Office of
COUNTY COUNSEL
County of Lake

ANITA L. GRANT
County Counsel

Courthouse - 255 N. Forbes Street
Lakeport, California 95453
Telephone: (707) 263-2321
Fax: (707) 263-0702

SENIOR DEPUTY:
Lloyd Guintivano

DEPUTIES:
Jonathan M. Louie
Nicole Johnson

RISK MANAGER:
Jeff Rein
707/263-2532

October 2, 2019

John Benoit, Executive Officer
Lake County Local Agency Formation Commission
P.O. Box 2694
Granite Bay, California 95746

Re: 2019 Application of the City of Lakeport – South Lakeport Annexation

Dear Mr. Benoit:

Thank you for the opportunity to comment on the above-described annexation proposal.

In its application for annexation, the City of Lakeport is relying upon a 1997 annexation/reorganization agreement with the County, the Agreement Between the County of Lake and City of Lakeport for Revenue Redistribution Pertaining to the City of Lakeport South Lakeport Reorganization – Phase I (hereinafter, the "1997 Agreement"). That reliance is misplaced and, even if this 1997 Agreement was still operative and was afforded its most liberal interpretation, its application would be limited to use as an instructive tool for the purpose of negotiating subsequent such agreements.

The first paragraph of the 1997 Agreement provides:

> THIS AGREEMENT is made and entered into the 18th day of February 1997, by and between the COUNTY OF LAKE, a political subdivision of the State of California, (hereinafter referred to as "County"), and the CITY OF LAKEPORT, a municipal corporation of the State of California, (hereinafter referred to as "City") regarding the City of Lakeport South Lakeport Reorganization - Phase I (hereafter referred to as "Annexation").

This first paragraph unequivocally established the scope, and the corresponding limits, of the 1997 Agreement to Phase I of the South Lakeport Reorganization. The parcels which comprised Phase I were specifically delineated in the documentation approved by both the County and the City in the course of this 1997 process and were expressly approved in the annexation proceedings before LAFCo at that time. A Certification of

Completion was duly issued and recorded by the Executive Officer of LAFCo on July 15, 1997.

The 1997 Agreement provided for an exchange of base property tax revenues which must proceed according to the dictates of existing State law. In regard to the incremental property tax, it must be noted that the 1997 Agreement specifically referred to a division between the parties in the same proportionate share as the two entities receive in tax rate area 001-001. That tax rate area no longer exists. Rather than recognize that this 1997 Agreement solely and only addressed parcels which were subject to the annexation process long-since concluded, the City of Lakeport instead simply unilaterally selected another tax rate area to use as a benchmark.

Why the City would recognize that the tax rate area was subject to change within the 1997 agreement while holding fast to the application of the sales tax computation schedule referenced in the 1997 Agreement created an obvious impression of "cherry-picking" on the part of the City.

However, it must be noted that in a very recent meeting, the City acknowledged and agreed that sales tax should be computed according to the present numbers and not in the amount in existence for the particular properties subject to annexation twenty-two years ago, as was the contention of the City's fiscal analyst. In fact, $60,000 appeared to be the base line of the fiscal analyst's sales tax computations for the proposed annexation.

Despite this acknowledgement by the City that sales tax should not be computed on the basis of figures determined for an annexation that occurred twenty-two years ago, the City nonetheless contends that the payment schedule of eight years for sales tax reimbursement must be maintained and points to the 1997 Agreement in support of that contention.

As to sales tax revenue, the 1997 Agreement provided in pertinent part as follows:

> Sharing of Sales Tax Revenue
>
> Sales tax revenue generated from within the annexation area after the effective date of the annexation will be allocated by the State Board of Equalization to the City rather than to the County. Annual sales tax revenue generated within the annexation area are currently estimated to be $60,000. In recognition of the negative financial impact this revenue loss will have on the County, the City agrees to reimburse the County for sales tax loss pursuant to the schedule below: . . .

The schedule itself provided for a graduated reduction in sales tax payments over an eight-year period.

The 1997 Agreement further provided that:

> If it is determined and verified by the State Board of Equalization that the annual amount of local sales tax revenue generated from within the annexed area falls below $60,000, the amount of payment owed by the City to the County for that year shall be reduced proportionately (for example, if sale tax revenue during the first year is 10% less than the estimated $60,000, the first year payment of $52,500 shall be reduced by 10%). If sales tax revenues exceed $60,000 per year, all revenue in excess of $60,000 shall be retained by the City and shall not obligate the City to increase the amount owed to the County over and above those amounts specified above for each applicable year.

