

September 10, 2015

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

Consideration of LAFCO Resolution Initiating Proceeding for Dissolution of the Santa Rita Hills Community Services District (SRHCSD) – Continued from the May 7, 2015 Meeting

Dear Members of the Commission

RECOMMENDATION

It is recommended that the matter be tabled until the application for the proposed Reorganization to Form a Bridge and Highway District and Dissolve the Santa Rita Hills Community Services District Bridge and Highway Reorganization Proposal is Complete.

DISCUSSION

At the March 5, 2015 meeting, the Commission continued consideration of a resolution initiating dissolution proceedings for the Santa Rita Hills Community Services District (SRHCSD) to the May 7, 2015 meeting. At the May 7, 2015 meeting, the Commission again continued consideration of a resolution initiating dissolution proceedings for the Santa Rita Hills Community Services District (SRHCSD) to the September 10, 2015 meeting. Staff had prepared a Special Study (**Attachment 1**) and a resolution (**Attachment 2**) to initiate proceedings. Pursuant to Government Code Section 57375 (a)(2)(B), the Commission may initiate proposals by resolution of an application for the dissolution of a district if it is consistent with a recommendation or conclusion of a Special Study, a Sphere of Influence, or a Municipal Service Review.

The reason for both the continuances was to provide the property owners with an opportunity to complete the reorganization application to form a Bridge and Highway District and Dissolve the Santa Rita Hills Community Services District. Should an application be complete for consideration at the September 10, 2015 meeting, the Commission directed the Executive Officer to return with separate agenda items for the reorganization involving dissolution of the Santa Rita Hills CSD and for the creation of the Bridge and Highway District.

Current Status of Reorganization Application: By way of an update, although, the proponents have submitted most of the requirements for the reorganization, including a new reorganization petition, revised maps and legal descriptions with the same boundaries as the Santa Rita Hills CSD, but with a new title, and the LAFCO processing fee of \$10,500, there are still some missing items. The most significant among the mission items is a signed Cost Accounting and Indemnification Agreement. The proponents have been notified several times that application cannot be accepted for filing until all of LAFCO's application requirements have been submitted.

Although the application is not complete, the proponents have verbally stated that they intend to comply with LAFCO application requirements and proceed with the reorganization proposal. Completion of the application could however take several weeks or longer. Therefore, staff is recommending the matter be tabled until the application for the proposed Reorganization to Form a Bridge and Highway District and Dissolve the Santa Rita Hills Community Services District Bridge proposal is complete. Staff will return with the SRHCSD dissolution resolution if the reorganization proposal not completed within a reasonable period of time, i.e. one to two months.

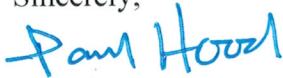
ATTACHMENTS:

Attachment 1: Santa Rita Hills Community Services District Special Study

Attachment 2: Proposed Resolution Initiating Dissolution Proceedings for the SRHCSD

Please contact the LAFCO office if you have any questions.

Sincerely,



PAUL HOOD
Executive Officer

**SANTA RITA HILLS
COMMUNITY SERVICES
DISTRICT**

<http://santaritahillscsd.com/>

**SPECIAL STUDY
PURSUANT TO GOVERNMENT
CODE SECTION 56375**

Report to the
Santa Barbara Local Agency
Formation Commission

February 23, 2015

ATTACHMENT 1

1. INTRODUCTION

Requirements of a Special Study:

This Special Study concerning the Santa Rita Hills Community Services District was prepared by the Santa Barbara Local Agency Formation Commission ("LAFCO") in accordance with Government Code Section 56375 (a) (2) of the California Government Code. The Special Study is a requirement if the Commission wishes to initiate proposals for changes of organization or reorganizations. In this particular case, the Commission wishes to initiate proceedings for the dissolution of the Santa Rita Hills Community Services District. A change of organization, such as dissolution of a special district, needs to be consistent with a recommendation or conclusions of the study.

Government Code Section 56375 (a) (2) reads as follows:

56375 (a) (2) The commission may initiate proposals by resolution of application for any of the following:

(A) The consolidation of a district, as defined in Section 56036.

(B) The dissolution of a district.

(C) A merger.

(D) The establishment of a subsidiary district.

(E) The formation of a new district or districts.

(F) A reorganization that includes any of the changes specified in subparagraph (A), (B), (C), (D), or (E).

