



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

DATE: March 21, 2019 (Agenda)  
TO: Merced LAFCO Commissioners  
FROM: Bill Nicholson, <sup>BA</sup> Executive Officer  
RE: **Dissolution of Inactive Special Districts:  
Family Farms Water District (LAFCO File 0685)  
Santa Rita Water District (LAFCO File 0686)  
(Agenda Item VI.A)**

## INTRODUCTION

LAFCO received a letter from the State Controller's Office (SCO) dated October 31, 2018, identifying three special districts as fitting the definition of "Inactive" under the definition in section 56042 of the Government Code. Similar letters were sent to LAFCOs throughout California based on SB 448 which was passed in 2017, regarding a new process to identify and dissolve special districts which are defined as "inactive" by the State Controller's Office (SCO). The letter from the SCO identified three water districts headquartered in Merced County as fitting this definition, and the Merced LAFCO Commission initiated dissolution of two of these districts at the January 17, 2019 Commission meeting. The purpose of today's public hearing is for the Commission to consider the formal dissolution of the Family Farms and Santa Rita Water Districts, which must occur within 90 days from the date of adopting a resolution to initiate dissolution of the districts.

## BACKGROUND

SB 448 passed by the State Legislature in 2017 added various provisions to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 governing LAFCO operations. Specifically, this law established 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.

After receiving the list from the SCO, each LAFCO has 90 days to initiate the dissolution or conclude that one or more districts on the list should not be dissolved. Then the LAFCO must dissolve the identified districts within 90 days of the initiation action. SB 448 established 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 inactive districts, by definition, have no assets and do not perform any functions, LAFCO is not required to identify a "successor agency" to assume any services which is a requirement under the standard dissolution process.

## DISTRICT SUMMARIES

The following three special districts were included on the State Controller's Office list of inactive districts:

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

The Family Farms and Santa Rita Water Districts were not listed or referenced in the 2008 Municipal Service Review (MSR) for "Agricultural Irrigation Service Providers." 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. Prior to the January 17, 2019, Commission meeting, members of the Lurie family who are landowners within the Family Farms Water District indicated they understood the district was formed for farming, but it never obtained a water supply and they could not identify any current need for the district. No response was received from any representative of the Santa Rita Water District which has the same mailing address as the San Luis Canal Company.

Even though the Laguna Water District was also identified as an inactive district by Merced LAFCO in the Commission's 2008 Steve Fausone, General Manager of this district responded to LAFCO staff and indicated that the family-owned company "Redfern Ranches," has the same ownership representation as the Laguna Water District. Without knowing it was a problem, they have been using Redfern Ranches accounts to pay all bills and to operate farming operations on the property. However, their rights to a maximum of 800 acre feet of water from the U.S. Bureau of Reclamation are through a contract with the Laguna Water District, and therefore, the district should not be dissolved. The Executive Officer explained that they need to create a bank account and conduct financial transactions in order to show the district is active, and as a public district they need to comply with numerous requirements like the Ralph M. Brown Act for meeting notices and agendas, conflict of interest codes and reporting requirements, and similar duties. Contact was also made with the regional representative of the California Special Districts Association who has reached out to Mr. Fausone to help provide training and support.

## ENVIRONMENTAL DETERMINATION

The dissolution of the Family Farms and Santa Rita Water Districts is exempt from the California Environmental Quality Act (CEQA) Guidelines under section 15320 "Changes in organization of local agencies." This exemption includes changes to the organization of local agencies where the change do not change the geographical area in which previously existing powers are exercised. Since there were no services provided by the Family Farms and Santa Rita Water Districts, there are no changes to services and this exemption applies.

## ACTION REQUESTED

Staff is recommending the Commission adopt Resolution Nos. 0685 and 0686, dissolving the Family Farms Water District and the Santa Rita Water District, respectively, which have been identified by the California State Controller's Office as "inactive" pursuant to Government Code section 56879.

### Attachments:

1. State Controller's Office Letter, October 31, 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. Draft Resolution No. 0685 Dissolving the Family Farms Water District
4. Draft Resolution No. 0686 Dissolving the Santa Rita Water District

cc: Family Farms Water District, SCO Address on file  
Santa Rita Water District, SCO Address on file  
Laguna Water District, Steve Fausone, General Manager  
LAFCO Counsel



# 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](https://www.sco.ca.gov/ard_local_rep_freq_requested.html)

William Nicholson

October 31, 2018

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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](mailto:dmiller@sco.ca.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Phillip Pangilinan", with a long horizontal flourish extending to the right.

