

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
GOVERNANCE OF NEW CITIES		
Elected Leaders		Pursuant to Government Code section 56852.7, the legislative body of the Valley City shall consist of fourteen council members elected by districts, as defined in Government Code section 34781, and a mayor who shall be a voting member of the council, elected at large. The initial boundaries, as established by the Commission consistent with the provisions of Government Code section 56852.7, are as set forth hereto in Attachment A [not yet provided]. As provided in Government Code section 34880, the City Council members shall hold office until the next general election. At that election, the Council members elected by or from even-numbered districts shall hold office for four years and the members elected by or from the odd-number districts shall hold office for two years. Thereafter, the terms of office shall be four years for all members. The mayor shall hold office for four years. (3/7/02)
Effective Date	The transition period shall commence with the effective date of incorporation (July 1, 2003).	The effective date of the special reorganization shall be January 1, 2003. [Applicants hereby reserve the right to present the following alternative term and condition to the Commission : "The effective date of the special reorganization is December 30, 2002."] (3/7/02)
Appropriations Limit		Pursuant to Government Code section 56842.6, the provisional appropriations limit submitted for voter approval shall be \$1,201,000,000. (3/7/02)
Sphere of Influence		The Commission shall adopt a sphere of influence for the City within one year of the date of Reorganization, as specified in Government Code section 56426.5. (3/7/02)

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Name of City		Pursuant to Government Code section 57101(d), the preference of the new city's voters between names for the new city (hereinafter referred to as the "Valley City") shall be included on the ballot and the name shall be chosen from among the following five (5) choices: [Camelot], [Mission Valley], [Rancho San Fernando], [San Fernando Valley], [Valley City]. (3/7/02)
Appointive Positions		The City shall have a City Manager who shall be the City's chief executive. The City Council shall appoint the City Manager and also appoint the positions of city clerk, city treasurer, police chief, fire chief, city attorney, public works director, and planning director. (3/7/02)
Ordinances		The City Council shall, immediately following its organization and prior to performing any other official act, adopt an ordinance providing that all ordinances of the City of Los Angeles theretofore applicable shall remain in full force and effect as City ordinances for a period of one-hundred twenty (120) days thereafter or until the City Council has enacted ordinances superseding them, whichever shall occur first; provided however, any ordinances that conflict with general law shall not be effective. Enforcement of continuing ordinances of the City of Los Angeles shall be with the City, except insofar as enforcement services are furnished by the City of Los Angeles as Transition Municipal Services. (3/7/02)
TRANSITION PERIOD SERVICE		

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Transition Period Service		A Transition Period shall follow the Effective Date during which the City of Los Angeles will continue to provide the full range of existing municipal services to the Valley City that it currently provides within the Valley City's boundaries immediately prior to the effective date of the incorporation. During the Transition Period the Valley City shall take necessary initial legislative actions, assume required police powers, establish its executive leadership, and take such actions as may be necessary to assure a continuity of municipal services. The Valley City shall be responsible for providing other services currently provided by the City of Los Angeles, as set forth in Attachment C, by employing Valley City staff and facilities. (3/7/02)
Transition Period Length	The transition period shall commence with the effective date of incorporation (July 1, 2003) and terminate at the conclusion of the fiscal year in which the incorporation becomes effective (June 30, 2004).	The Transition Period shall extend from the Effective Date and conclude on June 30, 2004, except that the Transition Period for a particular service shall terminate on the effective date of a service contract between the parties for the provision of that service. [Applicants hereby reserve the right to present the following alternative term and condition to the Commission : "The Transition Period shall extend from the Effective Date through the end of the second full Fiscal Year ending June 30, 2005."] This Transition Period will allow time for Municipal Service Contract preparation, revenue transfer, asset transfer, and other transition tasks required to establish services in the Valley City. (3/7/02)

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Payment Calculation	<p>The new city shall compensate the City for all costs of continued service ("service costs"), including, without limitation, direct costs (e.g., labor costs), overhead, capital costs, related liability claims, administration costs, and costs not fully reimbursed through fees and charges.</p>	<p>Initially the Costs of Providing Transition Municipal Services shall be based on the CFA as specified in Attachment D [not yet provided; previous version included all current costs except Mayor, CAO, Neighborhood Empowerment and Treasurer]. These costs may be modified by agreement of the [Valley] City and the City of Los Angeles.</p> <p>As the parties execute individual Municipal Service Contracts during the Transition Period the Fiscal Agent shall recalculate the Municipal Revenue Percentage by deducting an amount equal to the cost of providing the associated Transition Municipal Service from the total Cost of Providing Transition Municipal Services City (see Attachment D) [not yet provided], and dividing the result by the total Selected Municipal Revenues (see Attachment E) [not yet provided] thus decreasing the Municipal Revenue Percentage. (3/14/02)</p>
Payment Scope	<p>During that time and except as provided herein, the City shall continue to render all services to the incorporated territory. Due to the considerable expenditures involved in the continuation of services and the significant financial injury that would be incurred by the City if it were required to make significant expenditures without timely reimbursement, under former California Government Code §§ 57302 the Commission specifically finds and determines that the service continuation requirement of former California Government Code §§ 57384(a) and the cost reimbursement provision of former California Government Code §§ 57384(b) for such service continuation are to be modified to conform to the terms and conditions set forth in this resolution.</p>	<p>To the extent that the Payment for Transition Services falls below the cost of providing the Transition Municipal Services, the shortfall amount shall be accrued and repaid from future accrued Selected Municipal Revenues multiplied by the Municipal Revenue Percentage that exceed the current Payment for Transition Services. Any balance due to the City of Los Angeles that remains owing at the end of the Transition Period shall be amortized and repaid over the subsequent five-year period with interest at accrued at the same rate as earned on the funds in the City of Los Angeles Investment Pool. (3/14/02)</p>

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Payment for Transition Services		<p>The [Valley] City, through the services of a Transition Period Fiscal Agent, shall compensate the City of Los Angeles for Transition Municipal Services on a monthly basis beginning from the Effective Date ("Payment for Transition Services"). Payment for Transition Services shall be based upon a fixed percentage of selected municipal revenues plus additional dedicated revenues. Payment shall be calculated by applying a Municipal Revenue Percentage to [property tax, sales tax, utility users tax, business tax, motor vehicle license fees, and transient occupancy tax, together the "Selected Municipal Revenues"] actual monthly accruals as set forth in Attachment F. The initial Municipal Revenue Percentage shall be [95] percent. Payment for Transition Services will also include all special purpose revenues that currently accrue expressly for those services (e.g. motor fuel taxes for road maintenance) and all program revenue (revenue generated in association with the service rendered, e.g., building permit fees and related service charges). (3/7/02)</p>

