



Inyo Local Agency Formation Commission

168 North Edwards Street - Post Office Drawer L

Independence, California 93526

Phone: (760) 878-0263 - FAX: (760) 872-2712- E-Mail: inyolafco@inyocounty.us

STAFF REPORT

MEETING DATE: January 15, 2025

AGENDA ITEM: 5

SUBJECT: Determine if the Independence Community Service District is Inactive and Approve a Resolution to Initiate Proceedings to Dissolve the Independence Community Service District Pursuant to Government Code Section 56879

EXECUTIVE SUMMARY

In 2017 SB 448 was signed into law. It created a definition in Government Code Section 56042 for "inactive districts" and created a special process for dissolution of these districts. This process is now part of Government Code Section 56879 – Inactive Special District.

The definition for an "Inactive district" means a special district that meets all of the following:

- (a) The special district is as defined in Section 56036 (a district formed pursuant to state law).
- (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, judgements, litigation, contracts, liens, or claims.

This process starts with the State Controller's Office (SCO) sending a letter to the County LAFCo where the inactive district is located, stating that they believe a district(s) qualifies as an inactive district. Inyo LAFCo received such a letter (attached) which lists the Independence Community Service District (CSD) as perceived to be inactive. As part of this process the local LAFCo must determine if it agrees with the SCO determination. Section 56879 requires the local LAFCo to determine if the agency in question is inactive, within 90 days of getting the letter from the SCO. If the local LAFCo determines that it is an inactive district, it must, within 90 days of that decision, hold a public hearing and make final determination to dissolve the district. This agenda item is to decide if the Commission agrees with the SCO determination that the Independence CSD is an inactive district. If the Commission does agree, the next step is a publicly noticed hearing to decide if the Independence Community Service District should be dissolved.

The Independence CSD boundary covers the town of Independence and a sizable area surrounding it (map attached). Due to the settlement of the Long-Term Water Agreement (LTWA) between Inyo County and the City of Los Angeles the District was formed in 2001 to provide water service that was previously provided by the City of Los Angeles to the residents of Independence. However, as stated in the 2007

Municipal Services Review (MSR) of the CSD, pursuant to the provisions of the LTWA, water service facilities were never relinquished to the CSD, as the County took over the operations of the water system from the City of Los Angeles in 2002. At the time of the 2007 MSR, the Independence CSD was negotiating with the County to lease the water system as a step towards eventually obtaining possession. This never happened and there is no evidence that the Independence CSD was ever a water service provider even though they established a District pursuant to California LAFCo law and formed a Board. It appears that the Independence CSD made a serious and well-intentioned attempt at it, but the County has maintained the Independence water system since 2002. The MSR goes on to point out that the Independence CSD had no physical assets, liabilities, outstanding judgements, litigation, contracts, liens or claims, nor had it adopted a Capital Improvement Plan. These factors meet all the requirements for the Independence CSD to be determined an inactive district pursuant to Government Code Section 56042.

STAFF RECOMMENDATION

Staff recommendation:

- Agree with the SCO's determination that the Independence CSD is an inactive district.
- Approve the attached resolution and set a date for the dissolution hearing for the Independence CSD.

Alternate options

- Continue consideration of the item to a future meeting and provide direction to staff, as needed. This is not recommended since there is a 90-day requirement to complete this step.
- Disagree with the SCO's determination that the Independence CSD is an inactive district. This is also not recommended as the Independence CSD is clearly inactive and this is a necessary cleanup item. The County Elections Office has requested that LAFCo dissolve the Independence CSD on several occasions and staff has been waiting for the determination from the SCO to do so. This request is due to the fact that Elections staff have to keep putting the Independence CSD Board on the ballot until it is officially dissolved.

ENVIRONMENTAL REVIEW

Section 15320 of the California Environmental Quality Act (CEQA) Guidelines state that reorganizations of local agencies are exempt from environmental review where the changes do not alter the geographic area in which previously existing powers are exercised. Since the Independence CSD does not and has not provided any services or otherwise exercised its powers, the proposed dissolution is exempt from the provisions of CEQA.

ATTACHMENTS

- Inactive District Notification letter from the State Controller's Office
- Inyo LAFCO Draft Resolution No. 2025-01
- Independence CSD Map
- 2007 Independence CSD MSR



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

October 31, 2024

Cathreen Richards
Executive Officer
Inyo LAFCO
PO Drawer L
Independence, CA 93526

SUBJECT: Notification of Inactive Special Districts in County

Dear Executive Officer Richards:

Chapter 334, Statutes of 2017 added various provisions to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 regarding inactive special districts. This bill 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 Report (FTR), to publish the list of inactive special districts on its website annually, and to notify the 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" must:

- Meet the definition set forth in GC section 56036;
- Have no financial transactions in the previous fiscal year; and
- Have no assets, liabilities, outstanding debts, judgments, litigation, contracts, liens, or claims.