PHILLIP PANGILINAN

Manager

Local Government Reporting Section

Enclosure: 2016-17 County Inactive Districts List

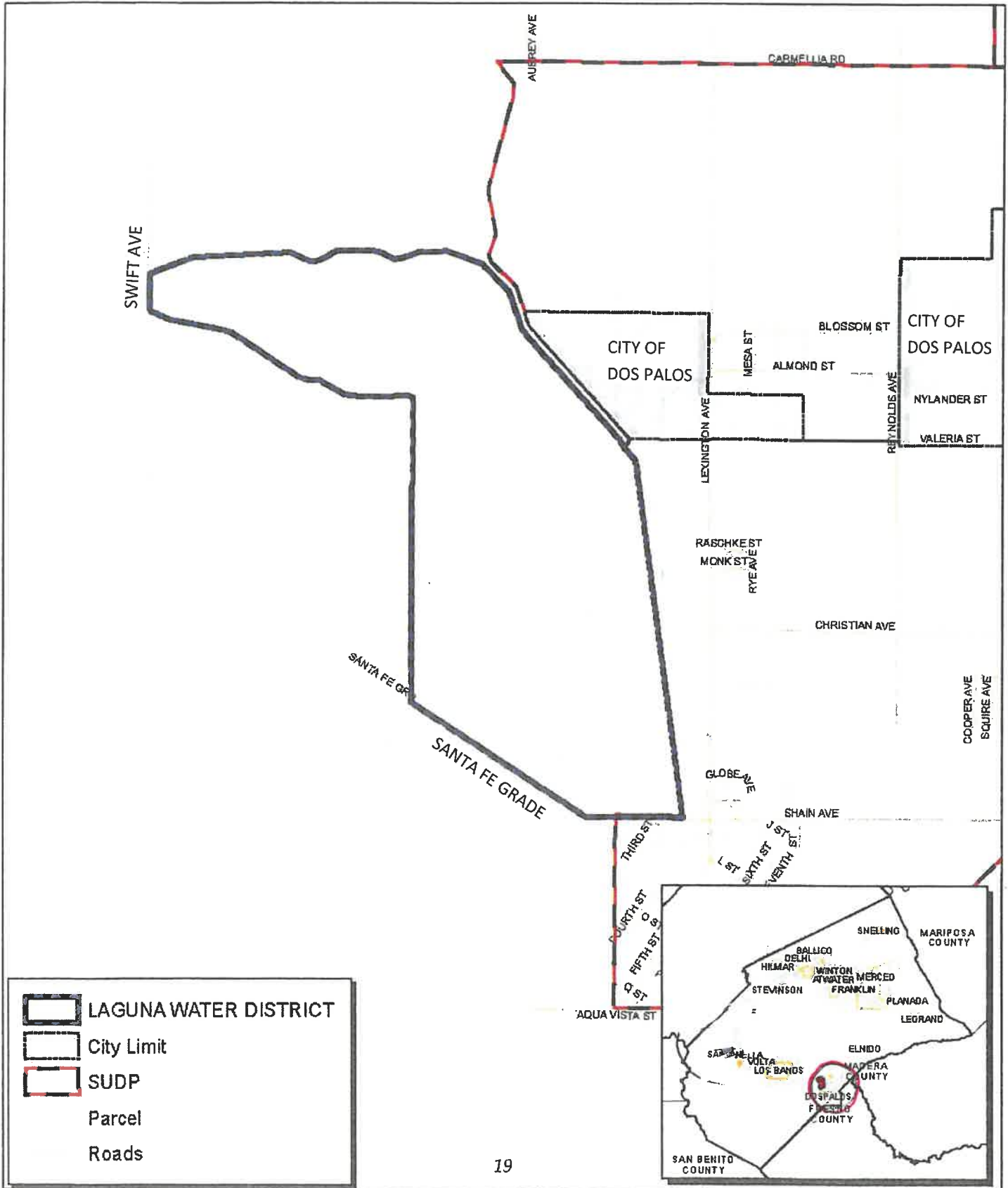
**State Controller's Office**  
**2016-17 Inactive Districts for Merced County**






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.