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Reimbursement Schedule	<p>The new city shall pay for these service costs on a monthly basis. The City shall present an invoice to the new city at the beginning of the month for which services are to be rendered setting forth an estimate of the costs anticipated for the month. That invoice is to be paid by the new city such that the funds will be received by the City by the tenth of the month. The City shall reconcile the estimate with actual costs, with payment for any difference being paid by the City to the new city or by the new city to the City such that any funds to be transferred will have been received within 30 days of the presentation of the reconciliation to the new city.</p> <p>If the new city does not make this payment, the County Auditor-Controller shall pay the City the sums due for this payment using the property tax, business tax, and utility users tax otherwise payable to the new city. This payment to the City from either the new city or the Auditor-Controller shall occur monthly.</p>	<p>The Total Payment for Transition Municipal Services shall not exceed the total cost of providing the Transition Municipal Services as specified in Attachment D unless the payment includes re-payment of any accrued cash flow shortfalls as described in Section 4.3, and/or reimbursement for a Startup Advance as described in Section 6.1. To the extent that the Payment for Transition Services falls below the cost of providing the Transition Municipal Services, the shortfall amount shall be accrued and repaid from future accrued Selected Municipal Revenues multiplied by the Municipal Revenue Percentage that exceed the current Payment for Transition Services. Any balance due to the City of Los Angeles that remains owing at the end of the Transition Period shall be amortized and repaid over the subsequent five-year period with interest at accrued at the same rate as earned on the funds in the City of Los Angeles Investment Pool. (3/7/02)</p>
Interim Service Agreements		<p>Immediately upon incorporation, the [Valley] City shall adopt Interim Service Agreements for all Transition municipal services provided by the City of Los Angeles. The City and the City of Los Angeles shall make good faith efforts to expeditiously enter into Interim Municipal Service Agreements. The interim Municipal Service Agreements shall include the terms and conditions contained herein for each applicable transition municipal service. Individual Interim Municipal Service Agreements shall continue until replaced by Municipal Service Contracts (as they are developed) or until such time as the City accepts responsibility for providing services using City staff and facilities. (3/7/02)</p>

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Contractual Coverage	By contract, the City and the new city may agree to different services.	During the Transition Period the [Valley] City shall take necessary initial legislative actions, assume required police powers, establish its executive leadership, and take such actions as may be necessary to assure a continuity of municipal services. The [Valley] city shall be responsible for providing other services currently provided by the City of Los Angeles, as set forth in Attachment C by employing City staff and facilities. The [Valley] city may also contract with other entities for such services. (3/7/02)
Escape Clause		The [Valley] City may terminate Transition Municipal Services with adequate notice as set forth in Section 3.6 below, or the parties may alter such services by mutual agreement during the Transition Period, with a corresponding modification to the Payment for Transition Services. (3/7/02)
Escape clause II		<p><u>Notification of Termination</u> The Valley City may terminate Transition Municipal Services upon six month's notice. The Valley City shall continue to pay for Transition Municipal Services after notification of termination until the termination date. If the Valley City cancels a Transition Period service with less than six months notice, the Valley City shall continue to be obligated to pay for that service throughout the six month period. [Applicants hereby reserve the right to present the following alternative term and condition to the Commission : "Except for police, fire and public works, the Valley City may terminate Transition Municipal Services unilaterally by providing advance notification as follows:</p> <p>(a) Police, fire and public works, a minimum of six months notice shall be provided by the Valley City.</p> <p>(b) All other services shall require a minimum of three months notice."] (3/7/02)</p>

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Service Control	The City will retain complete control over the allocation of resources and the management of services. The new city may not give direction to City officers, City employees, or City contractors providing services to the incorporated area or make management decisions in regard to the rendering of those services.	
Service Level	The City shall retain the right to adjust or modify service in response to changes in the need for governmental services or circumstances beyond the City's control (e.g., emergencies, changed economic conditions, Acts of God). The City will notify the new city prior to making any significant changes in service, except in emergencies, in which case the City will give notice as soon as reasonably practicable. The City may also reduce or terminate services, in its discretion, if the new city does not timely reimburse the City for those services as provided in this section.	The City of Los Angeles shall continue to provide the full range of existing municipal services (Transition Municipal Services) during the Transition Period at Existing Service Levels in a manner identical to those services provided during the fiscal year prior to the Effective Date. Such services shall be purchased ("Purchased Municipal Services") by the Valley City pursuant to Interim Municipal Service Agreements. The City of Los Angeles shall be allowed to reduce service levels in the Valley City during the transition period only as may be required for management of City of Los Angeles emergencies or revenue shortfalls in the Valley City. (3/7/02)
Service Alternatives	If the City cannot or does not provide services to the territory of the incorporated area, the services will be provided by the County.	If the City of Los Angeles fails to maintain Municipal Service Levels during the Transition Period, the Valley City shall be entitled to a proportional adjustment of the Transition Revenue Share. (3/7/02)
MITIGATION PAYMENTS TO CITY OF LA		
Term	25 years	A total of twenty annual payments shall be due, including the first partial payment. (3/14/02)

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Linkage to Revenues	<p>If the new city does not make this payment, the County Auditor-Controller shall pay the City the sums due for this payment using the property tax, business tax and utility users tax otherwise payable to the new city. This payment to the City from either the new city or the Auditor-Controller shall occur monthly.</p>	<p><u>Revenue Neutrality Payment Mechanism.</u> The payment annual payment amount shall not exceed 80.5 percent of the electric utility users tax collected by the New Valley City. To the extent that the annual payment amount calculated pursuant to section 7.1, the shortfall shall be accrued and repaid in subsequent years pursuant to section 7.4.</p> <p><u>Revenue Neutrality Re-Payment for Revenue Shortfalls.</u> Any payment shortfalls that occur as described in section 7.3 shall accrue interest at the rate of [] and shall be repaid in the next period for which 80.5 percent of the electric utility users tax collected by the New Valley City exceed the payment required by section 7.1. (3/14/02)</p>
Payment Amount	<p>The mitigation payment shall be a monthly payment consisting of one-twelfth of the annual mitigation obligation. The base annual obligation of the Valley city has been calculated to be \$306 million [25,500,000.00 monthly], consisting of two components: stranded centralized costs (\$286 million) (93.5%) and other revenue foregone (\$20 million) (6.5%).</p>	<p>The annual payment amount shall be based on the CFA finding of a negative fiscal effect of \$65.8 million annually upon the City of Los Angeles. The payment in the first partial fiscal year will be prorated proportionately. Beginning in the first full fiscal year and continuing through the payment term, the annual payment shall be equal to the prior year's full-year payment adjusted by [the lesser of 2.5 percent or actual inflation for the prior], then discounted by five percent. The payment shall be due by the last day of the fiscal year for which the payment is due.(3/14/02)</p>
Payment Schedule	<p>The first monthly payment shall be made on the first day of the month following the effective date of incorporation and shall be deemed payment for the partial month just concluded. Subsequent payments shall be made on the first of the following month.</p>	