Pursuant to GC section 56879, the Commission is required to initiate dissolution of inactive special districts by resolution within 90 days of receiving this notice, unless the Commission determines that a district does not meet the criteria set forth in GC section 56042. Additionally, the Commission is required to notify SCO if it determines that district does not meet the dissolution criteria in GC section 56042. Once the dissolution process is complete, please inform SCO using the contact information on page 2.

- Enclosed is a copy of the list of inactive California special districts. The list is determined by financial data in each special district's Fiscal Year 2022-23 FTR. The list of inactive California special districts may also be found on the SCO website at:
https://www.sco.ca.gov/ard_local_rep_freq_requested.html.

Cathreen Richards
Executive Officer
October 31, 2024
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If you have any questions or need to notify us of a special district's status, please contact Jaswant Gill at JGill@sco.ca.gov or (916) 327-4366.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip Pangilinan", written in a cursive style.

Phillip Pangilinan
Manager
Local Government Reporting Section

Enclosures

California State Controller's Office
List of Inactive Districts per Government Code section 56879
Source: Special Districts Financial Transactions Reports, Fiscal Year 2022-23

#	District Name	City	County
1	County Service Area No. 6 (Calaveras)	San Andreas	Calaveras
2	County Service Area No. 3 (Colusa)	Colusa	Colusa
3	Independence Community Services District	Independence	Inyo
4	County Service Area No. 32 (Santa Barbara)	Santa Barbara	Santa Barbara
5	Fall River Valley Irrigation District	Redding	Shasta
6	Sierra City Public Utility District	Downieville	Sierra
7	County Service Area No. 60 (Tuolumne)	Sonora	Tuolumne
8	Lake Sherwood Community Services District	Ventura	Ventura
9	County Service Area No. 56 (Yuba)	Marysville	Yuba
10	County Service Area No. 57 (Yuba)	Marysville	Yuba
11	County Service Area No. 58 (Yuba)	Marysville	Yuba
12	River Highlands Community Service District	Marysville	Yuba
13	Royal Pines County Service Area (Yuba)	Marysville	Yuba

PROOF OF SERVICE BY MAIL

I declare: I am a citizen of the United States, over the age of 18 years, and not a party to this action. My business address is State Controller's Office, 3301 C Street, Suite 740, Sacramento, California 95816.

On the date set forth below, I served the following entitled document:

Notification of Inactive Special Districts in County

by placing a true copy thereof in a sealed envelope addressed to the person(s) named below at the address(es) shown and by placing said envelope for collection and mailing, following our ordinary business practices. I am readily familiar with this business' practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service, in a sealed envelope with postage fully prepaid.

Name: Cathreen Richards
Executive Officer
Inyo Local Agency Formation Commission

Address: Inyo LAFCO
PO Drawer L
Independence, CA 93526

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on October 31, 2024, at Sacramento, California.

Signature: Jaswant Gill
Printed Name: Jaswant Gill

RESOLUTION NO. 2025-01

**A RESOLUTION OF THE INYO LOCAL AGENCY FORMATION COMMISSION
TO INITIATE PROCEEDINGS DISSOLVING THE INACTIVE INDEPENDENCE
COMMUNITY SERVICE DISTRICT**

WHEREAS, on November 12, 2024, the California State Controller notified the Commission pursuant to Government Code section 56879 that the Independence Community Service District is an inactive district; and

WHEREAS, the Commission, pursuant to Government Code section 56879, shall initiate the dissolution of the Independence Community Service District within 90 days of receipt of notice from the State Controller's Office unless the Commission finds that the Independence Community Service District is not inactive as defined in Government Code section 56042; and

WHEREAS, the territory proposed to be dissolved is legally inhabited and includes the entirety of the boundaries of the Independence Community Service District, as depicted in Exhibit "A" attached hereto and by this reference incorporated herein; and

WHEREAS, the Inyo Local Agency Formation Commission, as lead agency under the California Environmental Quality Act (CEQA), finds the dissolution to be Exempt pursuant to Section 15320 of the California Environmental Quality Act (CEQA) Guidelines that state reorganizations of local agencies are exempt from environmental review where the changes do not alter the geographic area in which previously existing powers are exercised. Since the Independence Community Service District does not provide any services or otherwise exercise its powers, the proposed dissolution is exempt from the provisions of CEQA; and,

WHEREAS, terms and conditions will be determined by the Commission upon approval of the dissolution.

NOW, THEREFORE IT BE RESOLVED, the Inyo Local Agency Formation Commission finds that:

1. The Inyo Local Agency Formation Commission serves as lead agency under the California Environmental Quality Act (CEQA) and finds the initiation of dissolution to be exempt from CEQA pursuant to CEQA Guidelines Section 15320, as the Independence Community Service District does not provide any services or otherwise exercise its powers, the proposed dissolution is exempt from the provisions of CEQA.
2. The Independence Community Service District is an inactive district as defined in Government Code Section 56042 and the proposal of a dissolution of the Independence Community Service District, as depicted in Exhibit "A", attached hereto and made a part hereof, is initiated.

