



Local Agency Formation Commission
 2222 M Street
 Merced, CA 95340
 Phone (209) 385-7671 / Fax (209) 726-1710
 www.lafcomerced.org

DATE: January 17, 2019 (Agenda)
 TO: Merced LAFCO Commissioners
 FROM: *Bh* Bill Nicholson, Executive Officer
 RE: **Initiation of Dissolution of Inactive Special Districts
 (Agenda Item VII.B)**

INTRODUCTION

In 2017, the State Legislature passed SB 448 which added various provisions to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, governing LAFCO operations, regarding a new process to identify and dissolve special districts which are defined as "inactive" by the State Controller's Office (SCO). To qualify as "inactive" the districts must have no financial transactions in the previous fiscal year, and have no assets, liabilities, outstanding debts, judgments, litigation, contracts, liens, or claims.

LAFCO received a letter from the SCO dated October 31, 2018 (Attachment 1) identifying three special districts as fitting this definition. Pursuant to Government Code section 56879, Merced LAFCO has 90 days from receipt of the SCO notice to initiate dissolution of the identified districts by resolution, or determine that one or more districts do not meet the State criteria as inactive, and to inform the SCO of this determination with evidence to support it. A fourth district on the SCO list is actually headquartered in Fresno County (the Poso Resource Conservation District) and it will be Fresno LAFCOs responsibility to process the dissolution.

SB 448 also establishes an expedited process for LAFCOs to dissolve inactive districts including the ability to dissolve the districts without being subject to a protest process of landowners within the district boundary. Also, since there are no assets or activities performed by the identified districts, LAFCO is not required to identify a "successor agency" to assume the services that would have been provided by the district.

DISTRICT SUMMARIES

The following special districts are included on the SCO list (see maps in Attachment 2):

<u>District Name</u>	<u>General Location</u>	<u>Year Formed</u>
Laguna Water District	West of Dos Palos	1975
Santa Rita Water District	West of San Joaquin River	1972
Family Farms Water District	South of the I-5 /SR 152 Interchange	Unknown

The Laguna Water District was referenced in the Commission's 2008 Municipal Service Review (MSR) for "Agricultural Irrigation Service Providers" as an inactive district. The MSR references that the one landowner "Red Fern Ranches" has rights for 800 acre feet of water

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from the U.S. Bureau of Reclamation, so the district was not needed. Additional district territory located in Fresno County was previously detached back in 1996 by Fresno LAFCO.

The other two districts were not listed or referenced in the 2008 MSR. The Santa Rita Water District boundary is similar to the area serviced by the private San Luis Canal Company and the public Henry Miller Reclamation District, and is clearly inactive. The Family Farms Water District is surrounded by, but not part of, the San Luis Water District. Unlike the San Luis Water District, the Family Farms Water District never secured a water supply and never provided any services for the dry grazing land within the district. Staff could not locate any LAFCO sphere of influence file or a formation date for this district.

LAFCO staff sent correspondence to each district at the address provided by the SCO and informed them of the dissolution process. As of the writing of this report on January 9, 2019, no responses have been received. Based on Government Code section 56042 and 56879 (presented in Attachment 3), the districts are inactive and should be dissolved, and the Commission should adopt the attached resolution initiating the dissolution process.

ALTERNATIVES FOR COMMISSION ACTION

After consideration of this report and attachments, and any information presented at the Commission meeting, the Commission should consider taking one of the following actions:

- Option 1: Adopt a resolution initiating dissolution of the Laguna, Santa Rita and Family Farms Water Districts.
- Option 2: Do not adopt a resolution initiating dissolution of one or more of the identified districts based on information supporting their need for operation.
- Option 3: If the Commission needs more information, continue this matter to a future meeting.

RECOMMENDATION

Staff is recommending the Commission initiate the dissolution of the Laguna Water District, the Santa Rita Water District and the Family Farms Water District identified by the California State Controller's Office as "inactive" pursuant to Government Code section 56879.

