by the Board of Directors of the Santa Rita Hills Community Services District this 15th day of July, 2014 upon motion by Director MARKS, second by Director PETERSEN on the following roll call vote:

AYES: DIRECTORS : PETERSEN, MARKS, FREEMAN

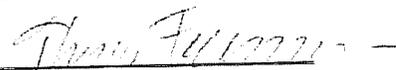
NOES: NONE

ABSENT: MURENO

ATTEST:


Secretary
Board of Directors

APPROVED:


Thomas Freeman, President
Board of Directors

Santa Rita Hills Community Services District Fiscal Year 2014-2015 Budget

BUDGETED INCOME FOR FY 2014-2015

| | Amended 2013-2014 Budget | Adopted Preliminary Budget 2014-2015 | Proposed Final Budget 2014-2015 |
|----------------------|--------------------------------|---|---------------------------------------|
| <i>Revenue - 100</i> | | | |
| 101 Property Taxes | \$ 195,000 | \$ 195,000 | \$ 195,000 |
| 102 Other/Interest | \$ 80 | \$ 80 | \$ 80 |
| Total Income: | \$ 195,080 | \$ 195,080 | \$ 195,080 |

BUDGETED EXPENSE FOR FY 2014-2015

| | Amended 2013-2014 Budget | Adopted Preliminary Budget 2014-2015 | Proposed Final Budget 2014-2015 |
|------------------------------------|--------------------------------|---|---------------------------------------|
| <i>Professional Services - 100</i> | | | |
| 101 General Manager | \$ 60,000 | \$ 45,000 | \$ 45,000 |
| 102 District Engineer | \$ 40,000 | \$ 20,000 | \$ 20,000 |
| 103 Attorney | \$ 140,000 | \$ 81,000 | \$ 81,000 |
| 104 Secretary | \$ 1,200 | \$ 8,160 | \$ 8,160 |
| 105 District Accountant | \$ 3,000 | \$ 15,600 | \$ 15,600 |
| 106 Auditor | \$ 3,500 | \$ 3,500 | \$ 3,500 |
| 107 Bond Counsel | \$ - | \$ - | \$ - |
| 108 Financial Consultant | \$ - | \$ - | \$ - |
| <i>Operational Expenses - 200</i> | | | |
| 201 LAFCO (Annual Estimate) | \$ 600 | \$ 150 | \$ 150 |
| 202 CSDA | \$ 800 | \$ 850 | \$ 850 |
| 203 Collection Fees on Assessments | \$ 39 | \$ 50 | \$ 50 |
| 204 Insurance - SDRMA | \$ 5,000 | \$ 5,500 | \$ 5,500 |
| 205 Legal Noticing | \$ 400 | \$ 400 | \$ 400 |
| 206 Postage & Office Supplies | \$ 500 | \$ 500 | \$ 500 |
| 207 Website - Design & Maint | \$ 1,000 | \$ 500 | \$ 500 |
| 208 Preliminary Engineering | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| 209 Election Expense | \$ - | \$ 100 | \$ 100 |
| Total Expenses: | \$ 276,039 | \$ 201,310 | \$ 201,310 |
| Net Deficit/Use of Fund Balance | \$ (80,959) | \$ (6,230) | \$ (6,230) |

Santa Rita Hills Community Services District Fiscal Year 2014-2015 Budget

BUDGETED INCOME FOR FY 2014-2015

| | Original Budget 2014-2015 | Board approved adjustments | Current Budget 2014-2015 |
|----------------------|---------------------------------|----------------------------------|--------------------------------|
| <i>Revenue - 100</i> | | | |
| 101 Property Taxes | \$ 195,000 | - | \$ 195,000 |
| 102 Other/Interest | \$ 80 | - | \$ 80 |
| Total Income: | \$ 195,080 | - | \$ 195,080 |