(3) A commission may initiate a proposal described in paragraph (2) only if that change of organization or reorganization is consistent with a recommendation or conclusion of a study prepared pursuant to Section 56378, 56425, or 56430, and the commission makes the determinations specified in subdivision (b) of Section 56881. (Emphasis Added)

The contents of a Special Study are set forth in Government Code Section 56378 (a), which reads as follows:

56378 (a) In addition to its other powers, the commission shall initiate and make studies of existing governmental agencies. Those studies shall include, but shall not be limited to, inventorying those agencies and determining their maximum service area and service capacities. In conducting those studies, the commission may request land use information, studies, joint powers agreements, and plans of cities, counties, districts, including school districts, community college districts, joint powers agencies and joint powers authorities, regional agencies and state agencies and departments. Cities, counties, districts, including school districts, community college districts, joint powers agencies and joint powers authorities, regional agencies, and state agencies and departments, shall comply with the request of the commission for that information and the commission shall make its studies available to public agencies and any interested person. In making these studies, the commission may cooperate with the county planning commissions.

Lastly, the Commission may initiate a proposal only if that change of organization or reorganization is consistent with a recommendation or conclusion of a study. In this regard, the Commission needs to make the determinations specified in subdivision (b) of Government Code Section 56881, which reads as follows:

56881(b) The resolution making determinations shall also do all of the following:

(a) Make any of the findings or determinations authorized or required pursuant to Section 56375.

(b) For any proposal initiated by the commission pursuant to subdivision (a) of Section 56375, make both of the following determinations:

(1) Public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service.

(2) A change or organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources. (Emphasis Added)

(c) If applicable, assign a distinctive short-term designation to the affected territory and a description of the territory.

(d) Initiate protest proceedings pursuant to Part 4 (commencing with Section 57000) in compliance with the resolution.

2. BACKGROUND OF THE SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

History:

The Santa Rita Hills Community Services District was formed June 5, 2009 and operates pursuant to the Community Services District Act (Government Code, Section 61000 et seq.). It is located in northern Santa Barbara County, and includes about 1,590 acres about five miles east of the City of Lompoc at the east end of Sweeney Road, north of Santa Rosa Road. It includes the Lakeview Estates Tract (**Exhibits A and B**).

At the time of formation, a five-member board of directors was elected at-large to govern the District. A contract General Manager has been responsible for administrative functions since the district was formed.

3. FACTORS USED IN A SPECIAL STUDY AND MUNICIPAL SERVICE REVIEW:

Many of the following factors are used when conducting a municipal service review but are also appropriate for a Special Study.

District Services:

The District is authorized within its boundaries 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. Since it was formed, the district has worked on the design of road improvements with the

eventual goal constructing roads to provide access to future development.

Financing:

As part of the formation election, the voters authorized a special tax and appropriations limit not to exceed \$3,000,000 for fiscal year 2008-2009 with the tax levy for any year to be determined by the board of directors based on revenues needed to pay reasonable and necessary expenses. Since formation, the special tax has been applied equally to each legal lot. The district has collected \$195,000 per year in property tax revenue and has spent approximately \$20,000 per year on Preliminary Engineering. The remaining expenses cover Professional Services for the General Manager, District Engineer, Attorney, Secretary, District Accountant, and Auditor. The Professional Services budget for 2014-2015 totals \$173,260.

The District's 2013-2014 and 2014-2015 budgets are attached as **(Exhibits C and D)**.

Other Governmental Agencies within the District:

Local agencies that overlap the Santa Rita Hills CSD are the Santa Barbara County Fire Protection District, County Service Area 32 (Law Enforcement), Lompoc Cemetery District, Santa Barbara Coastal Vector Control District, Lompoc Valley Medical Center and Santa Ynez River Water Conservation District.

Growth and Population Projections:

The District includes 39 legal parcels. No further subdivision is proposed or permitted by the existing zoning and general plan designations for the area. Two of the parcels currently have existing homes. Others have a trailer or two.

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies:

Lack of sufficient access has been a factor in preventing many of the owners from making use of their property as permitted by the current zoning. The District was formed as a funding and governance mechanism for the construction and provision of roads, electrical power and telecommunications services.

No specific capital projects for these governmental services have been identified.

Financial ability of agencies to provide services:

In approving the CSD formation the voters authorized a special tax and appropriations limit not to exceed \$3,000,000 for fiscal year 2008-2009 with the tax levy for any year to be determined by the board of directors based on revenues needed to pay reasonable and necessary expenses. The special tax is to be applied equally to each legal lot.

In approving the CSD formation the voters also specified that any significant construction costs will be financed by benefit assessments approved by landowners in the District.

Status of, and opportunities for, shared facilities

Given its distance from other public agencies, there are no obvious opportunities for shared facilities in the future operations of the District.

Accountability for community service needs, including governmental structure and operational efficiencies

The Board of Directors is elected by and accountable to the voters who reside in the District. The number of eligible voters will increase as additional homes are constructed.

Regular Board meetings are held monthly in the County Administration Building in Lompoc. The District sends mailings to all residents and property owners.