Attachments:

1. State Controller's Office letter dated October 6, 2018
2. Maps of the three districts (from various LAFCO documents)
 - 2A Laguna Water District
 - 2B Santa Rita Water District
 - 2C Family Farms Water District
3. Government Code sections 56042 & 56879
4. Draft Resolution initiating dissolution



Attachment 1

BETTY T. YEE
California State Controller

October 31, 2018

William Nicholson
Merced Local Agency Formation Commission
2222 M Street
Merced, CA 95340

SUBJECT: Notification of Inactive Special Districts in County.

Dear Mr. Nicholson:

Chapter 334, Statutes of 2017 (Senate Bill 448) added various provisions to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 regarding special districts that are inactive. SB 448 requires the State Controller's Office (SCO) to create a list of inactive special districts based on information in the special district's Financial Transactions Reports (FTR), publish the list of inactive special districts on its website annually, and notify a local agency formation commission in the county or counties in which the inactive special district is located.

Pursuant to Government Code (GC) section 56042, an "inactive special district" meets all of the following:

- (a) The special district is as defined in Section 56036.
- (b) The special district has had no financial transactions in the previous fiscal year.
- (c) The special district has no assets and liabilities.
- (d) The special district has no outstanding debts, judgments, litigation, contracts, liens, or claims.

Within 90 days of receiving this notice, the commission is required to initiate dissolution of inactive special district(s), unless you determine that the district(s) does not meet the criteria set forth in GC section 56042. The commission shall also notify the SCO if you determine that the district(s) does not meet the criteria set forth in GC section 56042.

The enclosed document lists the special districts within your jurisdiction that are inactive, based on financial data in the special district's fiscal year 2016-17 FTR. The complete list of inactive special districts is found here: https://www.sco.ca.gov/ard_local_rep_freq_requested.html

William Nicholson
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If you have any questions or need assistance, please contact Derek Miller by telephone at (916) 322-5579, or by email at dmiller@sco.ca.gov.

Sincerely,



PHILLIP PANGILINAN
Manager
Local Government Reporting Section

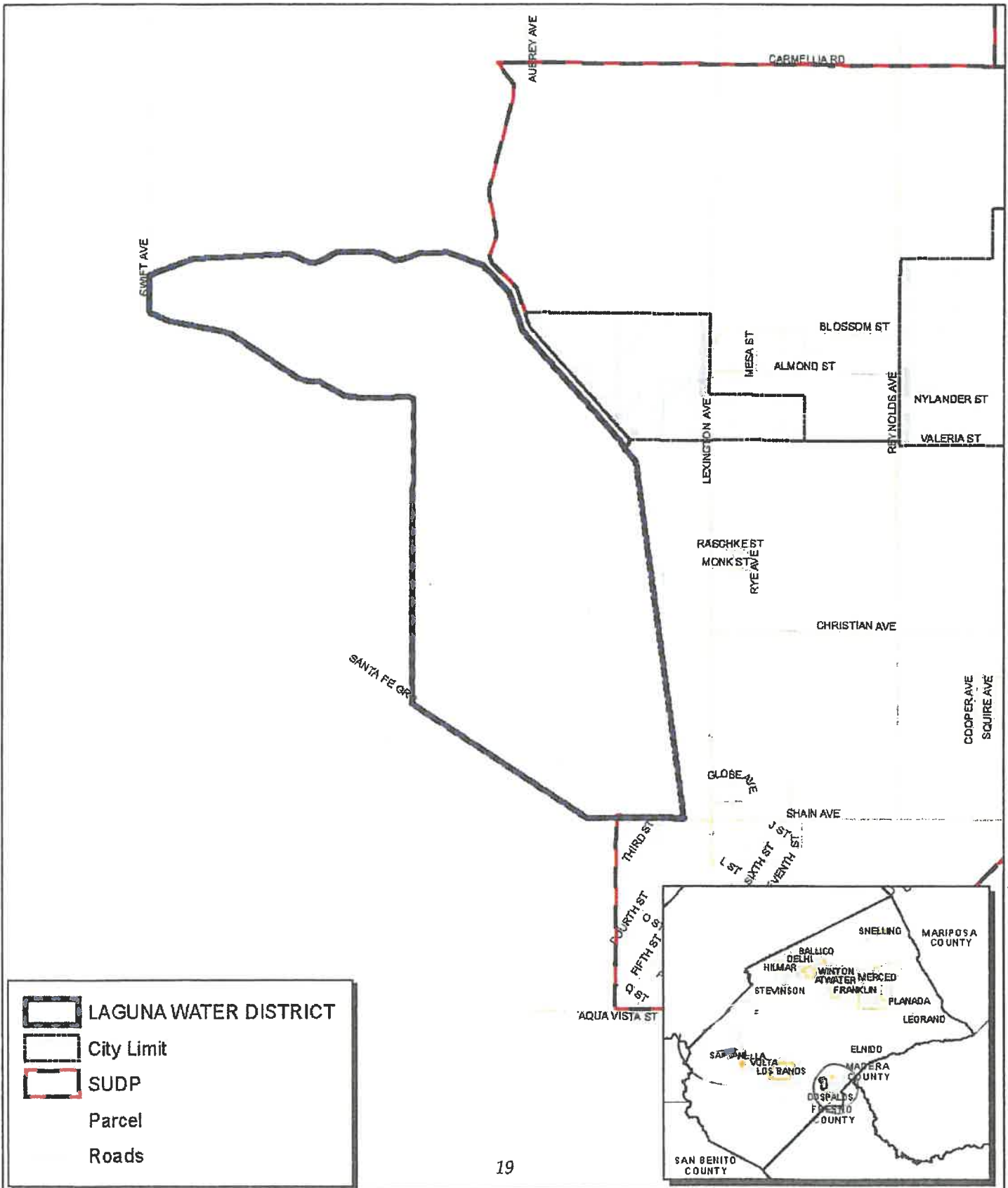
Enclosure: 2016-17 County Inactive Districts List