Although the term "annexation area" was not specifically defined within the 1997 Agreement itself, it is clear from the first provision of that agreement that annexation at issue was the area identified as Phase I. Further, the "annexation area" referred to above is explicitly defined in correspondence to the State Board of Equalization and the actions and writings of LAFCo in response to this annexation.

Nonetheless, the City's fiscal impact study provides that at the time of the 1997 Agreement, it was estimated that "the area" generated about $60,000 per year in sales tax for the County, payable according to an eight-year amortization schedule and that, "The Agreement stipulates that if the actual sales tax revenues are higher at the time of annexation, this amortization schedule nevertheless remains in effect."

The plain language of the 1997 Agreement clearly and expressly refers to the area which was the subject of the annexation to be Phase I. Sales tax data could not, by virtue of the nature of the calculations if nothing else, remain static for twenty-two years, particularly when no such sales tax data was obtained for any properties outside the Phase I annexation area. Similarly, there was no showing in the 1997 Agreement that the eight-year period utilized had any application as a "model" for future revenue sharing agreements. There was no showing in the 1997 Agreement as to the rationale in support of an eight-year period even for the Phase I annexation area itself, the subject of that agreement. The City cannot recognize the anachronistic character of the 1997 Agreement in regard to certain provisions and yet attempt to hold the County to a stringent application to others. A legally-binding contract does not have the character or the effect of an ala carte menu.

Finally, the City points to a clause describing the term of the 1997 Agreement as being binding. That clause provided as follows:

> This Agreement shall commence as of the date of execution by County and City and shall remain in effect, unless terminated by mutual agreement of the parties or by an uncured breach by one of the parties pursuant to Section 4.7 herein below.

The provisions of the 1997 Agreement make it clear that some of the data relied upon to determine property and sales taxes was, at that time, still being gathered and confirmed for the Phase I annexation area. The above provision, with no termination date of any kind, must be read in the context of the 1997 Agreement as a whole. Given that certain fiscal information was yet to be finally determined, the above provision simply evinced the agreement of parties to bring their negotiations as to Phase I to fruition, absent the occurrence of either of the two events referenced. To read this provision to have greater or perpetual application would require the 1997 Agreement reflect the parties' express intention. No such express intention is stated in the 1997 Agreement.

Even if the 1997 Agreement retains some whisper of applicability, the only applicability that could possibly have endured over the last twenty-two years is the understanding that the parties would use the agreement as a "model". Exactly how the 1997 Agreement would serve as a model was left completely undefined. This lack of definition was a tacit acknowledgment that, while the parties would make good faith attempts to negotiate such agreements in the future, the specifics of any such agreements would be wholly dependent upon applicable law, the properties which were to be the subject of any future annexation, and what the 1997 Agreement describes as a "basic tenet" – maximizing each party's ability to deliver essential governmental services. This interpretation is borne out in many other documents relating to subsequent tax exchange agreements between the City of Lakeport and the County of Lake which refer to the desire of the parties to negotiate an agreement for sharing future tax revenues "similar to the February 18, 1997 Agreement between County and City". (See e.g. Pre-Annexation Agreement Regarding Proposed Underground Utility District and Possible Road Improvements in the South Lakeport Area of the County of Lake). Had the City and the County intended that the 1997 Agreement were to continue in perpetuity, there would be no need to express the goal that the parties negotiate a tax revenue sharing agreement "similar" to the 1997 Agreement.

In no event can the term "model" reasonably be interpreted as establishing the explicit method. The $60,000 referenced in the 1997 Agreement is directly and solely related to the Phase I annexation. This is further supported by correspondence between the City and the County and between the County and the Board of Equalization. The Lakeport City Council itself acknowledged this in various newspaper articles at the time as well as in its own documents. There is no language in the 1997 Agreement to require that either $60,000 would be the maximum annual sales tax amount or that eight years would be the maximum length of any payment schedule for any future area to be annexed by the City. Such a significant obligation would, perforce, be explicitly stated.

The ability to provide essential governmental services requires the financial wherewithal to do so. The fact that the City selectively attempts to apply provisions of the 1997 Agreement is, in fact, simply further evidence that the 1997 Agreement has no application as an enforceable contract in regard to the proposed annexation here.