4. CURRENT SITUATION WITH THE SANTA RITA HILLS COMMUNITY SERVICES DISTRICT

At the December 4, 2014 meeting, the Commission reviewed an information item on the status of the Santa Rita Hills Community Services District (SRHCSD) and requested that this matter be brought back as a business item at the next meeting. At the February 5, 2015 Commission meeting, the Commission indicated that it wished to consider dissolution of the district. Staff was directed to prepare a Special Study analyzing the initiation of dissolution proceedings and, assuming the study concluded dissolution was appropriate, to prepare a resolution of application to begin the dissolution process. Reasons for the Commission to begin the dissolution process are as follows:

A. The District does not have a Board of Directors

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

B. The District Cannot Pay Any Claims without approval of a Board of Directors

Pursuant to the Community Services District Law, Government Code Section 61052(b) without authorization from the SRHCSD's board of directors, the County Auditor is not authorized to pay any warrants for claims against the District.

C. The District is Continuing to Collect Property Tax Allocations

Even though the County Auditor cannot pay any District claims, it the County Tax Collector continues to collect property taxes from the special tax that was approved by the voters at the time of formation. Collection of such taxes for fiscal year 2014-2015 were authorized by the District Board prior to it becoming inoperable. There is one

more property tax allocation \$195,000 that will be collected on April 10, 2015. After the April apportionment, the district will have approximately \$225,000 in the County Treasury. This is likely the last collection because future taxes must be authorized by the board of directors, which has become dysfunctional. The 2013 Independent Auditor's Reports and Financial Statements for the Fiscal Year Ended June 30, 2013, showed \$32,951 in Accounts Payable. The 2013 Audit shows no long term debt. There was no Audit for 2014.

D. The District is not the Providing Services that were Authorized at the Time of Formation

Although the SRHCSD has expended funds for planning road improvements, it has not completed any road construction, improvement or maintenance projects since the time of formation. Further, as discussed below in the next point, it appears that this situation has no chance of changing.

E. The District has essentially ceased to function because the board is dysfunctional.

As stated above, no one eligible to be on the CSD Board has come forward to serve. Additionally, statements made by the CSD general manager have been to the effect that there is no anticipation by CSD officials that there will ever again be a functional board. Therefore, the functionality of the CSD appears to have ceased entirely.

EXHIBITS

Exhibit A	Vicinity Map
Exhibit B	Detail Map
Exhibit C	2013-14 Budget
Exhibit D	2014-15 Budget

5. DETERMINATIONS

It is recommended that the Commission approve the Special Study of the Santa Rita Hills Community Services District based on the following determinations:

- (1) Public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service.
- (2) A change or organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources.

6. RECOMMENDED COMMISSION ACTION

A. APPROVE the Special Study with Determination (1) and (2) above; and

B. INITIATE Dissolution Proceedings for the Santa Rita Hills Community Services District

PAUL HOOD
Executive Officer
LOCAL AGENCY FORMATION COMMISSION

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF THE COUNTY OF SANTA BARBARA

In the matter of Dissolution of the Santa Rita
Hills Community Services District

Resolution No. _____

1. WHEREAS, on March 5, 2015, the Commission accepted and considered the *Special Study: Santa Rita Hills Community Services District*, dated February 23, 2015 (“Special Study”).
2. WHEREAS, in accordance with the findings and conclusions of the Special Study, the Commission desires to initiate a proceeding for dissolution of the Santa Rita Hills Community Services District (“District”) specified herein; and
3. WHEREAS, the Commission is considering this proposed dissolution because the District Board has ceased to function because no one ran for election to the District Board in 2014 and at present there are no sitting members on the District Board. Additionally, representatives of the District have stated they do not expect any person in the future to seek election to the District Board.
4. Whereas, because there is currently no functioning Board and there appears no possibility that this will be corrected in the future, the County Auditor informed the District in a letter dated January 22, 2015 that the Auditor is unable to pay District warrants because the District cannot have the warrants approved by its Board in compliance with Government Code section 61052(b).
5. In accordance with Government Code section 56375(a)(3), the Commission may initiate a dissolution if it is consistent with a recommendation or conclusion of a study

prepared pursuant to Government Code sections 56378, 56425 or 56430, and LAFCO makes the determinations specified in Section 56881(b).

6. A special study was undertaken pursuant to Government Code section 56375 and concluded that dissolution of the District is an appropriate option to address the governance issues of the District. The proposed dissolution is consistent with the Special Study.

NOW, THEREFORE, IT IS HEREBY RESOLVED that:

7. The Commission hereby determines, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that the proposed dissolution is categorically exempt under the CEQA Guidelines Section 15061(b)(3) – the “Common Sense Exemption” and Section 15378(b)(5) – “organizational or administrative activities of governments which will not result in direct or indirect physical changes to the environment.” (Exhibit A).