**State Controller's Office
2016-17 Inactive Districts for Merced County**

County Name	District Name	District Type	Email Address	Street Address 1	Street Address 2	P.O. Box	City	Zip
Merced	Family Farms Water District	Dependent		2410 Fair Oaks Blvd., Suite 110			Sacramento	95825
Merced	Laguna Water District	Dependent		14664 Brannon Avenue		P.O. Box 305	Dos Palos	93620
Merced	Santa Rita Water District	Dependent		11704 W Henry Miller Avenue			Dos Palos	93620
Fresno / Merced	Poso Resource Conservation District	Dependent				P.O. Box 511	Los Banos	93635

Note: Email Address belongs to the Financial Transactions Report preparer; in some cases this may be an outside consultant.

Figure 6 Laguna Water District

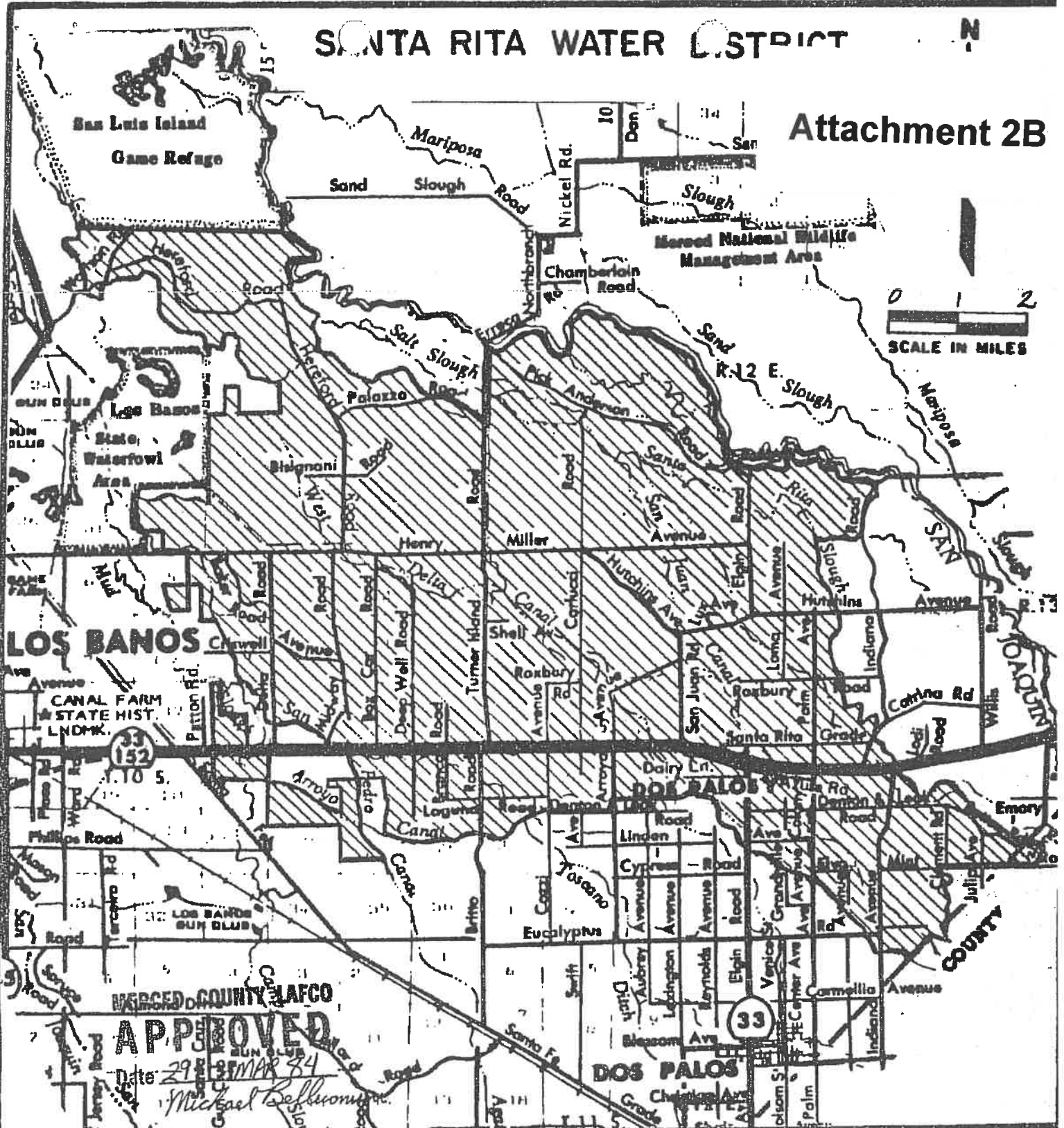


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SANTA RITA WATER DISTRICT



Attachment 2B



MERCED COUNTY LAFCO

APPROVED

Date 29 MAR 84