BUDGETED EXPENSE FOR FY 2014-2015

| | Original Budget 2014-2015 | Board approved adjustments | Current Budget 2014-2015 |
|------------------------------------|---------------------------------|----------------------------------|--------------------------------|
| <i>Professional Services - 100</i> | | | |
| 101 General Manager | \$ 45,000 | - | \$ 45,000 |
| 102 District Engineer | \$ 20,000 | - | \$ 20,000 |
| 103 Attorney | \$ 81,000 | - | \$ 81,000 |
| 104 Secretary | \$ 8,160 | - | \$ 8,160 |
| 105 District Accountant | \$ 15,600 | \$ (2,000) | \$ 13,600 |
| 106 Auditor | \$ 3,500 | - | \$ 3,500 |
| 107 Bond Counsel | \$ - | - | \$ - |
| 108 Financial Consultant | \$ - | - | \$ - |
| <i>Operational Expenses - 200</i> | | | |
| 201 LAFCO (Annual Estimate) | \$ 150 | - | \$ 150 |
| 202 CSDA | \$ 850 | - | \$ 850 |
| 203 Collection Fees on Assessments | \$ 50 | - | \$ 50 |
| 204 Insurance - SDRMA | \$ 5,500 | - | \$ 5,500 |
| 205 Legal Noticing | \$ 400 | - | \$ 400 |
| 206 Postage & Office Supplies | \$ 500 | - | \$ 500 |
| 207 Website - Design & Maint | \$ 500 | - | \$ 500 |
| 208 Preliminary Engineering | \$ 20,000 | \$ 2,000 | \$ 22,000 |
| 209 Election Expense | \$ 100 | - | \$ 100 |
| Total Expenses: | \$ 201,310 | - | \$ 201,310 |
| Net Deficit/Use of Fund Balance | \$ (6,230) | - | \$ (6,230) |

Resolution 2014-11 Original Budget
Resolution 2014-17 Budget adjustment

Santa Rita Hills Community Services District
Fiscal Year 2013-14 Proposed Budget Amendments
at May 31, 2014

BUDGETED INCOME FOR FY 2013-14

| | Original Budget | Current Budget | Proposed Revision | Proposed Revised Budget |
|----------------------|--------------------|-------------------|----------------------|-------------------------------|
| <i>Revenue - 100</i> | | | | |
| 101 Property Taxes | \$ 195,000 | \$ 195,000 | \$ - | \$ 195,000 |
| 102 Other/Interest | \$ 80 | \$ 80 | \$ - | \$ 80 |
| Total Income: | \$ 195,080 | \$ 195,080 | \$ - | \$ 195,080 |

BUDGETED EXPENSE FOR FY 2013-14

| | Original Budget | Current Budget | Proposed Revision | Proposed Revised Budget |
|--|--------------------|--------------------|----------------------|-------------------------------|
| <i>Professional Services - 100</i> | | | | |
| 101 General Manager | \$ 30,000 | \$ 60,000 | \$ - | \$ 60,000 |
| 102 District Engineer | \$ 25,000 | \$ 25,000 | \$ 15,000 | \$ 40,000 |
| 103 Attorney | \$ 35,000 | \$ 35,000 | \$ 105,000 | \$ 140,000 |
| 104 Secretary | \$ 1,200 | \$ 1,200 | \$ - | \$ 1,200 |
| 105 Accounting | \$ 3,000 | \$ 3,000 | \$ - | \$ 3,000 |
| 106 Auditor | \$ 3,500 | \$ 3,500 | \$ - | \$ 3,500 |
| 107 Bond Counsel | \$ 35,000 | \$ 35,000 | \$ (35,000) | \$ - |
| 108 Financial Consultant | \$ 35,000 | \$ 35,000 | \$ (35,000) | \$ - |
| <i>Operational Expenses - 200</i> | | | | |
| 201 LAFCO (Annual Estimate) | \$ 600 | \$ 600 | \$ - | \$ 600 |
| 202 CSDA | \$ 800 | \$ 800 | \$ - | \$ 800 |
| 203 Collection Fees on Assessments | \$ 39 | \$ 39 | \$ - | \$ 39 |
| 204 Insurance - SDRMA | \$ 5,000 | \$ 5,000 | \$ - | \$ 5,000 |
| 205 Legal Noticing | \$ 400 | \$ 400 | \$ - | \$ 400 |
| 206 Postage & Office Supplies | \$ 500 | \$ 500 | \$ - | \$ 500 |
| 207 Website - Design & Maint | \$ 1,000 | \$ 1,000 | \$ - | \$ 1,000 |
| 208 Preliminary Engineering | \$ 50,000 | \$ 20,000 | \$ - | \$ 20,000 |
| Total Expenses: | \$ 226,039 | \$ 226,039 | \$ 50,000 | \$ 276,039 |
| Net Deficit/Use of Fund Balance | \$ (30,959) | \$ (30,959) | \$ (50,000) | \$ (80,959) |