PASSED AND ADOPTED this 15th day of January 2025.

AYES:

NOES:

ABSENT:

ABSTAIN:

Scott Marcellin, Chair
Inyo LAFCO

ATTEST:

Cathreen Richards
Inyo LAFCO Executive Officer

By:

Sally Faircloth, LAFCO Secretary

INDEPENDENCE COMMUNITY SERVICE DISTRICT
SPHERE OF INFLUENCE

SPHERE OF INFLUENCE
AS APPROVED BY LAFCO
ON FEBRUARY 9, 2007
2/9/07 *Ronald [Signature]*
DATE EXECUTIVE OFFICER

Inyo County Planning Department
PO Drawer L
168 N. Edwards Street
Independence, CA 93526
(760) 878-0263
inyoplanning@qnet.com
www.inyoplanning.org

Legend
DISTRICT
SPHERE OF INFLUENCE

1. MUNICIPAL SERVICE REVIEW

Description of District

The Independence Community Services District was formed September 21, 2001 and operates pursuant to the Community Services District Act (Government Code, Section 61000 et seq.).

The District includes the community of Independence and surrounding lands. Its boundary and sphere of influence are identical.

A five-member board of directors, elected at-large, governs the District. The General Board Secretary is responsible for administrative functions.

The District's Mission Statement is appended to this report. A statement provided by the District is available in the LAFCO office providing background information explaining the unique circumstances surrounding the formation of the District.

District Services

The District was formed to provide water for the community of Independence and its environs. Due to provisions of the Water Agreement between Inyo County and the City of Los Angeles Department of Water and Power, water service facilities have not been relinquished to the District.

Other Governmental Agencies within the District

The District overlaps the East Independence Sanitary District, Independence Cemetery District, Independence Fire Protection District, Southern Inyo Hospital District and Inyo-Mono Resource Conservation District.

2. MSR DETERMINATIONS

This report addresses the MSR factors specified in LAFCO's governing statute.

Infrastructure Needs and Deficiencies

Inyo County is currently operating the water system. The District is negotiating with the County to lease the system as a step towards obtaining possession of the system.

The District has no physical assets, nor has it adopted a Capital Improvement Plan. It is aware of improvements needed based on an engineering study by Boyle Engineering pursuant to the Inyo County/City of Los Angeles water agreement.

Growth and Population Projections

Growth within and adjacent to the District is very limited since much of the vacant land is government owned and in fact the recent census showed a loss of population in the area.

Some growth may occur if adjacent land is released for private development under the provisions of the Water Agreement with the City of Los Angeles.

Financing Constraints and Opportunities

When functional the District will be financed by service fees and connections for water. Such revenue sources may avoid long-term, unfunded District obligations.

Cost-Avoidance Opportunities

There are no obvious cost avoidance opportunities at this time.

Opportunities for Rate Restructuring

When functional the District will have opportunities to restructure rates during the annual budget process and with the adoption of each rate ordinance.

Opportunities for Shared Facilities

There are no obvious opportunities to share facilities due to the location of Independence in relationship to other communities and local public agencies.

Government Structure Options

Once the District is functional consideration might be given to combining with the East Independence Sanitary District.

Management Efficiencies

The District is not currently functional as a water purveyor.

Local Accountability and Governance

The District is a relatively compact government, which enhances the ability of the public to participate in its activities. The Board of Directors is elected by and accountable to the voters who reside in the District. The District publishes notices of its meetings.

3. SPHERE OF INFLUENCE REVIEW AND UPDATE

Description of Current Sphere of Influence

The District's boundaries and sphere of influence are coterminous. A map of the District and its sphere are included.

No Proposed Sphere Changes

The District indicates its boundaries are correct and there are no plans to annex areas that are not now within the District.

Sphere of Influence Determinations

Inasmuch as no changes in the sphere of influence are proposed at this time it is not necessary for the Commission to adopt or approve any determinations.

4. ACKNOWLEDGEMENTS & REFERENCES

The Inyo LAFCO staff prepared this Municipal Service Review. Responsibility for any errors or omissions rests with those who prepared the report.

The Independence Community Services District provided the information and documents upon which the evaluation is based. District Director Arlene Grider was instrumental in providing data.

Mapping services were provided by the County of Inyo.

Available Documentation

The "Request for Information for Municipal Service Reviews" submitted by the District and supporting documents referred to therein are available in the LAFCO office.

5. RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review it is recommended the Commission affirm the current Sphere of Influence and that it not be expanded or revised at this time.