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Pre-Payment		The new Valley city may pre-pay in full the remaining revenue neutrality payment obligations. The amount of the pre-payment shall equal the present value of the remaining payments calculated according to section 7.1 with an assumed inflation rate of 2.5 percent, discounted at the [yield rate of ten-year Treasury securities of constant maturity, e.g. 5.05% on February 4, 2002]. (3/14/02)
Payment Offsets	During the transition period only, to the extent that the stranded centralized costs component is recovered by the City through payment for services, the mitigation payment shall not include them. Assuming such will be the case, the base monthly payment prior to adjustment for the months of July 2003 through June 2004 shall be \$1,666,666.67 (\$20 million x 1/12). For these months, the monthly payment shall be adjusted as of July 1, 2003 on the basis of the average (mean) monthly Consumer Price Index ("CPI") for all goods and services for the Los Angeles region...for the year ending the preceding April 30. Thereafter, for a period of twenty-four (24) additional years the base annual obligations set forth above (\$306 million annually) shall be adjusted annually (as of July 1, with the first adjustment being for the year beginning July 1, 2004) on the basis of the average (mean) monthly CPI for the Los Angeles region for the year ending the preceding April 30.	The revenue neutrality amount shall be adjusted based on the following factors, and/or other factors as mutually agreed to by the parties: (a) Transfer of a pension fund liability from the City of Los Angeles to the new Valley city associated with a transferred employee shall be a credit against the revenue neutrality payment amount; (b) Transfers of other expenditures or liabilities not included in the CFA's calculation of the revenue neutrality amount, e.g. the transfer of the Van Nuys Airport to the new Valley city shall correspondingly reduce the annual revenue neutrality amount by the estimated annual subsidy to the Airport, currently estimated to be \$4 million. (3/14/02)
FISCAL AGENT		

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Revenue Collection	All property taxes and all assessments and fees collected through the property tax bills to which the new city would otherwise be entitled, business taxes of the new city, and utility users taxes of the new city shall be remitted to an retained by the County Auditor-Controller as a third-party fiscal agent.	All Municipal Revenues generated within the [Valley] City and the authority to receive these revenues, whether they are collected by the State, County, or City of Los Angeles, shall be transferred to the [Valley] City. The City of Los Angeles shall retain property tax received following the Effective Date until the start of the next full fiscal year (July 1, 2003) and credit the amount towards the Payment for Transition Services. Any other Municipal Revenues retained by the City of Los Angeles due to unavoidable circumstances that arise during the Transition Period (e.g., required filings, accounting procedures, etc.), that would otherwise be due the [Valley] City shall similarly be credited towards the [Valley] City's obligation for Payment for Transition Municipal Services. (3/14/02)
Fiscal Agent		<u>Transition Period Fiscal Agent.</u> The County of Los Angeles Auditor-Controller shall be the Fiscal Agent during the Transition Period. All Selected Municipal Revenues accruing to the City shall be deposited with the Auditor Controller and held in a Transition Trust Account in the interest of the City and the City of Los Angeles. Each month, the Auditor Controller shall distribute funds from the Transition Trust Account to the City and the City of Los Angeles. The City of Los Angeles Share shall be equal to the current Municipal Revenue Percentage as determined in Section 4.1 multiplied by the current month's Selected Municipal Revenues. (3/14/02)
Fiscal Agent Payment Priorities	The Auditor-Controller shall disburse those sums to the City and, if applicable, to the new city in accordance with this term and condition. Before making any disbursement to the new city or any other entity making claim to those sums, the County Auditor-Controller shall disburse to the City those sums as described in this term and condition. The claim of the City to those moneys shall take precedence over any other claimants to the money, including those of the new city, its creditors, or its financiers.	

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Late Payments	For any late payment, the Auditor-Controller shall add interest at a rate equal to the City's general pool investment yield to the disbursement made to the City.	
Fiscal Agent Costs	The new city shall pay for the cost of using the Auditor-Controller as a third party fiscal agent.	
REVENUES		
Start-Up Advance		<u>Startup Advance.</u> The City of Los Angeles will advance up to \$[1,000,000] immediately following the Effective Date to be drawn upon by the City during the period between the Effective Date and the end of the second full quarter following the Effective Date. This Startup Advance will fund professional and administrative services necessary to initiate City governance, management, and administration. Reimbursement of the Start-up Loan, along with interest accrued at the same rate as earned on the funds in the City of Los Angeles Investment Pool (or other similar fund or pool), will occur with the Payment for Purchased Services to the City of Los Angeles at the end of the first quarter of the first full fiscal year. (3/14/02)

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Grants	<p>If the City has been awarded state, county or federal grant funds prior to the effective date of incorporation that must be used in the detached territory, the City will facilitate an amendment to its grant agreement with the granting agency, so that the moneys can be deleted from the City's grant agreement and the new city may enter into a direct grant agreement with the granting agency for use of those funds. The new city shall not be entitled to any other division or allocation of grant funds, and shall not be included within future City applications for, or allocation of, grant funds. Notwithstanding the above, any grant funds that may legally be expended within the boundaries of the City not including the territory encompassed in the new city, may, at the option of the City be used by the City within its boundaries, or the City may seek to amend its grant agreement to delete those funds as described earlier in this paragraph.</p>	<p><u>Grant Funding.</u> Grant Funding previously appropriated for projects in the territory of the City shall be transferred. The City of Los Angeles shall facilitate an amendment to its grant agreements with granting agencies so that grant funding can be deleted from the City's grant agreements and granting agencies may enter into direct grant agreements with the City for use of those grant funds.</p> <p><u>Home, McKinney and Community Development Block Grant (CDBG).</u> During the Transition Period, the City will continue to participate in all such programs, unless alternative arrangements are determined by mutual consent. (3/14/02)</p>
Tax Authorization		<p>All previously authorized and collected charges, fees, assessments and general or special taxes previously collected by the City of Los Angeles shall be collected in the [Valley] City. (3/14/02)</p>
Tobacco Settlement	[No terms proposed]	<p>[Position: Proposes proportional share of tobacco settlement funds directly or as deduction from revenue neutrality payment] (3/14/02)</p>

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Special Assessment Districts	<p>The administration of any assessment districts located entirely within the detached territory shall be transferred to the new city's legislative body after the effective date of incorporation. To the extent that any assessment district is located partially within the new city and partially within the remaining city, that portion located within the new city shall be detached and become the responsibility of the new city.</p>	<p>All assessment districts wholly within the [Valley] City shall become the responsibility of the [Valley] City. Assessment districts that are partially within the City shall be detached and the portion within the City shall become the responsibility of the City; provided however that any territory of the city located within the boundaries of Landscaping and Lighting District No. 96-1 Proposition K shall continue to be liable for assessment and payment of its pro rate share of any bonds issued prior to incorporation that are secured by Proposition K funds, based upon the benefit points methodology currently used for such assessment district, including related bond trustee costs and costs charged by the County of Los Angeles for collection services. (3/14/02)</p>
	<p>That portion of Landscaping and Lighting District No. 96-1 (Proposition K) located within the new city shall be detached from the District and formed into a new District. The assessment that will be authorized to be collected by the respective Districts annually for the remainder of the assessment (2021) shall be as follows: District located within remaining City of Los Angeles: \$_____ per year District located within Valley Special Reorganization Area: \$_____ per year The new city shall be obligated to carry out those specified projects located within its territory and otherwise administer the District in compliance with all responsibilities, powers and limitations of District 96-1. In addition to the specified projects, the District shall be authorized to allocate funds for competitive projects in accordance with Section 6 of Proposition K in the following amount and for the following categories of projects. [categories with annual amounts not provided]</p>	<p>Assessment districts that are partially within the [Valley] City shall be detached and the portion within the [Valley] City shall become the responsibility of the [Valley] City; provided however that any territory of the city located within the boundaries of Landscaping and Lighting District No. 96-1 (Proposition K) shall continue to be liable for assessment and payment of its pro rata share of any bonds issued prior to incorporation that are secured by Proposition K funds, based upon the benefit points methodology currently used for such assessment district, including related bond trustee costs and costs charged by the County for collection services. (3/14/02)</p>

