

May 29, 2002

Local Agency Formation Commission  
for Los Angeles County  
700 North Central Avenue, Suite 350  
Glendale, California 91203

**Re: Executive Officer's Report for the Special Reorganization of the Hollywood Area**

Dear Commissioners:

I am very pleased to present for your review and consideration the Executive Officer's Report for the Special Reorganization of the Hollywood area of the City of Los Angeles. This Report is the culmination of many months of hard work by the Subcommittee on Findings, Terms and Conditions (the "Subcommittee"), Commission staff, its consultants and legal counsel.

The proposal for special reorganization of the Hollywood area, along with two (2) other special reorganization areas, is unprecedented in its scope. Special reorganizations are rare, only two have occurred in the State's history, the last over 80 years ago.

The objective of the Executive Officer's Report is to provide you with recommendations regarding the findings the Commission must consider in order to determine whether or not to approve the proposal.

The Report takes into consideration the analysis contained in the Comprehensive Fiscal Analysis ("CFA") prepared by Public Financial Management, Inc., as well as the State Controller's review of the CFA. The CFA concluded that a Hollywood city would be financially viable if it were to contract for services with the City of Los Angeles. The State Controller concluded that a Hollywood city would not have a positive general fund reserve balance. However, that conclusion was reached prior to LAFCO receiving "actual" revenue and expenditure data from the City of Los Angeles. Re-analysis of the fiscal data now indicates a positive general fund reserve balance can be achieved.

The Executive Officer's Report recommends that the Commission find that the proposed Hollywood Area Special Reorganization would be financially viable without increasing taxes or decreasing levels of service, and that the Commission approve the proposed Hollywood Area Special Reorganization.

As the proposal has evolved since this process began, the Commission staff and its consultants have attempted to keep pace with an ever-changing landscape. In large part, this Report is also based upon the considerable efforts of the Hollywood applicant and its consultants, as well as the City of Los Angeles. All parties have provided data and information, critical fiscal and legal analysis, all of which has been utilized as the basis for this Report.

I believe that this Report provides the required information and recommendations necessary for you to properly consider the proposal. If you have any questions regarding the material presented in this Report, please do not hesitate to call.

Larry J. Calemine  
Executive Officer

Cc: Hollywood SRO Applicant  
Mayor Hahn, City of Los Angeles  
County Counsel