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds (GAAP Basis)

For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---|------------------|-----------------|-------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 156,000 | \$ 156,000 | \$ 156,035 | \$ 35 |
| Interest income | 80 | 80 | 687 | 607 |
| Total revenues | 156,080 | 156,080 | 156,722 | 642 |
| Expenditures: | | | | |
| Administration | 14,245 | 14,245 | 5,505 | 8,740 |
| Insurance | 5,000 | 5,000 | 4,927 | 73 |
| Professional services | 92,200 | 92,200 | 112,279 | (20,079) |
| Road repair and maintenance | 40,000 | 40,000 | 52,774 | (12,774) |
| Total expenditures | 151,445 | 151,445 | 175,485 | (24,040) |
| Excess of revenues over (under) expenditures | \$ 4,635 | \$ 4,635 | (18,763) | \$ (23,398) |
| Fund balance at beginning of year | | | 172,185 | |
| Fund balance at end of year | | | \$ 153,422 | |

The accompanying notes are an integral part of the financial statements

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds (GAAP Basis)

For the year ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------|------------------|------------|------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 156,000 | \$ 156,000 | \$ 156,830 | \$ 830 |
| Interest income | 80 | 80 | 326 | 246 |
| Total revenues | 156,080 | 156,080 | 157,156 | 1,076 |
| Expenditures: | | | | |
| Administration | 14,245 | 14,245 | 880 | 13,365 |
| Insurance | 2,000 | 2,000 | 2,176 | (176) |
| Professional services | 69,700 | 69,700 | 42,917 | 26,783 |
| Road repair and maintenance | 20,000 | 20,000 | 37,174 | (17,174) |
| Total expenditures | 105,945 | 105,945 | 83,147 | 22,798 |
| Excess of revenues over expenditures | \$ 50,135 | \$ 50,135 | 74,009 | \$ 23,874 |
| Fund balance at beginning of year | | | 98,176 | |
| Fund balance at end of year | | | \$ 172,185 | |

The accompanying notes are an integral part of the financial statements

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds (GAAP Basis)
For the year ended June 30, 2011

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------|------------------|------------|------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 195,000 | \$ 195,000 | \$ 195,035 | \$ 35 |
| Interest income | - | - | 876 | 876 |
| Total revenues | 195,000 | 195,000 | 195,911 | 911 |
| Expenditures: | | | | |
| Administration | 13,677 | 17,041 | 4,576 | 12,465 |
| Insurance | 5,100 | 1,577 | 1,577 | - |
| Professional services | 66,148 | 86,593 | 60,058 | 26,535 |
| Road repair and maintenance | | - | 2,564 | (2,564) |
| Total expenditures | 84,925 | 105,211 | 68,775 | 36,436 |
| Excess of revenues over expenditures | \$ 110,075 | \$ 89,789 | 127,136 | \$ 37,347 |
| Fund balance at beginning of year | | | (28,960) | |
| Fund balance at end of year | | | \$ 98,176 | |