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Prop K Assessment District	<p>Should division of the District into separate Districts be found unlawful, the territory in any new city shall be detached from the District and the amount of the assessment levied within the City shall be adjusted in accordance with this term and condition. Notwithstanding the above, property in any new city shall continue to be liable for assessment and payment of its pro rata share of any bonds issued prior to incorporation that are secured by Proposition K funds, including related bond trustee costs and costs charged by the County for collection services. The amount that the properties in the new city shall be assessed shall be determined by the City and levied by the new city based upon the benefit points methodology currently used. The new city shall cooperate in providing to the City any information needed to determine the appropriate assessment amount. The County shall rely on the assessment figure determined by the City, shall continue to collect these fees as part of the property tax bill, and shall remit the fees directly to the City.</p>	
PUBLIC EMPLOYEES		
General	<p><u>Employment.</u> As a governmental employer, the new city will be free to appoint persons to employment positions that it establishes and chooses to fill. Some such persons may be former employees of the City, who will have voluntarily resigned from their employment with the City to accept employment in the new city ("migrated employees").</p>	<p>The transfer of Employees shall be on a voluntary basis. At such time as Transition Municipal Services are terminated, and assuming that the [Valley] City has not entered into a related Municipal Service Contract with the City of Los Angeles, the employees who deliver those services will be offered jobs as [Valley] City employees. Those employees who elect to take employment with the [Valley] City shall receive the same level of compensation and all benefits per their existing labor agreements, their seniority, bumping rights and placement on certification lists, and retirement benefits in accordance with the provisions of Government Code section 56844.2. (3/7/02)</p>

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Bargaining Unit & Contract	<p>If the migrated employee was a represented employee at the time of resignation from City employment, the new city shall recognize a bargaining unit for such employee that is described similarly to that to which the migrated employee had belonged while employed by the City. The certified bargaining representative for such unit shall become the certified bargaining representative for the new city's bargaining unit. Any memorandum of understanding (labor contract), whether or not so named, for the migrated employee's City bargaining unit shall be binding on the new city for the balance of the term of the memorandum.</p>	<p>Upon any transfer of employees to the new Valley city, collective bargaining agreements and memorandums of understanding will continue to apply to employees working in the new Valley city. (2/25/02)</p>
Civil Service	<p>A civil service system shall be established that conforms to that reflected in the City's charter, civil service rules and policies, and other laws in existence on the date of incorporation. The new city shall recognize and observe the civil service rights of migrated employees, including seniority.</p>	<p>The civil service provisions of the City of Los Angeles Charter (Section 1000, et. seq.) shall apply to Transferred Employees. The City Council of the Valley City shall, immediately following its organization, adopt an ordinance providing that the civil service provisions of the City of Los Angeles Charter (Section 1000, et. seq.) apply to Transferred Employees. (3/7/02)</p>
Retirement Benefits	<p>The new city shall accord the migrated employee retirement benefits, including but not limited to, health, dental, and vision care benefits, at a level at least equal to that to which the migrated employee was entitled on the date of incorporation.</p>	<p><u>Retirement Benefits</u> The Valley City shall become a member of the Public Employees' Retirement System (PERS). <u>Transfer of Retirement Benefits</u> The benefits of Transferred Employees who are participants in the Los Angeles City Employees' Retirement System shall transfer with the Transferred Employees pursuant to the provisions of the reciprocity agreement between the City of Los Angeles and PERS, and the Revenue Neutrality Agreement set forth in 7.1 below. In the absence of a Revenue Neutrality Agreement, the actuarial equivalent value of the accrued benefit earned to the date of transfer on the assumption that retirement will occur at the maximum level for each Transferred Employee shall be transferred to the Valley City. (3/7/02)</p>

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	<p>To the extent that the City is left with a workforce that exceeds the funds available, work to be performed, or positions to be filled:</p> <p>(i). The new city shall pay the City for the full cost of compensation of each such employee (including, without limitation, salary, pension, and benefits). Those payments will be considered transition costs for purposes of this resolution.</p> <p>(ii). To the extent that the new city refuses or fails to pay the employee compensation as provided above, the Commission recognizes that the City's manner of reducing its workforce to accommodate these constraints is by layoff in the manner prescribed by Charter, civil service rule, and the City's employment practices.</p>	<p><u>Non-Transferring Employees.</u> Attachment E lists the total number of budgeted employees in each department of the City of Los Angeles, the number of those employees who deliver services within the boundaries of the Valley City and the number of those employees who deliver services in the areas of the City of Los Angeles outside of the boundaries of the Valley City (Los Angeles Allocated Employees). At such time as Transition Municipal Services are terminated, and if the Valley City has not entered into a related Municipal Service Contract with the City of Los Angeles for the services provided by one or more department(s), Employees will be transferred in the following manner:</p> <p>a) First employees in those positions designated by Attachment E as providing service to the Valley shall be sent an invitation to become employed by the Valley City,</p> <p>b) In the event, all the positions are not filled after step a above, invitations shall be sent to employees in the remainder of the department.</p> <p>c) In the event, all the position are not filled after step a and b above, the City of Los Angeles shall apply the employees who choose not to transfer to the Valley City to fill vacancies where possible, including to reasonably similar positions in different departments where reasonably possible. (3/7/02)</p>

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Surplus Employee Mitigation		<p>d) After steps a, b and c, there may be an insufficient number of Transferred Employees from said department(s), resulting in the City of Los Angeles incurring expenses for employees greater than the number of Los Angeles Allocated Employees (Non-Transferring Employees) per Attachment E. In such event, the Valley City shall reimburse the City of Los Angeles for the expenses of the Non-Transferring Employees of said department(s).</p> <p>The amount, if any shall decrease by the actual attrition as it occurs. (3/7/02)</p>
ASSETS		
Liquid Assets & Trust Accounts	<p>The City shall transfer to the new city impact fees and other special fees collected prior to the incorporation that are obligated to be used solely in the territory of the new city for construction of specific facilities or improvements, or the delivery of specific services, not yet constructed or delivered. The new city shall be required to expend those moneys for the original purposes for which the fees were collected, and shall be bound by all legal obligations with respect to use of the money that would otherwise bind the City, including but not limited to, time limits, if any, in which to expend the money, or obligations to refund unexpended fees. The transfer of fees shall not toll any time limits in which to expend the moneys. The new city shall indemnify and hold harmless the City from any actions alleging improper use of these moneys. The fees covered by this paragraph include, but are not limited to, the following: [list to be supplied]</p>	<p><u>Cash and Other Liquid Assets.</u> All such assets currently identified, or identified during the Transition Period, shall be transferred including (but not limited to):</p> <p>(a) Trust Account Funds - The City of Los Angeles will provide accounting for the purposes of distributing funds set aside for use in the territory included in the City, including but not limited to development impact fees (as set forth in paragraph (1) below), development agreement funds, project-appropriated CIP funding, Quimby fees (parkland dedication in lieu fees), and all other trust funds collected in the territory included in the City expressly for projects or improvements therein. (b) Other Liquid Assets - All other liquid assets shall be divided and transferred proportionate to population. (3/14/02)</p>