As was previously noted in an advisory opinion attached hereto, "Under basic contract law "[a]n offer must be sufficiently definite, or must call for such definite terms in the acceptance that the performance promised is reasonably certain." (1 Witkin, Summary of Cal. Law (9th ed. 1987) Contracts, § 145, p. 169, citing Rest.2d Contracts, § 33; see also *Mutz v. Wallace* (1963) 214 Cal.App.2d 100, 109, 29 Cal.Rptr. 170, *Richards v. Oliver* (1958) 162 Cal.App.2d 548, 561, 328 P.2d 544.) "Where a contract is so uncertain and indefinite that the intention of the parties in material particulars cannot be ascertained, the contract is void and unenforceable. (*Cal. Lettuce Growers v. Union Sugar Co.* (1955) 45 Cal.2d 474, 481, 289 P.2d 785; see Civ.Code, § 1598.) There have been changes in circumstances and changes in state law in the twenty-two years since the 1997 Agreement was executed. The attached advisory opinion describes the many relevant, significant and substantive changes in the law since 1997.[1]

The ambiguous and anachronistic provisions of the1997 Agreement cannot now be construed twenty-two years later as a mandate to make and keep lifetime promises. (See *M&G Polymers USA, LLC. V. Tacket*, 574 U.S. 427 (2015).

The County does understand that the City, having lost and/or in the process of losing considerable revenue as a result of the closure of large commercial enterprises within its existing jurisdiction is, no doubt, more than a little anxious to move forward with this proposed annexation which encompasses ongoing, stable, and highly successful businesses in the County's unincorporated area. While the County will not agree, concede, nor willingly be subject to the 1997 Agreement, the County recognizes its obligation to engage in good faith discussions regarding this annexation. If and when the City is willing to forego its attempt to make selective use of a twenty-two year-old agreement, the County is more than willing to continue to engage in discussions reflective of the here and now.

Respectfully submitted,

Anita L. Grant

County Counsel

County of Lake

[1] The attachment further explains that the 2001 and 2002 pre-annexation agreements referenced by the City are no longer enforceable.

COUNTY OF LAKE **COUNTY COUNSEL**

MEMORANDUM – CONFIDENTIAL

TO: Anita Grant, County Counsel

FROM: Shanda Harry – Deputy County Counsel

DATE: April 20, 2018

SUBJECT: Agreements with the City of Lakeport – Re: Annexation

---

QUESTION PRESENTED:

Are the three agreements between the County of Lake and the City of Lakeport regarding Annexation by the City of Lakeport of certain County areas of South Lakeport valid and enforceable? Further, what rights does the City of Lakeport have to the South Main area that is considered part of their "Sphere of Influence?"

BRIEF ANSWER

Do to the change in laws, the elapse of time, change in circumstances and the original vagueness of the agreements they would not be enforceable. Finally, the rights that a City has in its "sphere of influence" is vague and subject to case law that has not been thoroughly considered in case law at the status of pre-annexation but the City of Lakeport would have to go through a LAFCO application process to extend or deny the extension of services in to South Main pre-annexation.

CONTRACT CONSTRUCTION GENERALLY

Under basic contract law "[a]n offer must be sufficiently definite, or must call for such definite terms in the acceptance that the performance promised is reasonably certain." (1 Witkin, Summary of Cal. Law (9th ed. 1987) Contracts, § 145, p. 169, citing Rest.2d Contracts, § 33; see also *Mutz v. Wallace* (1963) 214 Cal.App.2d 100, 109, 29 Cal.Rptr. 170, *Richards v. Oliver* (1958) 162 Cal.App.2d 548, 561, 328 P.2d 544.) "Where a contract is so uncertain and indefinite that the intention of the parties in material particulars cannot be ascertained, the contract is void and unenforceable. (*Cal. Lettuce Growers v. Union Sugar Co.* (1955) 45 Cal.2d 474, 481, 289 P.2d 785; see Civ.Code, § 1598.)

The basic law of contracts is instructive here as the following agreements between the City of Lakeport and the County of Lake either were uncertain when they were signed or have become uncertain due to the change of circumstances and relevant tax/revenue law over time. Thus, it is important to note the general philosophy behind contact interpretation going forward.