Michael Belluomini

LEGEND

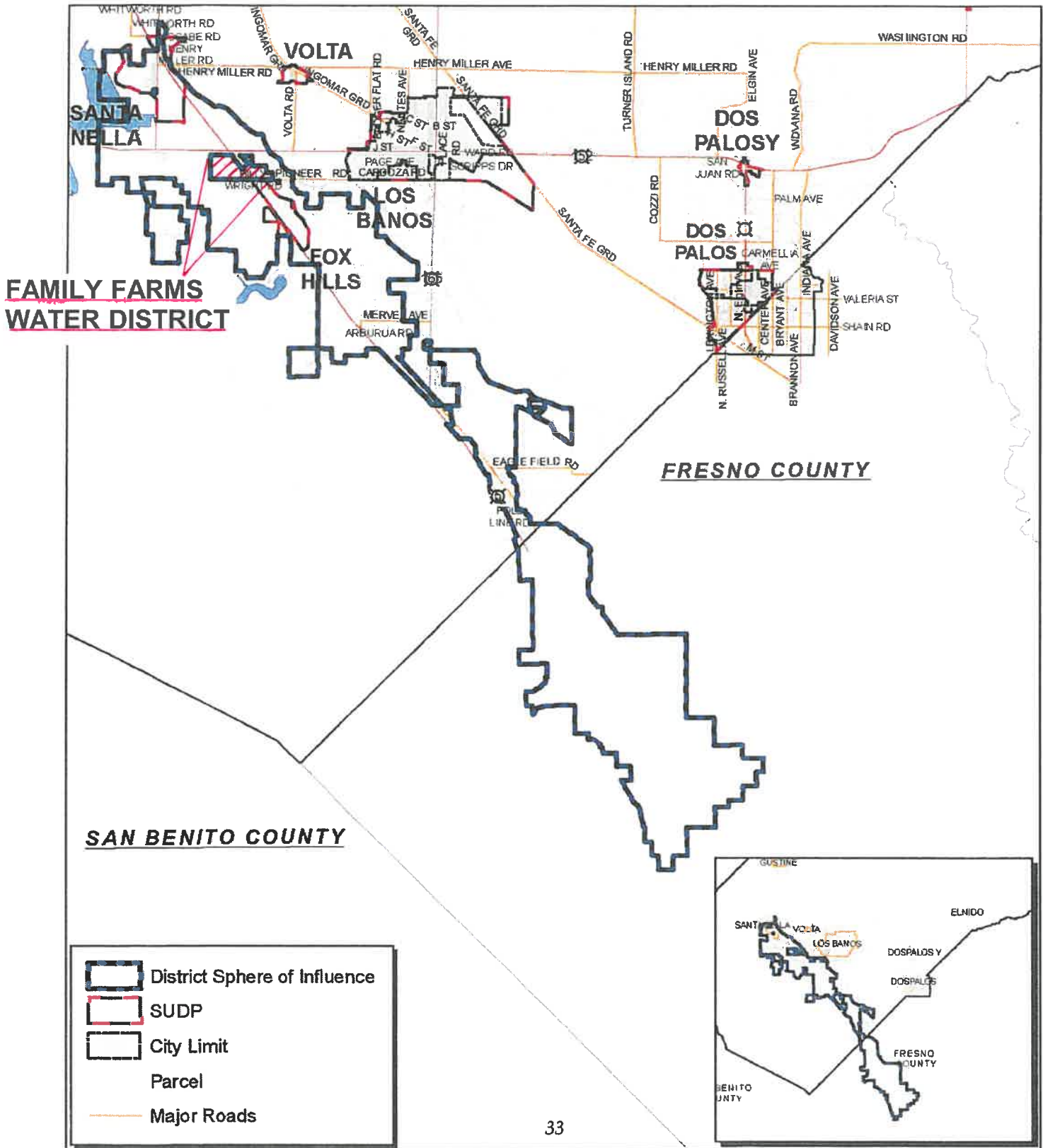


SANTA RITA WATER DISTRICT
ZERO SPHERE OF INFLUENCE

SPHERE OF INFLUENCE

ADOPTED BY LAFCO RESOLUTION 1023 ON 29 MAR 84

Figure 11
San Luis Water District SOI



CALIFORNIA GOVERNMENT CODE EXCERPTS

INACTIVE SPECIAL DISTRICTS

56042. "Inactive district" means a special district that meets all of the following:

- (a) The special district is as defined in Section 56036.
 - (b) The special district has had no financial transactions in the previous fiscal year.
 - (c) The special district has no assets and liabilities.
 - (d) The special district has no outstanding debts, judgments, litigation, contracts, liens, or claims.
- (Added by Stats. 2017, Ch. 334, Sec. 4. (SB 448) Effective January 1, 2018.)

56036 (a) "District" or "special district" are synonymous and mean an agency of the state, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries and in areas outside district boundaries when authorized by the commission pursuant to Section 56133.

(b) "District" or "special district" includes a county service area, but excludes all of the following:

- (1) The state.
 - (2) A county.
 - (3) A city.
 - (4) A school district or a community college district.
 - (5) An assessment district or special assessment district.
 - (6) An improvement district.
 - (7) A community facilities district formed pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5).
 - (8) A permanent road division formed pursuant to Article 3 (commencing with Section 1160) of Chapter 4 of Division 2 of the Streets and Highways Code.
 - (9) An air pollution control district or an air quality maintenance district.
 - (10) A zone of any special district.
- (Amended by Stats. 2011, Ch. 300, Sec. 23. (AB 1430) Effective January 1, 2012.)