The accompanying notes are an integral part of the financial statements

**SANTA RITA HILLS
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2013

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

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Meeting Room – Mission Hills CSD Office
1550 Burton Mesa Blvd., Lompoc, CA
Telephone (805) 544-4011 FAX (805) 544-4294
E-Mail johnw@wallacegroup.us

Management's Discussion and Analysis Fiscal Year Ending June 30, 2013

The following is a discussion of the consolidated financial condition and results of operations of the Santa Rita Hills Community Services District (SRHCSD) for the year ending June 30, 2013, and should be read together with the financial statements. This discussion contains information that is qualified by reference to, and should be read together with, the notes contained in the Independent Auditor's Report prepared by Crosby Company CPA. The Santa Rita Hills Community Services Financial Audit has been prepared in accordance with U.S. generally accepted auditing standards.

Overall Performance

The SRHCSD was formed on May 5, 2009 by a vote of the property owners. This is the fourth year of operation for the SRHCSD. Expenses incurred during this year were mainly for road repair/maintenance and administrative activities. Taxes are recognized by the District in the year levied. The first levy for the district was made in the 2010/2011 fiscal year.

Comparative Combined Funds Financial Results Fiscal Years 2011/12 & 2012/13

| | <u>2011/12</u> | <u>2012/13</u> |
|--------------------|-------------------|-------------------|
| Total Net Position | \$ <u>172,185</u> | \$ <u>153,422</u> |

Net decrease of \$18,763 for 2012/13

Governmental Functions

Governmental functions of the District include road maintenance and road improvement services. The powers and responsibilities granted to the SRHCSD include "the act to acquire, construct, improve, and maintain streets, roads, rights-of-way, bridges, culverts, drains, curbs, gutters, sidewalks and any incidental works, to convert overhead electric and communications facilities to underground locations, and to install underground electric and communications facilities, with the consent of the public agency or public utility that owns the facilities pursuant to Streets and Highways Code. These services are solely funded through a special property tax assessment.

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2013

Comparative Governmental Funds Financial Results Fiscal Years 2011/12 & 2012/13

| | <u>2011/12</u> | <u>2012/13</u> |
|---------------------------|-------------------|-------------------|
| Governmental Tax Revenues | \$ <u>156,830</u> | \$ <u>156,035</u> |

Net decrease of \$795 for 2012/13

Business Type Activities

The maximum annual special tax authorized for the District was approved by the formation of the District at \$3 million annually, and may increase automatically each fiscal year by the percentage change in the Consumer Price Index for the Los Angeles/Long Beach area for the prior 12 months.

Although the District has the authority to issue special taxes up to \$3 million annually, the actual tax to be levied for any fiscal year shall be determined by a majority vote of the District Board of Directors on the basis of the actual revenues estimated to be required by the District to pay its reasonable and necessary operating expenses for the coming year. This amount is determined through the annual budget process and a public hearing. Once approved, this tax is applied equally to each legal lot within the District. The current year's budget calls for \$195,000 in revenue, amounting to an assessment of \$5,000 per parcel.

Any road improvements or infrastructure constructed by the District must relate to the authorized services and any significant costs for construction will be financed by benefit assessments approved by landowners within the District.

Summary

In conclusion, the District is just beginning their existence as a special district and will spend the first couple of years performing set up and administrative tasks, as well as planning for future road improvements.

Summary of Total Revenue / Expenses Fiscal Years 2011/12 & 2012/13

| | <u>2011/12</u> | <u>2012/13</u> |
|---------------|------------------|--------------------|
| Total Revenue | \$ 157,156 | \$ 156,722 |
| Total Expense | 83,147 | 175,485 |
| Depreciation | <u>-0-</u> | <u>-0-</u> |
| Total | \$ <u>74,009</u> | \$ <u>(18,763)</u> |

Net decrease of \$92,772 for 2012/13

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

June 30, 2013

BOARD OF DIRECTORS

NAME

TERM EXPIRES

Thomas Freeman, President

December 2014

Dale Petersen, Vice President

December 2016

Casey Marks, Director

December 2014

Mario Moreno, Director

December 2014

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *ii* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