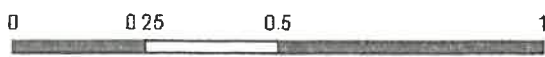
Figure 6

# Laguna Water District



-  LAGUNA WATER DISTRICT
-  City Limit
-  SUDP
-  Parcel
-  Roads

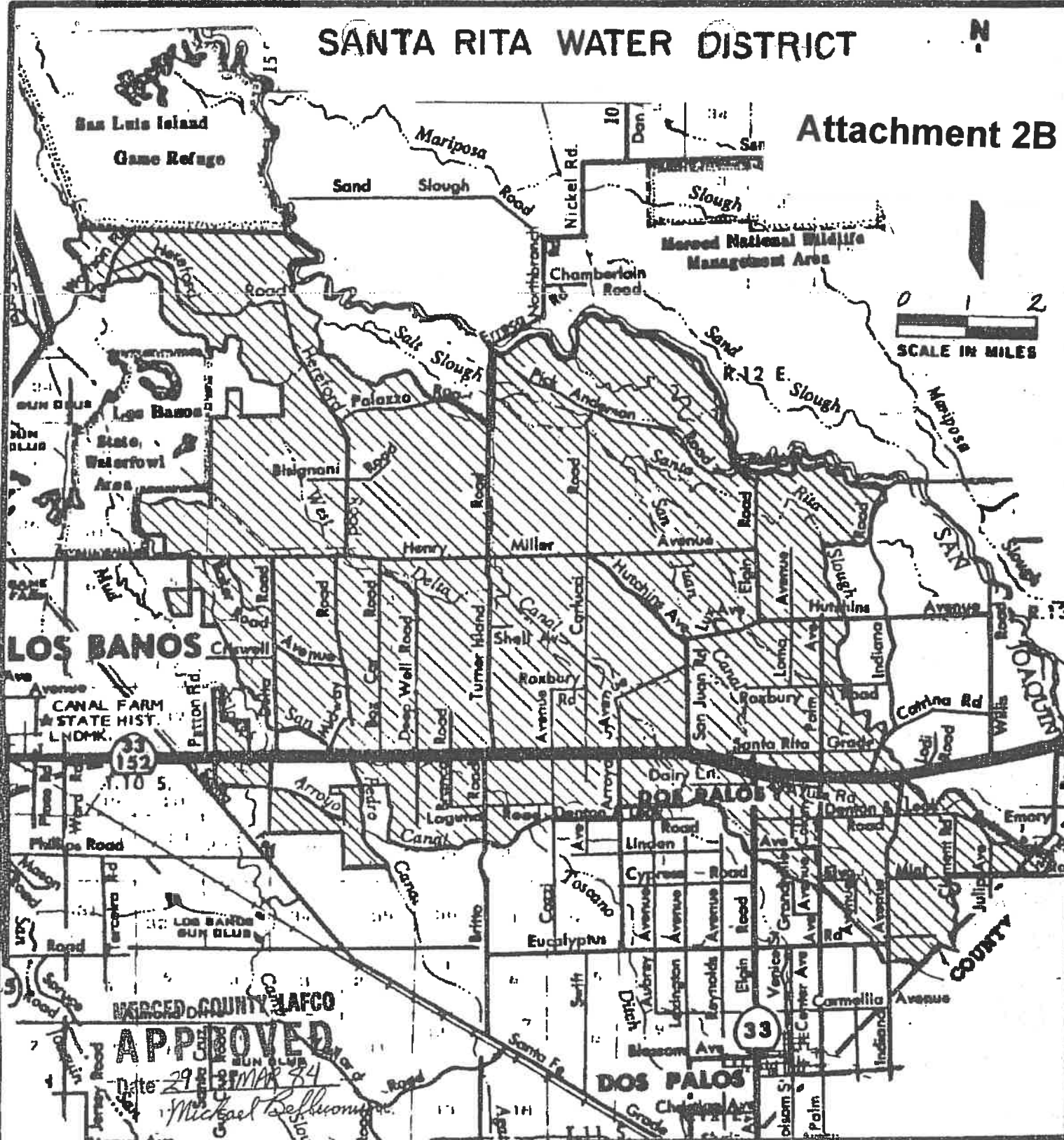
19



# SANTA RITA WATER DISTRICT

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Attachment 2B



## LEGEND



SANTA RITA WATER DISTRICT  
 ZERO SPHERE OF INFLUENCE

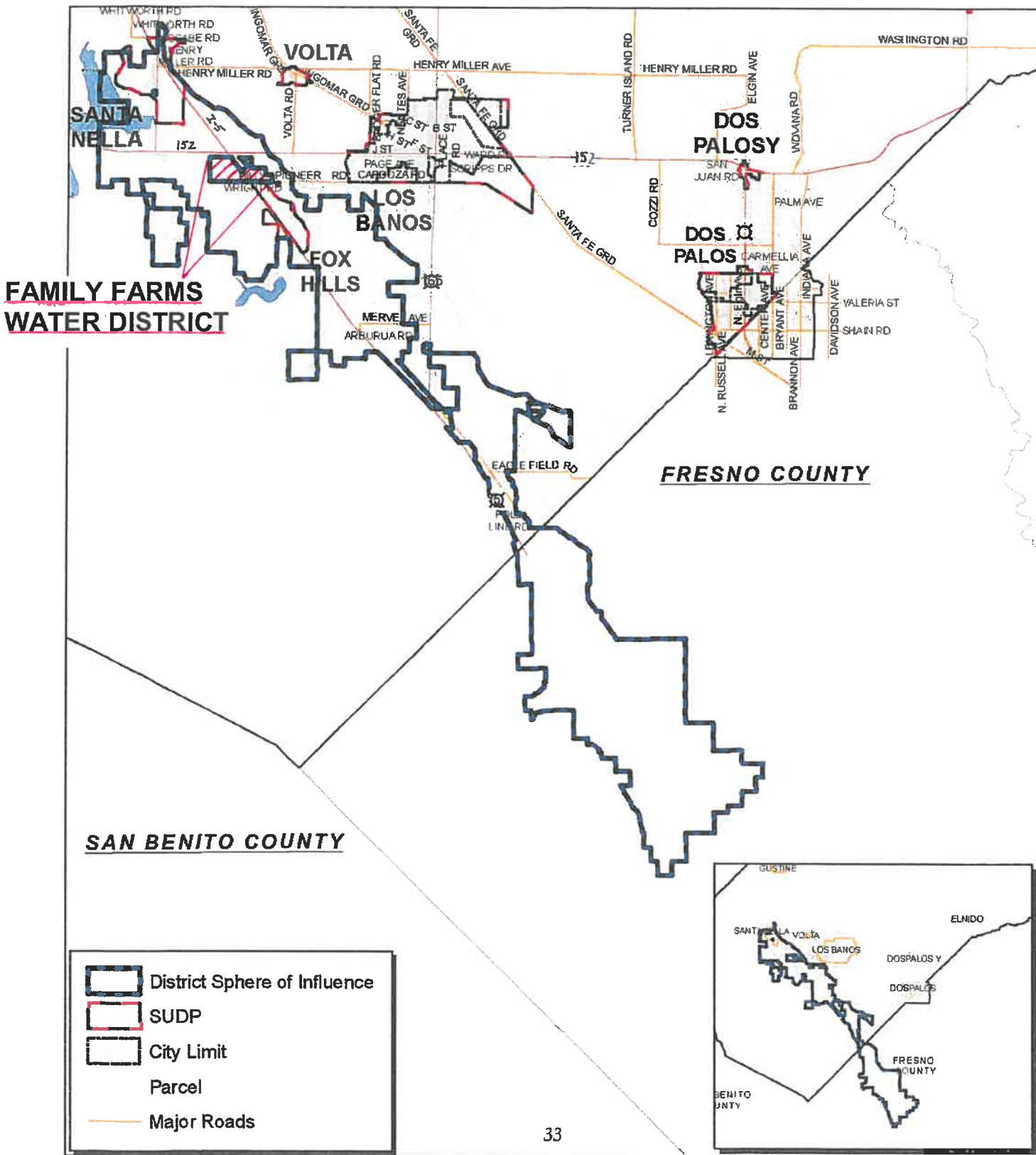
# SPHERE OF INFLUENCE

ADOPTED BY LAFCO RESOLUTION 1023 ON 29 MARCH 84



Figure 11

# San Luis Water District SOI



**FAMILY FARMS  
WATER DISTRICT**

33

**LAFCo**  
of Merced County

0 1 2 4 6 8 Miles  
LAFCo RESOLUTION 1022 C ON DECEMBER 3, 1998

**Attachment 2C**

**RESOLUTION NO. 0685**  
**LOCAL AGENCY FORMATION COMMISSION OF MERCED COUNTY**  
**MAKING DETERMINATIONS AND ORDERING THE DISSOLUTION OF THE FAMILY**  
**FARMS WATER DISTRICT AS IDENTIFIED BY THE STATE CONTROLLER’S OFFICE**