56879 (a) On or before November 1, 2018, and every year thereafter, the Controller shall create a list of special districts that are inactive, as defined in Section 56042, based upon the financial reports received by the Controller pursuant to Section 53891. The Controller shall publish the list of inactive districts on the Controller's Internet Web site. The Controller shall also notify the commission in the county or counties in which the district is located if the Controller has included the district in this list.

(b) The commission shall initiate dissolution of inactive districts by resolution within 90 days of receiving notification from the Controller pursuant to subdivision (a), unless the commission determines that the district does not meet the criteria set forth in Section 56042. The commission shall notify the Controller if the commission determines that a district does not meet the criteria set forth in Section 56042.

(c) The commission shall dissolve inactive districts. The commission shall hold one public hearing on the dissolution of an inactive district pursuant to this section no more than 90 days following the adoption

of the resolution initiating dissolution. The dissolution of an inactive district shall not be subject to any of the following:

(1) Chapter 1 (commencing with Section 57000) to Chapter 7 (commencing with Section 57176), inclusive, of Part 4.

(2) Determinations pursuant to subdivision (b) of Section 56881.

(3) Requirements for commission-initiated changes of organization described in paragraph (3) of subdivision (a) of Section 56375.

(Added by Stats. 2017, Ch. 334, Sec. 7. (SB 448) Effective January 1, 2018.)

RESOLUTION NO. 2019-1
LOCAL AGENCY FORMATION COMMISSION OF MERCED COUNTY
MAKING DETERMINATION AND INITIATING DISSOLUTION OF THREE INACTIVE
SPECIAL DISTRICTS AS IDENTIFIED BY THE STATE CONTROLLER'S OFFICE

WHEREAS, the Local Agency Formation Commission of Merced County desires to initiate a proposal pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), commencing with section 56000 of the California Government Code, for the dissolution of the Laguna Water District, the Santa Rita Water District, and the Family Farms Water District; and

WHEREAS, in accordance with Government Code section 56375(a)(2)(G), LAFCO may initiate a dissolution of an inactive district pursuant to section 56879; and

WHEREAS, in a letter dated October 31, 2018, the State Controller's Office (SCO) notified Merced LAFCO that three special districts appear to be inactive districts and should be dissolved, with a fourth district identified having Fresno LAFCO as the "principal county" to process the dissolution; and

WHEREAS, Government Code section 56042 defines "inactive" district and these three special districts meet the criteria in section 56042; and

WHEREAS, these three districts have no assets, liabilities, outstanding debts, judgments, contracts, or claims and can be dissolved through an expedited process pursuant to Government Code section 56879; and

WHEREAS, the LAFCO Executive Officer shall be designated as the contact person for this proposal; and

WHEREAS, the Commission determined, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that the proposed dissolutions are exempt under section 15320 of the CEQA Guidelines, and directs staff to file a Notice of Exemption.

NOW THEREFORE, this resolution is hereby adopted by the Local Agency Formation Commission of Merced County, to initiate proceedings for dissolution of the Laguna Water District, the Santa Rita Water District and the Family Farms Water District, in the manner provided by the CKH Act.

I, WILLIAM NICHOLSON, Executive Officer of the Local Agency Formation Commission of Merced County, California, do hereby certify that the foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof held upon the ____th day of January, 2019, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this ____th day of January, 2019.

WILLIAM NICHOLSON, EXECUTIVE OFFICER, LOCAL
AGENCY FORMATION COMMISSION OF MERCED,
CALIFORNIA

By: _____
William Nicholson, LAFCO Executive Officer

APPROVED AS TO FORM:
LEGAL COUNSEL
LOCAL AGENCY FORMATION COMMISSION
OF MERCED, CALIFORNIA

By: _____
Malathy Subramanian, LAFCO Counsel