October 1, 2013

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-6100 FAX: (805)858-9505

Independent Auditor's Report

To the Management of
Santa Rita Hills Community Services District
Buellton, California 93427

Report on the Financial Statements

I have audited the accompanying financial statements of the Santa Rita Hills Community Services District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *ii* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

October 1, 2013

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

| | <u>Government Activities</u> |
|---------------------------|----------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 181,446 |
| Prepaid insurance | 4,927 |
| Total assets | <u>\$ 186,373</u> |
| LIABILITIES | |
| Accounts payable | \$ 32,951 |
| Total liabilities | <u>\$ 32,951</u> |
| NET POSITION | |
| Unrestricted | \$ 153,422 |
| Total net position | <u>\$ 153,422</u> |

The accompanying notes are an integral part of the financial statements

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

| | |
|--|------------|
| Governmental activities expenses: | |
| General government - road maintenance | \$ 175,485 |
| Total expenses | 175,485 |
| General Revenues: | |
| Taxes: | |
| Property taxes | 156,035 |
| Interest income | 687 |
| Total general revenues and investments | 156,722 |
| Change in net position | (18,763) |
| Net Position, Beginning of Year | 172,185 |
| Net Position, End of Year | \$ 153,422 |

The accompanying notes are an integral part of the financial statements

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

BALANCE SHEET
Governmental Funds
June 30, 2013

ASSETS

Cash and cash equivalents
Prepaid insurance

Total assets

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable

Total liabilities

Fund balances:

Non-spendable
Assigned

Total fund balances

Total liabilities and fund balances

| <u>General</u> | |
|----------------|----------------|
| \$ | 181,446 |
| | 4,927 |
| \$ | <u>186,373</u> |
| | |
| \$ | 32,951 |
| | 32,951 |
| | 4,927 |
| | 148,495 |
| | 153,422 |
| \$ | <u>186,373</u> |
| | |

The accompanying notes are an integral part of the financial statements

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances - government funds

| | |
|----|---------|
| \$ | 153,422 |
| | |
| | - |
| \$ | 153,422 |

Amounts reported for governmental activities in the statement of net position are different because:

No differences

Net position of governmental activities

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES

Governmental Funds

For the year ended June 30, 2013

| | <u>General</u> |
|--|----------------|
| Revenues: | |
| Property taxes | \$ 156,035 |
| Interest income | 687 |
| Total revenues | 156,722 |
| Expenditures: | |
| Administration | 5,505 |
| Insurance | 4,927 |
| Professional services | 112,279 |
| Road repair and maintenance | 52,774 |
| Total expenditures | 175,485 |
| Excess of revenues over expenditures | (18,763) |
| Fund balance at beginning of year | 172,185 |
| Fund balance at end of year | \$ 153,422 |

The accompanying notes are an integral part of the financial statements

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2013

Net Change in Governmental Fund Balances

| | |
|--|--------------------|
| | \$ (18,763) |
| | - |
| | <u>\$ (18,763)</u> |
| | |

Amounts reported for governmental activities in the statement of net position are different because:

No differences

Change in Net Position of Governmental Activities

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE Budget and Actual - Governmental Funds (GAAP Basis) For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---|------------------|-----------------|-------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 156,000 | \$ 156,000 | \$ 156,035 | \$ 35 |
| Interest income | 80 | 80 | 687 | 607 |
| Total revenues | 156,080 | 156,080 | 156,722 | 642 |
| Expenditures: | | | | |
| Administration | 14,245 | 14,245 | 5,505 | 8,740 |
| Insurance | 5,000 | 5,000 | 4,927 | 73 |
| Professional services | 92,200 | 92,200 | 112,279 | (20,079) |
| Road repair and maintenance | 40,000 | 40,000 | 52,774 | (12,774) |
| Total expenditures | 151,445 | 151,445 | 175,485 | (24,040) |
| Excess of revenues over (under) expenditures | \$ 4,635 | \$ 4,635 | (18,763) | \$ (23,398) |
| Fund balance at beginning of year | | | 172,185 | |
| Fund balance at end of year | | | \$ 153,422 | |