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Development Impact Fees		<p><u>Development Impact Fees.</u> The City of Los Angeles shall transfer to the City impact fees and other special fees collected prior to the effective date of the incorporation that are obligated to be used solely in the territory of the City for the construction of specific facilities or improvements, or the delivery of specific services, not yet constructed or delivered. The City shall be required to spend such impact fees or other special fees for the original purposes for which such fees were collected and shall be bound by all legal obligations with respect to the use of such fees. (3/14/02)</p>
Local Service-Related Assets	<p>Those local assets (e.g., parks, libraries) owned by the City located in the new city and as listed in appendix B shall be transferred to the new city without compensation when all of the following have occurred: (a) the transition period has ended, (b) the new city is not in default on any of its obligations under this resolution, and (c) the City and the new city have entered into an agreement which satisfies the City that mechanisms are in place to guaranty [sic] that the new city will be able to meet all of its obligations to the City, including but not limited to, the mitigation payment, debt service and liability payments, service costs, and transition costs. No assets, property, rights of way, easements or other property interests related to operation of the water system, power system, wastewater system, and communications or other centralized systems will be transferred.</p>	<p>All right, title, interest and responsibility of the City of Los Angeles, including the underlying fee title were owned by the City of Los Angeles or owned by City of Los Angeles-governed districts of all Police, Fire, Animal Services, Park, and Library buildings and facilities, including all furnishings, fixtures, rolling stock and other equipment contained therein or otherwise associated with the services provided by that facility located within the [Valley] City boundaries shall vest in the [Valley] City (see Attachment D). (3/14/02)</p>

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Transfer of real property		<p><u>Transfer of Real Property.</u> Upon the effective date all right, title, interest, and responsibility of the City of Los Angeles, including the underlying fee title where owned by the City of Los Angeles or owned by City of Los Angeles-governed districts located within the City boundaries shall vest in the City as set forth below. The City and the City of Los Angeles, on behalf of itself and City of Los Angeles governed districts, shall expeditiously prepare and record appropriate documents following incorporation to evidence such transfer of real property interests. (3/14/02)</p>
Public Safety property: Police		<p>Police - All right, title, interest and responsibility of the City of Los Angeles, including the underlying fee title were owned by the City of Los Angeles or owned by City of Los Angeles-governed districts of all Police buildings and facilities, including all furnishings, fixtures, rolling stock and other equipment contained therein or otherwise associated with the services provided by that facility located within the City boundaries shall vest in the City. (see Attachment G). (3/14/02)</p>
Public Safety property: Fire		<p>Fire - All right, title, interest and responsibility of the City of Los Angeles, including the underlying fee title were owned by the City of Los Angeles or owned by City of Los Angeles-governed districts of all Fire buildings and facilities, including all furnishings, fixtures, rolling stock and other equipment contained therein or otherwise associated with the services provided by that facility located within the City boundaries shall vest in the City. (see Attachment G). (3/14/02)</p>