AGREEMENT NOT REQUIRED

It is important to note that these agreements are based on the Cortese–Knox Local Government Reorganization Act of 1985 (Gov.Code, §§ 56000–57550, hereafter Cortese– **352 Knox Act). LAFCOs as they exist today are the product of the Knox-Nisbet Act of 1965, the purposes of which include "the discouragement of urban sprawl," the "orderly formation and development of local governmental agencies," and the encouragement and planning of "well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space lands within such patterns." (Gov.Code, §§ 54774, 54774.5.)[5] The LAFCO for each county reviews and approves or disapproves proposed local government changes of organization, including annexations of territory. (§§ 56017, 56021, 56375).[2] Annexation proceedings may be initiated by the annexing city's resolution, or, depending on the locale, by petition of 15 or 25 percent of the registered voters, or property taxpayers owning that percentage of assessed valuation, in the territory proposed to be annexed. (§§ 56650, 56753, 56800.)

While city subject to application to annex incorporated territory is required to negotiate property tax revenue exchange with county, it is not required to reach or conclude agreement as to property tax revenue exchange, even though such agreement is precondition to local agency formation commission's (LAFCO) issuing certificate of filing and setting application for hearing. West's Ann.Cal.Gov.Code § 56828; West's Ann.Cal.Rev. & T.Code § 99. (*Greenwood Addition Homeowners Assn. v. City of San Marino* (1993) 14 Cal.App.4th 1360, 1367, 18 Cal.Rptr.2d 350;

Therefore, there is no requirement that the County of Lake enters in to any agreement with City of Lakeport, or come to any agreement for taxation at any time. The agreements are merely a consideration not a requirement.

AGREEMENTS:

The pre-annexation agreements that are being considered in this memo are between the County of Lake and the City of Lakeport signed on February 18, 1997, April 17, 2001 and February 26, 2002.

AGREEMENT NUMBER 1:

AGREEMENT BETWEEN THE COUNTY OF LAKE AND CITY OF LAKEPORT FOR REVENUE REDISTRIBUTION PERTAINING TO THE CITY OF LAKEPORT SOUTH LAKEPORT REORGANIZATION – PHASE I

The above agreement was entered into on February 18, 1997. This Agreement concerns a revenue sharing agreement for lost property tax revenue for the County in the event of the City of Lakeport follows through with plans for South Lakeport Reorganization (Annexation of South Lakeport).

Section 4.2 Termination Due to change In Law

At this time the argument can be made that the agreement is no longer valid due to changes in the law that have occurred between now and 1997. The agreement specifically states that in "entering into this Agreement, the parties mutually assume the continuation of the

existing statutory formula for the distribution of available tax revenues to local government and that assumption is a basic tenet of this Agreement."

Although not the exact circumstances of the subject agreement, a look at what constitutes a terminated contract under a "contracts clause" analysis can give some insight. The Supreme Court has directed that a sequential analysis to determine whether state law violates the Contract Clause. *See Energy Reserves Group, Inc. v. Kansas Power & Light Co.*, 459 U.S. 400, 411-12, 103 S.Ct. 697, 704-05, 74 L.Ed.2d 569 (1983). Our first task is to determine "whether the state law has, in fact, operated as a substantial impairment of a contractual relationship." *Id.* at 411, 103 S.Ct. at 704 (quoting *Allied Structural Steel*, 438 U.S. at 244, 98 S.Ct. at 2722). "This inquiry has three components: whether there is a contractual relationship, whether a change in law impairs that contractual relationship, and whether the impairment is substantial." *General Motors Corp. v. Romein*, 503 U.S. 181, 186, 112 S.Ct. 1105, 1109, 117 L.Ed.2d 328 (1992).

In the 20 years that have passed since the signing of this agreement there have been substantial changes which impair the way tax revenue has been allocated to local governments from the state. Just a few of those substantial changes are the following:

Vehicle License Fee/ Property Tax Swap (2004)

In 2004 and 2008 the state sold bonds to finance state budget deficits (Economic Recovery Bonds, ERB). These bonds were repaid by a complicated swap of taxes necessitated by the need to have a dedicated source of revenue to repay the bonds. 1/4 of 1 cent sales tax revenue which had gone to local governments was dedicated to repaying the ERBs. The loss of sales tax revenue for local governments was replaced with ERAF funds and the state backfilled the schools for the loss of the ERAF revenue.

Proposition 1A (November 2004)

This constitutional amendment, approved by the voters, was designed to protect against further reduction or diversion of property tax and sales tax and strengthen the state's obligation to reimburse local governments for state-mandated programs. It allows the state to borrow money from local governments no more than twice in a decade. Repayment of the loan must be paid back within three years.

Proposition 22 (November 2010)

This constitutional amendment approved by the voters, prohibited the state from taking revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, as well as local public transit and transportation funds from Proposition 42 gas tax or the Highway Users Tax. This proposition arose from an action by the California State Legislature in 2009 to "raid" $ 5 billion from city, county, transit, redevelopment and special district funds.

