



San Luis Obispo Local Agency Formation Commission

SENT VIA E-MAIL ONLY

DATE: JUNE 26, 2024

TO: PATRICK FAVERTY, GENERAL MANAGER
PATRICK@SANSIMEONCSD.ORG

FROM: ROB FITZROY, EXECUTIVE OFFICER
IMELDA MARQUEZ-VAWTER, ANALYST

SUBJECT: 30-DAY REVIEW OF APPLICATION FOR THE DISSOLUTION OF THE SAN SIMEON COMMUNITY SERVICES DISTRICT | LAFCO FILE NO. 2-R-24

Dear Patrick,

Thank you for submitting the Resolution of Application to dissolve the San Simeon Community Services District (SSCSD). We understand that the SSCSD has faced many challenges over the years, and we will strive to make this process collaborative, effective, and efficient for the benefit of the community. As noted in our presentation to your Board of Directors, the dissolution process is complicated and lengthy, and given the unique challenges of the district, will require extensive coordination and analysis. We look forward to working with SSCSD, the County, and other agencies that will be involved in the process. We have included all referral responses, to date, from affected agencies in Attachment A.

This letter formally documents that the application for the proposed dissolution of the SSCSD was received in three parts on May 24, May 28, and May 30, 2024. LAFCO staff have completed an initial 30-day review of the application submittal and find that the application is incomplete and not sufficient for filing. The application will remain on hold until the items requested below are submitted pursuant to Government Code Section 56658. Once all the items requested have been submitted and the application is deemed complete, then a Certificate of Filing will be issued with a specified LAFCO hearing date. The following items are requested, in part, pursuant to Government Code Section 56652.

1. LAFCO received a referral response letter from Matthew Pontes, SLO County Administrative Officer, dated June 6, 2024, requesting the application be placed on hold to allow the County more time to review and analyze the proposal, and to allow time for direction and a formal decision of the County Board of Supervisors (BOS) (see Attachment A). It is important to note that the dissolution of any agency transferring all responsibilities and liabilities to another agency is a complicated endeavor that can take over a year to process. The process requires a comprehensive analysis of existing and future governance structures and the services to be provided. It requires a detailed Plan for Service pursuant to Government Code Section 56653. The information within the Plan for Service should be informed by a comprehensive analysis reflective of the entirety of the action. This was not provided in the application submitted by the District, and such analysis is necessary for the LAFCO Commission, the County, and other affected agencies to make a fully informed decision when considering the dissolution.

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County Member

ED EBY

Special District Member

CARLA WIXOM

City Member

David Watson

Public Member

STAFF

ROB FITZROY

Executive Officer

MELDA MARQUEZ-VAWTER

Analyst

MORGAN BING

Clerk Analyst

BRIAN A. PIERIK

Legal Counsel

The Plan for Service submitted by the District provides some information related to potential benefits, reduced costs, etc.; however, the information contained therein does not encompass the entirety of the proposed dissolution.

As such, the application will be placed on hold, in part, until the County and District analyzes the impacts of dissolution and other alternatives, the BOS provides direction and ultimately takes action on the matter, and a Plan for Service informed by a comprehensive analysis is provided.

2. A key aspect is whether this application will include the formation of a County Service Area (CSA). Please be advised that the application submitted by the SSCSD consists solely of a dissolution. Moreover, there are several ways this application could transpire and evolve through agency coordination noted above; LAFCO will need clarification and direction from SSCSD and the County on which path is intended and being proposed.

If the County wishes to pursue the formation of a CSA concurrently with the proposed dissolution, then the application would need to be modified to include both the dissolution of SSCSD and the formation of a CSA. In this case, the proposal would be considered a reorganization as defined in Government Code Section 56073. SSCSD and the County would need to provide LAFCO with a revised Resolution of Application, with all associated documents as outlined in the application packet. This would include, but not be limited to, a revised resolution from each applicable Board, Plan for Services, and a map and legal description of the proposed CSA.