8. A Special Study was undertaken and completed pursuant to Government Code section 56881(b) and the proposed dissolution is consistent with the Special Study. The Commission hereby finds and determines that the District should be dissolved.

9. The Commission determines that the District is in the unincorporated area of the County and therefore pursuant to Government Code section 57451, the County shall be the successor. As the successor, the County shall pursuant to the Cortese Knox Hertzberg Act have the following powers, duties and obligations.

- a. Pursuant to Government Code section 57452, upon the effective date of dissolution, control over all of the moneys or funds, including cash on hand and moneys due but uncollected, and all property, real or personal, of

the District shall be vested in the County as successor for the purpose of winding up the affairs of the District.

- b. Pursuant to Government Code section 57453, for the sole and exclusive purpose of winding up the affairs of the dissolved district, the successor and the officers and legislative body of the successor have the same powers and duties as the dissolved district and the officers and legislative body of the dissolved district and all of the following additional powers and duties:

- i. To exchange, sell, or otherwise dispose of all property, real and personal, of the dissolved district.
- ii. To compromise and settle claims of every kind and nature.
- iii. To sue or be sued in the same manner and to the same extent as the dissolved district and the officers and legislative body of the dissolved district.

These powers and duties shall commence upon the effective date of dissolution and shall continue thereafter until the time when the affairs of the dissolved district have been completely wound up.

- c. Pursuant to Government Code section 57454, no inhabitant, property owner, taxpayer, consumer, or user within the territory of a dissolved district shall be entitled to either of the following:
 - i. All or any part, or to any payment on account of the moneys or funds, including cash on hand and moneys due but uncollected, or any property, real or personal, of the dissolved district.
 - ii. Any refund by reason of any taxes, assessments, service charges, rentals, or rates collected prior to the effective date of dissolution.

- d. Pursuant to Government Code section 57455, any moneys and funds of the dissolved district and any moneys or funds received by the successor from the sale or other disposition of any property, real or personal, of the dissolved district shall be used to the extent necessary, for the payment of principal, interest and any other amounts then or thereafter due on account of any outstanding bonds, including revenue bonds, and other contracts or obligations of the dissolved district.
- e. Pursuant to Government Code section 57456,
 - i. when the successor determines that payment, or provision for payment, has been made of all short-term obligations of the dissolved district, the successor shall distribute any of the remaining assets of the dissolved district in the manner provided in Section 57457.
 - ii. “Short-term obligations,” as used in above, include all amounts which shall be due and payable, prior to the end of the fiscal year commencing next after the effective date of dissolution, upon any outstanding bonds, including revenue bonds, and other contracts or obligations of the dissolved district. All other obligations shall be long-term obligations.
- f. Pursuant to Government Code section 57457(b), remaining assets of the dissolved district shall be distributed to the County.
- g. Pursuant to Government Code section 57458, until payment, or provision for payment, has been made of all principal, interest, and any other amounts owing on account of any outstanding long-term obligations, which are payable in whole or in part from taxes or assessments upon any

property within all or any part of the territory of the district, the Board of Supervisors shall in each year provide for the levy and collection of taxes or assessments upon the property sufficient to pay any principal, interest, and any other amounts owing on account of such obligations, as they become due. Those taxes or assessments shall be levied and collected in the manner provided by the principal act of the dissolved district.

- h. Pursuant to Government Code section 57459, until payment, or provision for payment, has been made of all principal, interest, and any other amounts owing on account of any outstanding bonds, contracts, or other obligations which are payable in whole or in part from the revenues of a revenue-producing enterprise of the dissolved district, the successor shall not do either of the following:
 - i. Sell, encumber, or otherwise dispose of all or any part of the revenue-producing enterprise or the revenues derived from that enterprise, except as expressly authorized by the ordinance, resolution, or indenture authorizing or providing for the issuance of any of the bonds, contracts, or other obligations.
 - ii. Distribute less than the whole of the revenue-producing enterprise to the County.
- i. The Commission determines that the District has no revenue-producing enterprises as that term is used in Government Code sections 57459 through 57460.
- j. Pursuant to Government Code section 57463, subject to the provisions of Section 57462, any funds, money, or property of the District may be used by the County as successor for the purpose of winding up the affairs of the

District and, after distribution to the County may be used for any lawful purpose of the County to which the funds, money, or property have been distributed. So far as may be practicable, the funds, money, or property shall be used for the benefit of the lands, inhabitants, and taxpayers within the territory of the dissolved district.

10. The Executive Officer is directed to proceed with the conducting authority proceedings pursuant to Government Code section 57000 et seq.

PASSED AND ADOPTED this ____ day of _____, 2015 by the following vote, in Santa Barbara, California.

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair
Local Agency Formation
Commission
Date: _____

ATTEST:
COMMISSION CLERK

By _____
JACQUELYNE ALEXANDER
Commission Clerk