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Public Safety property: Animal services		Animal Services - All right, title, interest and responsibility of the City of Los Angeles, including the underlying fee title were owned by the City of Los Angeles or owned by City of Los Angeles-governed districts of all Animal Services buildings and facilities, including all furnishings, fixtures, rolling stock and other equipment contained therein or otherwise associated with the services provided by that facility located within the City boundaries shall vest in the City (see Attachment G). (3/14/02)
Municipal Buildings & Facilities		Other municipal buildings, including all furnishings, fixtures, rolling stock and other equipment contained therein or otherwise associated with the services provided by that facility located within the City boundaries shall vest in the City (see Attachment G). (3/14/02)
Other Municipal Facilities		Other Municipal Facilities - Other municipal facilities that are presently identified (see Attachment G) or which are identified during the Transition Period, including all furnishings, fixtures, rolling stock and other equipment contained therein or otherwise associated with the services provided by that facility located within the City boundaries shall vest in the City. (3/14/02)
Streets	Upon incorporation the new city shall receive real property interests in roads and highways owned by the City within the incorporated area, except the City shall retain title to all assets, property, rights of way, easements, and other property interests (including, but not limited to, those that may be on, under, or adjacent to those roads and highways) related to operation of the water system, power system, wastewater system, and communications or other centralized systems.	All right, title, interest and responsibility of the City of Los Angeles, including the underlying fee title were owned by the City of Los Angeles or owned by City of Los Angeles-governed districts of any and all public roads, adjacent slopes, medians, sidewalks, trails, bikeways, landscaped areas, open space, street lights, signals, and bridges located within the City boundaries shall vest in the [Valley] City. (3/14/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Parks		Parks - All right, title, interest and responsibility of the City of Los Angeles, including the underlying fee title were owned by the City of Los Angeles or owned by City of Los Angeles-governed districts of all park real property, including all fixtures, equipment, rolling stock and personal property located on the park real property located within the City boundaries or otherwise associated with the services provided at such locations shall vest in the City (see Attachment G). The City of Los Angeles shall provide the City legal descriptions of these parks as a component of the master quitclaim deed prepared by the City of Los Angeles in connection with the conveyance. (3/14/02)
Library		Library - All right, title, interest and responsibility of the City of Los Angeles, including the underlying fee title were owned by the City of Los Angeles or owned by City of Los Angeles-governed districts of all Library buildings and facilities, including all furnishings, fixtures, rolling stock and other equipment contained therein or otherwise associated with the services provided by that facility located within the City boundaries shall vest in the City (see Attachment G). (3/14/02)
Easements	[Position: Easements transfer in a manner that follows that asset to which it is related.]	All easements associated with any and all transferred property and facilities shall be transferred from the City of Los Angeles to the [Valley] City. (3/14/02)
Financial Records & Data	[Position: On-site access upon effective date, with new city reimbursing the City's costs of constructing separate financial records.]	Other assets related to all facilities and services transferred, including assets held by the City such as furnishings, fixtures, equipment, data bases, software, records of various types which will be necessary for the continued provision of service located within the City boundaries shall vest in the City, subject to existing license and other contractual limitations. (3/14/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Stormwater	Storm drains owned in fee by the City and storm drain easements owned by the City that are located in the incorporated area shall be transferred to the new city. The new city shall obtain its own MS4 permit or other necessary permit from the California Regional Water Quality Control Board in order to discharge into the waters of the United States.	Upon the effective date of incorporation, the [Valley] city shall assume ownership and maintenance responsibilities for all City of Los Angeles drainage devices, storm drain channels and appurtenant facilities, site drainage and all master plan storm drain facilities, located within the City's boundaries. The City shall be responsible for obtaining its own MS4 permit or other necessary permit from the California Regional Water Quality Control Board or other governmental agency related to the discharge of waters. The [Valley] city shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency's ("FEMA) floodplain regulations. (3/14/02)
Sanitation	[included with local service-related assets]	Sewage Treatment and Disposal - Each resulting City shall have a proportional undivided interest in the regional sewer system. Subject to the approval of the both the City and the resulting City of Los Angeles a Joint Powers Authority that incorporates equal protection provisions for both cities shall be established to govern and oversee the operation of the Sewer System within the three year transition period. If at the end of the transition period a JPA is not established then the operations and assets of sewer system shall be divided and allocated between the City and the City of Los Angeles based on the percentage each area represents of the total rate payers (per section 56844 (h), (j) & (k)), unless some other mutually agreeable arrangement is reached that provides that the City's residents will receive sewer services at the same rates and quality of services as that received by residents of the City Los Angeles for like services, should the City allow the City of Los Angeles to retain the Sewer System assets. (3/14/02)
Airports	All assets and property under the control of the Departments of Airports, Harbor, and Water and Power shall remain with the City. Ownership and control of the City's airports, the Port of Los Angeles, and the water, power, and wastewater systems shall remain with the City.	Van Nuys Airport - Subject to the approval of the FAA Van Nuys Airport shall be transferred to the new Valley City. (3/14/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Port of LA	All assets and property under the control of the Departments of Airports, Harbor, and Water and Power shall remain with the City. Ownership and control of the City's airports, the Port of Los Angeles, and the water, power, and wastewater systems shall remain with the City.	[Position: Retained by City of LA] (3/7/02)
Miscellaneous	No assets or property of the City located in the new city shall be transferred to the new city except as provided for in this resolution.	All other property owned by the City of Los Angeles, excluding assets specifically addressed elsewhere, located within the [Valley] City boundaries shall vest in the [Valley] City. (3/14/02)
UTILITIES		
Utility Rates	The City will not establish a differential between rates charged users in the City and those in the new city unless the differential is justified under the reasonableness standard established at common law, which allows for rates differentials only if they reflect rational distinctions drawn between in-City and out-of-City users of the system, such as, but not limited to, higher costs in providing service to out-of-City residents or different returns on investment predicated on differences in how in-City and out-of-City users finance the system. To the extent that there are risks or obligations borne or financial commitments undertaken by the City and its residents and not by out-of-City users, that distinction can be reflected in differential returns on investment and, as a result, in different rates for in-City versus out-of-City use.	The City of Los Angeles shall continue to provide utility services, including electricity, water, and sewage treatment services, to the residents and businesses of the [Valley] City at the rate structures identical to those applied throughout the City of Los Angeles for the same or similar uses so long as the City of Los Angeles is the provider of these services to the [Valley] City. (3/14/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Water and Power Assets	All assets and property under the control of the Departments of Airports, Harbor, and Water and Power shall remain with the City. Ownership and control of the City's airports, the Port of Los Angeles, and the water, power, and wastewater systems shall remain with the City. Users and customers in the detached territory shall remain users and customers of the City's water, power, and wastewater systems.	<u>Utility Assets.</u> Each resulting City shall have a proportional undivided interest in the assets of the Department of Water and Power. Subject to the approval of the both the City and the new City of Los Angeles a Joint Powers Authority that incorporates equal protection provisions for both cities shall be established to govern and oversee the operation of the Department of Water and Power within the three year transition period. If at the end of the transition period a JPA is not established than the operations and assets of sewer system shall be divided and allocated between the two cities based on the percentage each area represents of the total rate payers (per section 56844 (h), (j) & (k)), unless some other mutually agreeable arrangement is reached that provides that the Valley residents will receive water and power services at the same rates and quality of services as the rest of Los Angeles residents receive should the City allow the City of Los Angeles to retain full ownership of Department of Water and Power assets. (3/14/02)
Water Rights		<u>Water Rights.</u> The City shall receive a population-based pro rata share of water rights that are presently held by the City of Los Angeles. (3/14/02)
Utility Debt	Residents, businesses, and others in the territory of the new city shall remain users and customers of the water, power, and wastewater systems at least as long as required to satisfy contractual covenants established in connection with the issuance of bonded indebtedness.	Liabilities in this category are those related specifically to the assets including leases or liens, bonded debt, or other linked expenses such as insurance payments. These assets (and related liabilities) shall be transferred to a new Municipal Utility District or other regional entity (e.g. a JPA). In the event these assets are not transferred to an MUD or JPA, then the liabilities should follow the assets. (3/14/02)
Wastewater Assets	[same as Water and Power assets]	[same as Water and Power assets] (3/7/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Wastewater Fees & Regulation	The City may impose fees and charges related to operation of the wastewater system and regulate industrial dischargers to ensure compliance with the City's environmental discharge permits. The City may exercise its authority directly or by contracting with the new city.	
LIABILITIES		
General	The new city shall in good faith endeavor to defease (pay off) its portion of the City's debt within twelve months of the effective date of incorporation. (ii). Unless and until the new city defeases its portion of the City's debt, the new city shall assume the obligation for its portion of the City's debt and bear a corresponding share of the City's debt service obligation as follows:	
General Obligation & Special Tax Bonds	<u>General obligation bonds and special tax bonds.</u> The new city shall annually adopt an ordinance levying the property tax assessment sufficient to fund the new city's share of the debt service for general obligation bonds and special tax bonds. Upon receipt by the Auditor-Controller of those revenues, the Auditor-Controller shall remit those moneys to the City until the new city's proportion of the debt is extinguished. If the new city fails to do not enact the annual ordinance and remit those revenues to the City, the County Auditor-Controller shall pay the City the sums due, using the property taxes otherwise payable to the new city.	<u>Liabilities related to Citywide-Serving Facilities.</u> The cost of existing liabilities of the City of Los Angeles (those existing as of June 30, 2000) associated with City-wide serving assets such as the Main Library have been included in the Municipal Service Cost Estimates included in the Comprehensive Fiscal Analysis. The City of Los Angeles may include these costs in Municipal Transition Service Costs and Interim Municipal Service Agreements. <u>Liabilities Related to Municipal Service-Supporting Assets.</u> Liabilities in this category are those related specifically to the assets including leases or liens, bonded debt, or other linked expenses such as insurance payments. These related liabilities shall be allocated to the City and shall be secured, in one manner or another, as a condition of asset transfer. (3/14/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Sanitation Equipment Charge Revenue Bonds	<p><u>Sanitation Equipment Charge revenue bonds.</u> The new city shall continue to levy the sanitation equipment charge and remit those sums monthly to the City until the new city's portion of the debt service on the Sanitation Equipment Charge revenue bonds is extinguished. If the new city does not levy the charge or remit the proceeds to the City, the County Auditor-Controller shall pay the City the sums due for the new city's share of debt service (41%) for the Sanitation Equipment Charge revenue bonds, using the property tax otherwise payable to the new city. This payment to the City from either the new city or the Auditor-Controller shall occur monthly.</p>	[same as position on general obligation and special tax bonds] (3/14/02)
General Fund Lease Obligations, Certificates of Participation, and Judgment Obligation Bonds	<p><u>General fund lease obligations, certificates of participation and judgement obligation bonds.</u> For these forms of indebtedness, the new city shall pay its share of existing debt (30.46%) to the City on a monthly basis until the debt is extinguished. If the new city does not make this payment, the County Auditor-Controller shall pay the City the sums due for the new city's share of debt service using the property tax otherwise payable to the new city. This payment to the City from either the new city or the Auditor-Controller shall occur monthly.</p>	[same as position on general obligation and special tax bonds] (3/14/02)
Parking Revenue Bond	<p>For this form of indebtedness, the new city shall pay its share of existing debt (13%) to the City on a monthly basis until the debt is extinguished. If the new city does not make this payment, the County Auditor-Controller shall pay the City the sums due for the new city's share of debt service using the property tax otherwise payable to the new city. This payment to the City from either the new city or the Auditor-Controller shall occur monthly.</p>	[same as position on general obligation and special tax bonds] (3/14/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Non-debt Liabilities	<p><u>Workers compensation/existing and contingent liabilities.</u> The new city shall pay a share of liability arising from claims and lawsuits concerning events or conducts occurring in whole or in part prior to the date of incorporation proportionate to the new city's contribution to the City's general fund during fiscal year 2000-01 (30.46%). Payments made by the City to terminated employees hired on by a new city or laid off as a result of the Special Reorganization for accrued benefits (e.g. vacation time) shall be treated as one form of existing or contingent liability. On a monthly basis, the City shall present an invoice to the new city for its share of judgments, settlements, and the costs of investigation and defense. If the new city does not make this payment, the County Auditor-Controller shall pay the City the sums due for the new city's share of debt using the property tax otherwise payable to the new city. This payment to the city from either the new city or the Auditor-Controller shall occur monthly.</p>	<p><u>Liabilities Not Related to Assets.</u> The cost of existing liabilities not associated directly with municipal assets or incorporated into purchased services (e.g., tort liability, workman's compensation claims, etc.) shall be allocated to the City proportional to population. (3/14/02)</p>
Tort Liability	<p><u>Consultation Regarding Payment of Non-Debt Liability.</u> The City shall report to the new city on a [not yet provided frequency] basis on the status and progress of those claims and lawsuits referred to in paragraph 4(e). The City shall consult the new city before agreeing to settlements involving the payment of \$_____ or more to any claimant or plaintiff or \$_____ or more for any one matter, and shall grant reasonable requests for consultation made by the new city regarding other claims or lawsuits. The new city shall cooperate with the City in the investigation and defense of these matters.</p>	