Realignment (Criminal Justice, 2011)

AB 109 and AB 117 began the transfer of the responsibility from the State prisons to counties for custody of low level criminal offenders and for the monitoring of certain parolees. The Legislature provided the counties with funding as part of the budget process. This realignment was triggered in large part by the need to reduce overcrowding in the state's prisons to comply with federal court orders. Proposition 30, which was approved by voters in November 2012, contains a provision that requires the state to continue to transfer to local governments

each year the same share of tax revenues transferred in 2011 in order to meet these new responsibilities.

Redevelopment Agency Abolition (2011)

Proposition 18, passed in 1952 and established a process under a city or county that could declare an area to be blighted and in need of redevelopment. After this declaration, most property tax revenue growth from the "project area" would be distributed to the city or county's redevelopment agency, instead of the other local agencies serving the project area. By 2011, about 11% of all property tax revenue statewide was going to redevelopment agencies, rather than counties, cities, and schools. As a result of Proposition 1A the Legislature was powerless to reallocate this revenue. So in 2011, the Legislature passed AB X1 26, which eliminated redevelopment agencies in California. As a result, the property tax revenue previously distributed to the redevelopment agencies will go to other local governmental entities, including school districts.

The changes above are significant and thus the agreement between the City and the County clearly has been terminated do to the change in law, a possibility that was anticipated at the time of signing as a possible concern.

Thus, it is a stainable position to deem the agreement terminated based on Section 4.2 – Termination Due to Change in Law.

AGREEMENT NUMBER 2:

PRE-ANNEXATION AGREEMENT REGARDING PROPOSED UNDERGROUND UTILITY DISTRICT AND POSSIBLE ROAD IMPROVEMENTS IN THE SOUTH LAKEPORT AREA OF THE COUNTY OF LAKE

The above agreement was entered into on April 17, 2001. Leaving aside the fact that it can be argued that the April 17, 2001 agreement is based on the 1997 agreement and thus as the 1997 agreement is terminated then the 2001 agreement is also as a result terminated, the 2001 agreement has its own problems that render the agreement unenforceable.

This agreement has a time limitation built into the agreement. In section 1 of the agreement the language reads as flows: "In event City files an application to annex any portion of the above-referenced area along South Main Street-Soda Bay Road adjacent to its present southerly boundary within six (6) years of the date of this agreement the City agree..." to enter into various future agreements and undertake various actions. Six years from April 17, 2001 passed in 2007 and to this date the City of Lakeport has not filed an application to annex any portion of the South Main street area.

Even though a later section (Section 5) states that the "agreement shall continue in full force and effect until the parties hereto have performed their obligations hereunder," the six year limit stated earlier in the agreement clearly points to the fact that a limited time frame was anticipated from the agreement.

It is clear that in the mind of the parties the agreement was go into effect in a reasonable amount of time, when conditions under which the agreement was made were still similar to when

the agreement was entered into. As a result this agreement can be considered no longer enforceable.

AGREEMENT NUMBER 3:

PRE-ANNEXATION AGREEMENT REGARDING SALES TAX ALLOCATION IN THE SOUTH LAKEPORT AREA OF THE COUNTY OF LAKE
FEBRUARY 26, 2002

The above agreement entered into on February 26, 2002 by and between the County of Lake and the City of Lakeport deals with the County's plan to undertake road improvements in the South Lakeport Area.

The Roadway repair and reconstruction activities on South Main have been started but not completed by the County in this area – a fact which has no bearing on the validity of the contract.

The problem with the validity of this agreement is how vaguely the terms are worded. Perhaps the intent was to be vague and only represent a general plan for City and the County to work together, but never the less the vagueness of the terms renders the documents unenforceable. See Ladas v. California State Auto. Assn., 19 Cal. App. 4th 761, 770 (1st Dist. 1993) ("Where a contract is so uncertain and indefinite that the intention of the parties in material particulars cannot be ascertained, the contract is void and unenforceable." (citing California Lettuce Growers v. Union Sugar Co., 45 Cal. 2d 474, 481 (1955) and California Civil Code section 1598)); Moncada v. W. Coast Quartz Corp., 221 Cal. App. 4th 768, 777 (6th Dist. 2013) (same).

