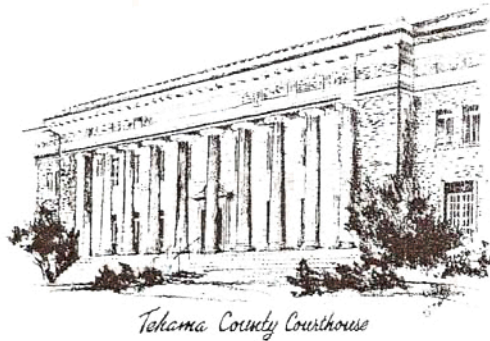


Board of Supervisors
COUNTY OF TEHAMA

District 1 – Gregg Avilla
District 2 – George Russell
District 3 – Charles Willard
District 4 – Bob Williams
District 5 – Ron Warner



Williams J. Goodwin
Chief Administrator

May 2, 2008

Board of Directors
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Dear Board of Directors,

This letter is in response to our discussion regarding the proposed dissolution of the [REDACTED] Association at our meeting on April 22.

After consulting with staff and doing extensive research, we are not convinced that the [REDACTED] Association can legally be dissolved by majority vote, even if the County agrees to “take over” the Association’s common areas and obligations. The Association has correctly identified the governing statute – Corporations Code section 8724 – which precludes dissolution by regular majority vote “so long as there is any lot, parcel, area, apartment, or unit for which [the Association] is obligated to provide management, maintenance, preservation, or control.”

The question is whether the Association can exempt themselves from this provision simply by handing over their management responsibilities to the County. This is because the statute also forbids such an Association from “transfer[ing] all or substantially all of its assets”. In other words, the Association can’t transfer all of their assets to the County so long as they retain responsibility, and they cannot relieve themselves of responsibility without transferring their assets. This circular difficulty strongly suggests that such an arrangement is not consistent with the Legislature’s intentions. That being said, my suggestion to the Association would be to seek your own legal counsel on this matter.

Also, aside from the foregoing, there are some other questions that need to be answered by your legal counsel before any discussion regarding an agreement with the County.

These are:

(1) The County (either directly or through a PRD) can legally take responsibility only for “public roads.” My understanding is that the roads in [REDACTED] are essentially private easements, enjoyed in common by the residents of [REDACTED], but not actually owned by the Association. How does the Association propose to convert these easements into public roads that the County can legally take responsibility for? Even if the Association owned the easements, a private road easement cannot automatically be converted into a public road without consent of the underlying landowner or eminent domain.

(2) What other properties/facilities (Airport, Rec. Center, Parks, garbage transfer station, administrative building, etc.) does the Association propose to transfer to the County? What is the status of title to these properties? Does the Association have the power under the CC&R's to transfer these properties?

(3) How does the Association propose to have the County pay for the expenses of operating and maintaining the roads and other transferred properties/facilities? Special assessments and special taxes, which would charge such expenses to the property owners, require approval by the property owners or voters (depending on the mechanism used). How can that approval be guaranteed? (Bear in mind that these expenses may include hefty initial costs to upgrade the roads/facilities to County standards.)

(4) How does the Association propose to address Corporations Code section 8724, subdivision (a)(1), which provides that an "owners' association . . . shall not . . . [t]ransfer all or substantially all of its assets"? This provision could render the proposed arrangement subject to challenge, and would need to be satisfactorily addressed before any such deal could be finalized.

Our staff and I have a variety of other concerns regarding the proposal, but those are the big ones that come readily to mind.

If the Association is serious about having the County assume responsibility for these obligations, I would suggest that you approach it the same way a city formation or district incorporation would be handled. A consultant would evaluate the services in question, determine current and future service needs, calculate the initial and ongoing costs of providing those services, and examine the options for collecting the revenue to cover those costs. The consultant would also examine various legal and practical obstacles to such transfer, and propose resolutions for those issues. Such studies aren't cheap (costs are estimated to be \$200,000 to \$300,000), but they are the first step to any serious discussion of transferring governmental (or quasi-governmental) responsibilities. It may be difficult for the Board and County staff to even ask intelligent questions without the type of information such a study would provide.

For your information, I have enclosed a copy of the most recent PRD Engineer's report, containing detailed information regarding the road maintenance costs charged to property owners in those areas. Please bear in mind that many of these costs may have gone up with fuel prices, and that these owners were paying only for maintenance on a brand new road built to County specifications. Assessments for a hypothetical PRD in [REDACTED] would certainly be *significantly* higher. My initial calculations (*not* including the cost of bringing your roads to county standards) using these outdated figures on 52 miles of road divided by 2000 lots, have your road maintenance costs at \$480.78 per lot, per year.

Also, since any changes in operation would require a new franchise agreement with Greenwaste, I have enclosed the Remote Transfer Station provisions from the County's current franchise agreement for your review. Please call me if you have any questions.

Sincerely,



Bob Williams
Tehama County Supervisor, District 4

Enclosures