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Leases	<p><u>Leases.</u> Subject to the consent of the lessor or terms of the lease, the City, at its option, may terminate any existing leases that the City no longer needs for the provision of services in the area detached from the City, or assign the lease to the new city, which shall accept the lease. Should the new city not accept the lease, any costs incurred by the City as a result thereof shall be treated as transition costs and reimbursed in accordance with paragraph 2.</p>	
EXPENDITURES		
Redistricting Election	<p>[Position: Election costs for redistricting the remaining City of Los Angeles should be borne by the Valley.]</p>	<p>The costs of election on the question of special reorganization shall be allocated pursuant to Government Code Section 57150(e). The cost of the redistricting the City of Los Angeles shall be paid by the Valley City and the City of Los Angeles proportionate to population. (3/7/02)</p>
Transition Costs	<p><u>Transition Costs.</u> Costs incurred by the City on account of the special reorganization ("transition costs")--whether arising before, during, or after the transition period--are to be paid by the new city to the City and shall be a monthly obligation. The transition costs shall consist of those listed in appendix A [one-time costs of at least \$49 million] and other costs identified by the City. The City shall estimate, reconcile, and be paid for transition costs in the same manner as service costs.</p>	
DEVELOPMENT & REDEVELOPMENT		

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Development Agreements	<p>The new city shall succeed to the benefits and be bound by the obligations and duties of the City with respect to the Development Agreements listed below, and the City shall be relieved of any obligation under those Agreements. The new city shall indemnify and hold the City harmless from any claims or actions based on the new city's failure to fulfill or enforce any of the terms of the Development Agreement or conditions of its approval, including, without limitation, terms or conditions related to environmental mitigation. The Development Agreements are: [list of agreements to be supplied]</p>	<p>The Valley City shall succeed to the benefits and rights and be bound by the obligations and duties of the City of Los Angeles with respect to the Development Agreements listed in Attachment B hereto, and the City of Los Angeles shall be relieved of any obligation under those Agreements. (3/7/02)</p>
Development Permits	<p>Any conditions of approval (including, without limitation, mitigation measures adopted pursuant to the California Environmental Quality Act) imposed by the City on any discretionary project approved prior to the effective date of incorporation shall be valid and enforceable between the applicant and the new city in which the development is located. The new city shall indemnify and hold the City harmless from any claims or actions based on the new city's failure to fulfill or enforce any of the terms of the permit or conditions of its approval, including, without limitation, terms or conditions related to environmental mitigation.</p>	<p>Any conditions of approval (including, without limitation, mitigation measures adopted pursuant to the California Environmental Quality Act) imposed by the City on any discretionary projects approved prior to the effective date, located within the boundaries of the Valley city, shall be valid and enforceable between the project applicant and the Valley city. (3/7/02)</p>
Redevelopment Projects	<p>Any transfer of the administration of any redevelopment area located in the detached territory shall be in accordance with California Health and Safety Code §§ 33214-33217.</p>	<p>The [Valley] City will establish a Redevelopment Agency (RDA). All assets and liabilities of the City of Los Angeles' RDA project areas located within the [Valley] City boundaries will transfer from the City of Los Angeles RDA to the City RDA in accordance with the provisions of the Community Redevelopment Law (California Health and Safety Code section 33000 et seq. The City of Los Angeles shall not expand the boundaries of any RDA project area within the [Valley] City nor will it establish any new redevelopment project area during the Transition Period without official consent of the City Council of the [Valley] City. (3/14/02)</p>

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Business Improvement Districts	The administration of any Business Improvement District located entirely within the detached territory shall be transferred to the new city's legislative body after the effective date of incorporation. To the extent that any Business Improvement District is located partially within the new city and partially within the remaining City, that portion located within the new city shall be detached and become the responsibility of the new city.	
DEFAULTS AND REMEDIES		
Events of Default		<p><u>Events of Default.</u> A default under this Agreement shall be deemed to have occurred upon the happening of one or more of the following events or conditions:</p> <ul style="list-style-type: none"> a) One party to this Agreement is proven to have knowingly made a material false representation to the other. b) The City of Los Angeles fails to provide the services provided for in Section 3.0 of this Agreement. c) The New Valley City or City of Los Angeles fails to make any payment due hereunder. d) Any other act or omission by New Valley City or City of Los Angeles which materially interferes with the terms of this Agreement (3/14/02)

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
		<p>Upon the occurrence of default by the other party, the New Valley City or City of Los Angeles shall provide the other party thirty (30) days written notice specifying the nature of the alleged default and, when appropriate, the manner in which said default may be satisfactorily cured. After proper notice to the other party of the occurrence of default by that party and the expiration of said thirty (30) day cure period without substantial cure, either party may terminate this Agreement. In the event that New Valley City's or City of Los Angeles's default is not subject to cure within the thirty (30) day cure period but is subject to cure within a longer period of time, New Valley City or City of Los Angeles shall be deemed not to remain in default in the event that New Valley City or City of Los Angeles commences to cure within such thirty (30) day cure period and diligently prosecutes such cure to completion. Failure to delay in giving notice of any default shall not constitute a waiver of any default, nor shall it change the time of default. (3/14/02)</p>