WHEREAS, the Local Agency Formation Commission of Merced County initiated 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 Family Farms Water District; and

WHEREAS, in accordance with Government Code section 56375(a)(2)(G), LAFCO may dissolve 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; and

WHEREAS, Government Code section 56042 defines “inactive” district and the Family Farms Water District meets the criteria in section 56042; and

WHEREAS, the Family Farms Water District had no financial transactions in the previous fiscal year, has 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 Executive Officer sent correspondence to the Family Farms Water District address provided by the State Controller’s Office and learned that the district was never active and there was no identified need to activate it now; 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.

WHEREAS, the Commission initiated the dissolution of the Family Farms Water District through adoption of Resolution No. 2019-1 on January 17, 2019, and instructed the Executive Officer to place the proposal on an upcoming public hearing agenda after proper notice, and said notice was published in the Los Banos Enterprise on March 1, 2019.

NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Local Agency Formation Commission of Merced County as follows:

(1) The Commission finds, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that the proposed dissolution is exempt under section 15320 of the CEQA Guidelines, and directs staff to file a Notice of Exemption;

(2) The dissolution proposal is assigned the distinctive short-form designation:

**DISSOLUTION OF THE FAMILY FARMS WATER DISTRICT**

(3) The dissolution has been processed in compliance with the provisions contained in Section 56375 of the Government Code, and the information, material and facts set forth in the Executive Officer’s Report dated March 21, 2019, have been received and considered in conformance with Government Code section 56879, and said documents contained in the record affecting this matter are incorporated by reference herein.

(4) All notices required by law have been given and all proceedings in this matter have been and now are taken in all respects as required by law.

(5) The Commission hereby orders the dissolution of the Family Farms Water District.

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 21st day of March, 2019, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_th day of \_\_\_\_\_, 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

**RESOLUTION NO. 0686**  
**LOCAL AGENCY FORMATION COMMISSION OF MERCED COUNTY**  
**MAKING DETERMINATION AND ORDERING THE DISSOLUTION OF THE SANTA RITA**  
**WATER DISTRICT AS IDENTIFIED BY THE STATE CONTROLLER'S OFFICE**

WHEREAS, the Local Agency Formation Commission of Merced County initiated 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 Santa Rita Water District; and

WHEREAS, in accordance with Government Code section 56375(a)(2)(G), LAFCO may dissolve 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; and

WHEREAS, Government Code section 56042 defines "inactive" district and the Santa Rita Water District meets the criteria in section 56042; and

WHEREAS, the Santa Rita Water District had no financial transactions in the previous fiscal year, has 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 Executive Officer sent correspondence to the Santa Rita Water District address provided by the State Controller's Office and received no response, and the District's boundary is currently served agricultural irrigation water by the San Luis Canal Company; 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.

WHEREAS, the Commission initiated the dissolution of the Santa Rita Water District through adoption of Resolution No. 2019-1 on January 17, 2019, and instructed the Executive Officer to place the proposal on an upcoming public hearing agenda after proper notice, and said notice was published in the Los Banos Enterprise on March 1, 2019.

NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Local Agency Formation Commission of Merced County as follows:

(1) The Commission finds, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that the proposed dissolution is exempt under section 15320 of the CEQA Guidelines, and directs staff to file a Notice of Exemption;

(2) The dissolution proposal is assigned the distinctive short-form designation:

DISSOLUTION OF THE SANTA RITA WATER DISTRICT

(3) The dissolution has been processed in compliance with the provisions contained in Section 56375 of the Government Code, and the information, material and facts set forth in the Executive Officer's Report dated March 21, 2019, have been received and considered with Government Code section 56879, and said documents contained in the record affecting this matter are incorporated by reference herein.

(4) All notices required by law have been given and all proceedings in this matter have been and now are taken in all respects as required by law.

(5) The Commission hereby orders the dissolution of the Santa Rita Water District.

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 21st day of March, 2019, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_th day of \_\_\_\_\_, 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