The accompanying notes are an integral part of the financial statements

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: ORGANIZATION

The Santa Rita Hills Community Services District (District) was formed on May 5, 2009 under the authorization of the State of California as a special district. The District operates under a Board of Directors form of government and provides road maintenance and road improvement services.

The District complies with U.S. generally accepted accounting principles and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the District's activities and functions that are included in the financial statements of a governmental unit. The County of Santa Barbara maintains the general ledger and District management prepares the budgetary financial statements for the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government.

Fund Accounting

The accounts of the District are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund category is:

Governmental Fund Types

The governmental fund (General Fund) uses the current financial resources measurement focus. Only current assets and current liabilities are generally included on this balance sheet. The operating statement presents sources and uses of available resources during a given period.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are no longer reported as a separate fund balance category on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward until liquidated.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

Budget

An annual budget is approved by the Board. The budget is revised by the District's governing Board during the year to give consideration to unanticipated income and expenditures. All unencumbered appropriations in the budget lapse at the end of the fiscal year. A budget analysis for governmental funds is included as a required statement in the financial statements.

Property Taxes

The County of Santa Barbara bills and collects property taxes for the District utilizing the teeter plan. The County charges the District for these services. Tax revenues are recognized by the District in the year levied.

Concentrations

The District provides road maintenance and improvement services to the Santa Rita Hills Community Services District area. Consequently, its ability to collect amounts from the County of Santa Barbara may be affected by economic fluctuations, within this region and within the State of California as a whole.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

The fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

Net Position

Net position present the difference between assets and liabilities in the statement of net position. Net position are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 2013 are summarized as follows:

| | |
|---|--------------------------|
| Cash and investment with: County treasurer | \$ <u>181,446</u> |
| Total cash and investments | \$ <u><u>181,446</u></u> |

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Cal. Gov. Code § 61040.1

Section 61040.1 - Santa Rita Hills Community Services District board; reduction in number of members

(a) The board of directors of the Santa Rita Hills Community Services District may consist of three members.

(b)

(1) Prior to reducing the board of directors to three members pursuant to subdivision (a), the board of directors, after receiving a petition signed by a majority of voters requesting a reduction in the number of board members, shall adopt, by a recorded majority vote of the entire board of directors, a resolution proposing to reduce the number of directors to three members.

(2) The district shall hold a public hearing regarding the proposal to reduce the number of directors.

(3) Notice of the public hearing shall be given by placing a display advertisement of at least one-eighth page in a newspaper of general circulation for three weeks, pursuant to Section 6063, and by United States first-class mail to each landowner voter in the district, postage prepaid, and notice shall be deemed given when deposited in the mail. The envelope or cover of the mailing shall include the name of the local agency and the return address of the sender and the mailed notice shall be in at least 10-point type.

(4) The public hearing shall be held at least 45 days after mailing the notice pursuant to paragraph (3).

(5) At the hearing the board shall receive and consider any written or oral comments regarding the proposed reduction in the number of directors. After receiving and considering the comments, the board, by a recorded majority vote of the entire board of directors shall do one of the following:

(A) Disapprove the proposal.

(B) Adopt a resolution that orders the reduction in the number of members of the board to three members.

(c) A reduction in the number of directors pursuant to this section shall not affect the term of office of any director. A director currently holding office as of the effective date of the reduction in the number of members of the board of directors shall continue to be the director until the office becomes vacant by means of term expiration or otherwise.

(d) This section shall be repealed on January 1, 2035.

Ca. Gov. Code § 61040.1

Added by Stats 2014 ch 505 (AB 2455), s 3, eff. 1/1/2015.