3. As noted, no comprehensive analysis was prepared to inform the submitted Plan for Service that reflects the entirety of the dissolution. The costs, assets, liabilities, etc. that would be transferred/born to the County were not identified, nor were future rates to the existing community projected. However, we recognize that the submitted Plan for Services states that County input and analysis were not included and would be necessary. Depending on the outcome of the dissolution application and whether this ultimately becomes a reorganization, the Plan for Services document will need to be updated accordingly.

As currently proposed, input on the Plan for Services is required from the County, as the successor agency, and should contain the information outlined in the "Plan for Services Requirements" section of the LAFCO Application and comply with Government Code Section 56653. This document should also contain analysis related to cost, time, and staffing to take on the responsibilities for winding up the affairs of the dissolved district and determine if they plan to pursue the formation of a CSA. If it is determined that the County intends to pursue CSA formation, then the Plan for Services should provide an analysis related to costs, time, and staffing to take on the responsibilities as a newly formed CSA.

The final plan for transferring services to the County needs to include all agreed-upon arrangements for the County to assume all the district's responsibilities, including financing/funding at a defined level of service, transfers of any district assets, and any terms and conditions from any party. Please know when processing a change of organization or reorganization the Commission may impose one or more of the terms and conditions outlined in Government Code Section 56886 or other conditions of approval.

4. As SSCSD is aware, there was a legacy "Outside User Agreement" of 50 years with State Parks. This agreement has since expired. SSCSD's proposal states that the service area being transferred to the County would only consist of the existing CSD boundary. Clarification is needed as to how State Parks would continue to obtain service, as they are an existing customer of SSCSD. If a CSA is formed, the affected State Parks area currently served by SSCSD would need to be included in its boundary. Due to regulatory changes, an outside user agreement would no longer be a feasible option, so any future boundary change or formation will need to address this issue.

5. A Property Tax Agreement must be approved by resolution by the Board of Supervisors to transfer property tax revenues and annual tax increment from SSCSD. This is a required step and involves the County Auditor/Assessor and the State Board of Equalization. This process adjusts the Tax Rate Areas due to the Dissolution of the District. We have already given notice of application to the County Assessor and Auditor, as required by law. However, we understand many aspects of the dissolution are not yet known, and in particular, it is not known if the County as a Successor Agency would choose to pursue the formation of a CSA and how, if, and when taxes would be transferred. Once the aforementioned details are resolved, the appropriate path for the tax exchange process will be identified.
6. Advisement. A critical step in the process is the protest proceedings. We recommend early coordination and community involvement. If LAFCO approves the dissolution, a protest period would follow as required under Government Code Section 57092. SSCSD registered voters and landowners will have an opportunity to protest any action of LAFCO, and if certain thresholds are met, it could affect the overall outcome. If at least 25% of landowners who own at least 25% of assessed value within SSCSD protest during the protest proceedings OR if at least 25% of registered voters file a protest during protest proceedings, then the item goes to an election. If LAFCO receives 50% or more protests from the registered voters residing in SSCSD, then the action shall be terminated pursuant to Government Code Section 57078, without an election.
7. Advisement. The proposed dissolution requires discretionary action of the Commission. As such, the proposed dissolution is subject to environmental review under the California Environmental Quality Act. Based on the status of the proposed dissolution at this time it is not possible to make an environmental determination. Once sufficient details of the proposed dissolution are known, LAFCO will be able to make a determination as to how the California Environmental Quality Act will be complied with.

Once we receive the requested information, the application will be reviewed for completeness. Other information needs or questions may arise as our review of the application continues. If you have any questions or would like to arrange a meeting, please let us know. Thank you.