. Section 2. Of the agreement lacks specify as to the obligations of the parties. The "County and the City agree to enter into a sales tax sharing agreement similar to" the agreement entered into in 1997 (discussed above). The term "similar" is not defined and is vague making it impossible to pinpoint what exactly is required of each party. No doubt what each party considers similar will be different and therefore should have been defined in the original agreement.

Section 2 also contains the phrase the 'obligation to enter into a sale tax sharing agreement is conditioned upon the following:" One of the conditions is that the City and County agree to a property tax exchange with an agreed to average share. Again these terms "agreed to" and "average share" are not defined and are subject to interpretation. A condition that requires the parties to come to an agreement is at it most basic not an agreement to do anything specific because if they cannot agree then actions cannot be taken. Here again the language sounds nice and congenial but is not enforceable as to anything specific.

Also the 5th "Whereas" in the agreement is no longer true as the County and City are no longer on the same financial footings as they were in 2002 and thus the conditions under which the agreement were undertaken have changed. The County, having been subject to numerous disasters (Valley Fire etc.), is no longer in a positive financial footing and the City, having avoided most of those disasters is in a different position.

Finally, the agreement has a statement in it that an application that would ...take effect within ten years of the date of this agreement. Although the agreement does not technically have

an end date the inclusion of this statement illustrates that the parties saw some action happening on annexation within a ten year period. A ten year period that pasted in February of 2012.

SUCCESSIVE WRITINGS

It is also important to note that the County of Lake and the City of Lakeport have undertaken no additional "writings" regarding this the issue of Annexation or Pre-Annexation since the date of the last agreement in February 2002. Clearly, the County and the City understood that a writing should be used to distill any agreement they want to make with each other. The fact that there have not been any writings on this issue between the two entities in over 16 years speaks volumes. If any continued or new understanding were intended the City of Lakeport and the County of Lake would have reduced those agreements to a successive agreement.

SPHERE OF INFLUENCE

The "South Main" area that the City of Lakeport has considered annexing is a part of the City of Lakeport's "sphere of influence." A sphere of influence is a plan for the probable physical boundaries and service area of a local agency, as determined by the (commission) LAFCO. LAFCOs are responsible for establishing a sphere of influence for each city and district whose boundaries are regulated by LAFCO. Typically, a sphere of influence is the territory a city or district is expected to annex.

Cities and districts cannot provide services outside their sphere of influence except in very limited circumstances. With the passage of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.) LAFCOos are required to update spheres of influence every five years either in conjunction with, or after completing, service reviews. This Act was enacted to encourage 'planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space [and agricultural] lands within those patterns and to discourage urban sprawl and encourage 'the orderly formation and development of local agencies based upon local conditions and circumstances.' " (*Sierra Club v. San Joaquin Local Agency Formation Com.* (1999) 21 Cal.4th 489, 495, 87 Cal.Rptr.2d 702, 981 P.2d 543.).

Most relevant to the question of what rights a city has in its sphere of influence pre-annexation is the statement that a city "has only those express (or necessarily implied) powers which are specifically granted to it by statute." (*City of Ceres v. City of Modesto* (1969) 274 Cal.App.2d 545, 550, 79 Cal.Rptr. 168.) A LAFCO's powers are set forth in section 56375. Most pertinent to this case, section 56375, subdivision (p) provides that a LAFCO has the power and duty "[t]o authorize a city or district to provide new or extended services outside its jurisdictional boundaries pursuant to Section 56133." Section 56133 provides, in pertinent part:

"(a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional boundaries only if it first requests and receives written approval from the [LAFCO] in the affected county.

"(b) The [LAFCO] may authorize a city or district to provide new or extended services outside its jurisdictional boundaries but within its sphere of influence in anticipation of a later change of organization.

As can be noted the City of Lakeport "may" have some rights to extend services by contract in the sphere of influence. However, it requires the authorization of LAFCO to do so pre annexation. Although there does not seem to be any case law that details a city trying to stop the County from adding services to the City's sphere of influence – it can be extrapolated that stopping the County would also need LAFCOs authorization. At this point the City of Lakeport has not applied to LAFCO and therefore have no extra powers in their sphere of influence.

CONCLUSION

The three agreements between the County of Lake and the City of Lakeport are for various reason subject to the argument that they are unenforceable, void or terminated. Therefore, any application that the City of Lakeport makes to annex South Main should be subject to the Rules of LAFCO and the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 without being effected by any of the above agreements. Further, if the City of Lakeport wants to have any "say" in the County projects in the South Main area before annexation they will need to apply to LAFCO and go through the full required process.