

July 16, 2008

Ventura County Grand Jury
800 S. Victoria Avenue, L#3751
Ventura, CA 93009

Honorable Colleen Toy White, Presiding Judge
Superior Court of California, Ventura County
Hall of Justice, #2120
800 S. Victoria Avenue
Ventura, CA 93009

RE: Response to 2007-2008 Ventura County Grand Jury report entitled *Fillmore-Piru Memorial District Reorganization*

Dear Presiding Judge White and Members of the 2007-2008 Grand Jury:

The Ventura Local Agency Formation Commission (LAFCO) has reviewed the 2007-2008 Ventura County Grand Jury report entitled *Fillmore-Piru Memorial District Reorganization*. The report was discussed at the July 16, 2008 meeting when the Commission formally authorized me to file this response.

The Grand Jury requested that LAFCO respond to recommendation R-01 from their report. The recommendation and LAFCO's response follows:

R-01. The Grand Jury recommends that the District be reorganized as a subsidiary district of Fillmore through the State legislative process.

As largely conveyed in the Grand Jury report, LAFCO's October 17, 2007 municipal service review (MSR) report for the Fillmore-Piru Memorial District questioned the need for the District's continued existence as a separate unit of local government and determined that the District, together with the City of Fillmore and the County of Ventura should consider initiating proceedings for the dissolution of the District within the next five years. Under State law, dissolution is defined as the "...disincorporation, extinguishment, and termination of the existence of a district and the cessation of all its corporate powers, except as... [LAFCO] may otherwise provide...for the purpose of winding up the affairs of the district" (Cal. Govt. Code Sec. 56035).

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GRAND JURY

LAFCO's recommendation to dissolve the District was based on a number of determinations regarding the District's potential long term financial viability, governance issues, and provisions of state law concerning the cessation of special district powers. Although LAFCO determined that the District is financially stable at this point in time, the District's dependency on property taxes and limited sources of other revenue is considered a constraint. The voter approval requirements to increase taxes and the lack of growth in most of the territory in the District means the District is primarily dependent on growth and the increase in property tax values within the City of Fillmore for increases in revenue. The other major source of revenue, rents and fees for facility use, is also constrained by the ability of users to pay increased service charges or fees, the desire of the District to maintain reasonable rates and, in some instances, competition with other agencies (e.g. schools) and others (e.g. churches) that may also provide space for community groups. The District's \$5 per parcel special assessment revenue is a fixed amount that does not have any mechanism for adjustment to keep pace with inflation and, therefore, its relative value decreases over time. This portion of the District's revenue only increases when new parcels or subdivisions occur, primarily in the City of Fillmore. Due to the small amount of total revenue available, the District does not have any employees. All of the District's administrative, operational and maintenance functions are performed by the City of Fillmore and it is doubtful that the District could, by itself, meet the on-going requirements and mandates for local governmental agencies.

With regard to accountability and governance, there has been a chronic lack of candidate and voter participation regarding election of District board members due to the fact that no elections have been held since at least 1990. The Grand Jury report correctly notes that board member elections pose a significant cost for the District's because the District's governing act requires that elections be held in odd-numbered years. Since most local, state and federal elections are held in even-numbered years, the District must pay for the full cost of an election rather than sharing election costs with other agencies. LAFCO's MSR indicates that this issue can only be remedied by a change in state law.

Under existing State law, the MSR concluded that there are relatively few options for restructuring the District. Consolidation, which is the joining of two or more special districts into a single new special district, is infeasible because there is no other district in the area served by the Fillmore-Piru Memorial District that performs similar functions. Likewise, a merger with the City of Fillmore or making the District a subsidiary district of the City of Fillmore is not feasible. For both a merger and the establishment of a subsidiary district, the law requires that the area in the city equal at least 70% of the area within the District boundary (the "70% requirement method" referred to in the Grand Jury report). The area within the boundary of the Fillmore-Piru Memorial District encompasses an area of approximately 151,300 acres and the area within the City of Fillmore includes approximately 2,100 acres. Thus, unless approximately 98% of the territory within the District's boundary is detached, a merger with, or making the District

a subsidiary district of, the City of Fillmore would not be legally possible. Moreover, and as noted in the Grand Jury report, the detachment of the necessary number of parcels from the District to achieve a minimum 70% overlap with the City of Fillmore would significantly reduce the District's revenues from property tax and the parcel-based special assessment.

Based on the above factors, LAFCO determined that the only potentially feasible government structure option for the Fillmore-Piru Memorial District is dissolution subject to several conditions, including, at a minimum, the following:

- The cost savings of dissolution equal or exceed the amount of the \$5 per parcel tax that now exists. This special tax would essentially "go away" if the District were to be dissolved.
- The City of Fillmore and the County of Ventura reached agreement on a new or revised property tax sharing agreement that would provide transfer all or a substantial portion of the property tax now going to the District to the City.
- The District, the City and the County are willing and can agree that dissolution would be in the best interests of the residents and tax payers in the area now served by the District.

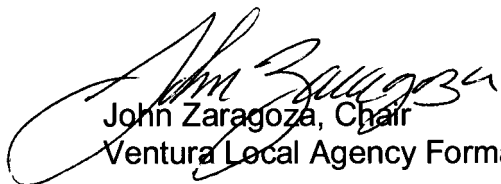
Since the release of the Grand Jury report, LAFCO has learned that the information in the MSR indicating that a shift in the election year cycle can only be remedied by a change in state law is incorrect. In fact, we have recently learned that the state Elections Code provides the authority for a special district board that elects members of its governing body in odd-numbered years to require its elections to be held on the same day as the statewide general election subject to approval by the County Board of Supervisors and voter notification. It is our understanding that the Fillmore-Piru Memorial District Board has already initiated this action and has been advised by the County Elections Division that the change will take effect for the 2010 election.

With regard to the Grand Jury's recommendation that the District be reorganized as a subsidiary district of the City of Fillmore through the state legislative process, we concur that this is a potentially feasible option. However, it is beyond LAFCO's purview to determine the legal feasibility of crafting of special legislation to reorganize the District as a subsidiary district such that it does not impact the District's current level of tax and assessment revenue. Likewise, it would not be appropriate for LAFCO to comment on the political feasibility of the recommendation except to note that the cooperation of local state legislators, the District, the City of Fillmore, the County and LAFCO would be necessary. We should also note that it is the policy of the statewide organization of LAFCOs known as "CALAFCO" to oppose grants of special status to any individual agency or proposal to circumvent the LAFCO process.

Given the District's recent efforts to consolidate its board member elections with other elections during even-numbered years, the shift in election year cycles and combined with the resultant cost savings may merit a "wait and see approach" at this point. If the

District can demonstrate that: (1) it is conducting regular elections required by law beginning in 2010; (2) a sufficient number of candidates participate in the elections; and (3) the District board members initiate and maintain compliance with AB1234 ethics training, it may be appropriate to postpone any governmental restructuring recommendations for the time being. Based on current state mandates, LAFCO is required to again review and, if necessary, update the sphere of influence for the Fillmore-Piru Memorial District by 2013, at the latest. In conjunction with the sphere of influence review, we will likely need to update the municipal service review report. By then, the District will have had an opportunity to complete at least one election process and we will have additional financial data that might provide a clearer picture of the District's long term financial viability.

Respectfully,

A handwritten signature in black ink, appearing to read "John Zaragoza", is written over the typed name and title.

John Zaragoza, Chair

Ventura Local Agency Formation Commission

c: Supervisor Kathy Long
City of Fillmore
Fillmore-Piru Memorial District Board of Directors