Attachment A: Referral Response letters from Affected Agencies

cc. Brian Pierik, LAFCO Legal Counsel
Matthew Pontes, SLO County Administrative Officer
Rebecca Campbell, SLO County Assistant Administrative Officer
Jacqueline Diamond, SSCSD Board Director
Karina Tiwana, SSCSD Board Director
Michae Donohue, SSCSD Board Director
Holly Le, SSCSD Board Director

Attachment A

Referral Response letters from Affected Agencies



COUNTY OF SAN LUIS OBISPO
ADMINISTRATIVE OFFICE

Matthew P. Pontes *County Administrative Officer*

June 6, 2024

San Luis Obispo
Local Agency Formation Commission
1042 Pacific Street, Suite A
San Luis Obispo, CA 93401

RE: LAFCO NO. 2-R-24 – Dissolution of San Simeon Community Service District

Dear Mr. Fitzroy:

This letter is to notify the San Luis Obispo Local Agency Commission (LAFCO) that the County has reviewed the referral for LAFCO File No. 2-R-24 Dissolution of San Simeon Community Services District (SSCSD) and this letter transmits the County's comments on the application and the application process.

The SSCSD's application proposes that the County assume all existing SSCSD responsibilities and liabilities. As LAFCO's referral letter states, this will require extensive review and analysis, as well as a formal decision of the County Board of Supervisors. The County formally requests that LAFCO pause consideration of the SSCSD's application for dissolution to allow the County time to review, analyze, as well as allow the County Board of Supervisors time to agendize a discussion on the SSCSD's request.

Sincerely,

A handwritten signature in blue ink that reads "Matt Pontes".

Matthew P. Pontes
County Administrator

County of San Luis Obispo Government Center

1055 Monterey St., Ste. D430 | San Luis Obispo, CA 93408 | (P) 805-781-5011 | (F) 805-781-5023
admin@co.slo.ca.us | slocounty.ca.gov

June 21, 2024

Rob Fitzroy
Executive Officer, Local Agency Formation Commission
1042 Pacific Street Suite A
San Luis Obispo, CA 93401

Subject: LAFCO No. 2-R-24 | Dissolution of San Simeon Community Service District

Dear Mr. Fitzroy,

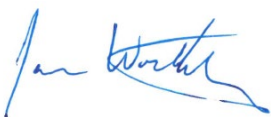
The San Luis Obispo Council of Governments (SLOCOG) staff appreciates the opportunity to review the LAFCO No. 2-R-24: Dissolution of San Simeon Community Service District application. The State of California and Federal Highways Administration designate SLOCOG as the Regional Transportation Planning Agency (RTPA) and the Metropolitan Planning Organization (MPO), respectively, for the region. While SLOCOG does not have permit or regulatory authority for land use proposals, SLOCOG is responsible for planning the long-term viability of the regional surface transportation system, and for programming funds to achieve the objectives of the adopted [2023 Regional Transportation Plan](#) (2023 RTP). The 2023 RTP is the blueprint for our region's future transportation system and thrives to accommodate growth while improving the quality of life for the region's residents.

After reviewing the application, SLOCOG staff does not have a position on the dissolution of the San Simeon CSD. However, the application mentioned that the district-maintained roads are "in disrepair as maintenance has not been properly funded." The application showcases a larger problem that is not inherent solely to San Simeon. Our region does not spend enough on transportation to maintain and improve our systems. Most of our cities are unable to keep up with needed road maintenance. Costs have increased, but revenues have not. The unincorporated county and its communities continue to see the average road condition decline. Since 2017, this decline has continued and will continue without an influx of new funding.

San Simeon is largely a visitor serving area and under the current unincorporated funding structure, visitors do not contribute to the repair of these local roads. Twenty-five counties in California have a dedicated funding source that is guaranteed for transportation and road maintenance. We don't. Earlier this year, SLOCOG polled and engaged with the public to consider developing a voter ballot measure that would result in new, dedicated funds for road maintenance and transportation improvements. Efforts were halted in May; however, the need for new funds persists.

Thank you again for the opportunity to provide input. We wish you and all parties involved continued success. If there are any questions, please do not hesitate to contact me at (805) 788-2002 or jworthley@slocog.org.

Sincerely,



James Worthley, SLOCOG Deputy Director