

June 20, 2023

Salton Community Service District
Attn: Board of Directors
1209 Van Buren Ave Suite 1
Salton City, CA 92275

RE: Interim Status Report

Dear Board Members:

As you recall, LAFCO initiated the process to dissolve the SCSD last summer. In doing so the LAFCO gave the district the opportunity to correct numerous deficiencies that without correction most likely would have given no other choice but to dissolve the district.

Over the past 10 months or so, LAFCO staff have worked closely with the SCSD staff to address the concerns of the LAFCO. Additionally, LAFCO staff have also been involved with the RCAC and the process headed by Ms. Toby Roy. That effort along with the rate study and the Proposition 218 process that is still ongoing gave hope to LAFCO that a dissolution may not be necessary. Note the operative word "MAY" not be necessary.

First, regarding the dissolution perhaps the most critical issue is the financial ability of the district to function and carry out its responsibilities for the near- and long-term future. To that end, the rate study, and the grant/loan program are being considered along with of course the necessary Prop. 218 processes, all gave LAFCO staff a positive outlook. Of course, if Prop. 218 does not pass and if the resulting loan/grant program fails we may once again have few options.

We hope this all has a positive outcome, but that remains to be seen so we cannot make a clear prediction as to our action.

Second, other factors that affect the financial health of the district are such things as litigation. It is our understanding that one case has already been filed but not yet closed. Therefore, there is an unknown financial impact risk that could adversely affect the district.

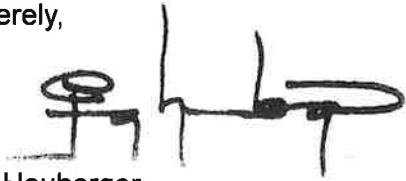
Third, we have just been advised that yet another claim and/or potential legal case may be filed by one of the employees. Once again if this case proceeds and there is a financial settlement or financial judicial order against the district, we have another fiscal threat.

We are informed that both legal cases noted above are the direct result of actions attributable to one Board member.

These types of cases and especially if more of these types of cases are filed by employees of the district, could lead to several financial problems and LAFCO may in fact have no other

choice but to dissolve the district and have the County be the successor. We obviously have worked diligently with your staff to minimize this outcome, but it appears that at least one Board member is forcing us to seriously reconsider and move more succinctly toward the dissolution. Currently, we are still working with your staff in hopes that Prop. 218, hence the funding opportunities materialize. We would also like to see a solution to these potential legal challenges in a way that settles them and avoids future similar actions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jurg Heuberger'. The signature is stylized with a large initial 'J' and a long horizontal stroke.

Jurg Heuberger
Executive Officer

Cc: Commission
Robert Patterson, SCSD Legal Counsel