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Procedure on Default		<p>Notwithstanding any other provision of this Agreement, the New Valley City and City of Los Angeles reserve the right to formulate and propose to the other party options for curing any defaults under this Agreement for which a cure is not specified in this Agreement.</p> <p>In the event of the New Valley City's uncured default of its obligations to make any payment due hereunder, the City of Los Angeles may order the County of Los Angeles Auditor to retain in a segregated escrow account for the benefit of the New Valley City any funds on hand due the New Valley City pending resolution of the default. If the escrowed amounts are sufficient to cover the costs of payments due, the City of Los Angeles shall continue to provide all services due hereunder, pending cure or resolution of the default by judicial order or other means.</p> <p>All other remedies at law or in equity, which are not inconsistent with the provisions of this Agreement, are available to the New Valley City and City of Los Angeles to pursue in the event of default. (3/14/02)</p>
Institution of legal action		<p>In addition to any other rights or remedies, the New Valley City or the City of Los Angeles may institute a legal action to cure, correct, or remedy any default or breach, to specifically enforce any covenants or agreements set forth in this Agreement, or to enjoin any threatened or attempted violation of the Agreement, or to obtain any remedies consistent with the purpose of this Agreement. Legal actions shall be instituted in the Superior Court of the County of Los Angeles, State of California. (3/14/02)</p>
AMENDMENTS		
Mutual Agreement		<p>This Agreement may be modified by written agreement of the New Valley City and the City of Los Angeles. (3/14/02)</p>

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
		<p>The parties acknowledge that circumstances may arise which may call for or require mutual good faith negotiations for the amendment of this Agreement. Without limitation due to enumeration, the parties agree to meet and confer regarding the possible mutual amendment of this Agreement within 30 days of the written notice by one party to the other party of the occurrence of one or more of the following: (3/14/02)</p> <p>The passage of a statute or issuance of a legislative or executive order from a federal, state or local governmental entity that materially alters the manner in which revenues to the New Valley City or City of Los Angeles are paid or allocated, including without limitation refund by the State of California of Education Reform Act Fund ("ERAF") monies or other monies provided as compensation for ERAF deductions.</p> <p>Unanticipated loss of revenue to the New Valley City by circumstances outside the New Valley City's jurisdictional control, other than statute or legislative or executive Order, that materially alters the New Valley City's anticipated revenue or materially increases services costs over those anticipated in this Agreement or in the CFA.</p> <p>Natural disasters that materially destroy New Valley City or City of Los Angeles infrastructure to the extent that the City of Los Angeles's ability to provide services or the New Valley City's ability to make payments would be materially impaired. (3/14/02)</p>

Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
Negotiation of Amendment		The discovery by the New Valley City or the City of Los Angeles of any error or omission in the data utilized for development of the CFA and this Agreement that materially affects the basis for the amount of payments due hereunder, or the projection of future revenues and /or costs on which the payment schedule was based. Such errors are limited to base assumptions and inputs provided by the City of Los Angeles and specifically exclude challenges to forecasting methods and assumptions used by LAFCO and its consultant in preparing the CFA. Upon receipt of such written notice, the parties shall, within 30 days, hold at least one meeting to negotiate in good faith a mutual amendment of this Agreement. However, nothing contained herein shall require the mutual amendment of this Agreement or authorize the unilateral amendment hereof. (3/14/02)
MISCELLANEOUS PROVISIONS		
Rules of Construction		The Rules of Construction can be seen in the Revenue Neutrality Agreement By and Between The City of Los Angeles and the Applicants, drafted 3/14/02.

Terms & Conditions in Incorporations Subject to Revenue Neutrality

City	Goleta	Aliso Viejo	Elk Grove	Rancho Santa Margarita	Laguna Woods	Citrus Heights
County	Santa Barbara	Orange	Sacramento	Orange	Orange	Sacramento
Type	Incorporation with detachment from street lighting and library CSA	Incorporation with dissolution of park CSA	Incorporation	Incorporation	Incorporation with detachment from county park CSA	Incorporation
Environmental	Negative declaration	Negative declaration	Mitigation measures included in terms and conditions.	Negative declaration	Negative declaration	Statement of over-riding consideration; mitigation measures included in terms and conditions.
Election Date	November 6, 2001	March 6, 2001	March 7, 2000	November 2, 1999	March 2, 1999	November 5, 1996
Effective Date	February 1, 2002	July 1, 2001	July 1, 2000	January 1, 2000	March 24, 1999	January 1, 1997
Transition Service						
Length of Period	<i>Remainder of first fiscal year</i>	<i>Remainder of first fiscal year</i>	Remainder of first fiscal year	<i>Remainder of first fiscal year, with an additional year for law enforcement services.</i>	Remainder of first fiscal year	Remainder of first fiscal year
Payment Amount	<i>Up to \$4 million in costs waived</i>	<i>Specific amount</i>	Net cost of service	<i>Most costs waived</i>	Negotiated amount pursuant to 57384(b)	Resolution: Net cost <i>Settlement: \$4.5 million for remainder of first fiscal year.</i>
Reimbursement	<i>Reimbursement for transition year costs waived up to maximum of \$2.5 million for general costs and \$1.5 million for road expenditures. \$1.5 million interest-free loan for transition year to be repaid in 11th year.</i>	<i>Payment over 7-year period through sales tax increment over baseline or, if inadequate, direct payment.</i>	Payment made directly from property taxes and first quarter sales tax retained by county, with city owing any additional net cost to be repaid over a 5-year period with interest.	<i>County waived reimbursement for transition year service costs except road maintenance. Road maintenance reimbursement at end of first fiscal year.</i>		Resolution: Reimbursement over a 5-year period in quarterly installments, with interest. <i>Settlement: Reimbursement in quarterly installments beginning 2 years after incorporation.</i>
Start-Up Loan	<i>\$100,000 start-up loan to be repaid during transition year with interest</i>					
Contractual coverage	<i>Transition period extension or service extension by mutually agreed contract for five-year term</i>		Elk Grove should consider contracting with the county for animal control, building inspection, street lighting, road maintenance services. City County Library JPA will provide library service.			Citrus Heights should consider contracting with the county for animal control, building inspection, street lighting, road maintenance services.
Escape clause	<i>by agreement of parties</i>		New city may discontinue services prior to end of first fiscal year. Solid waste collection service may not end until termination of county agreements with private service providers.		City Council may discontinue	
Service levels	<i>at or above the current level of service</i>	<i>at current levels of service at no additional cost to City, and/or enhanced levels of service on terms mutually agreed</i>	at current levels of service	<i>law enforcement at current service levels</i>		at current levels of service
Mitigation payment						
Term	<i>10 years / Perpetuity</i>	<i>7 years</i>	<i>25 years</i>	<i>9 years</i>	<i>14 years</i>	<i>25.5 years</i>

Italicized text indicates items included in written agreement between the parties.

California Incorporation Terms

Terms & Conditions in Incorporations Subject to Revenue Neutrality

City	Goleta	Aliso Viejo	Elk Grove	Rancho Santa Margarita	Laguna Woods	Citrus Heights
Agreement form	Separate Revenue Neutrality Agreement	Separate Revenue Neutrality Agreement	Separate Revenue Neutrality Agreement	Separate Revenue Neutrality Agreement	Separate Revenue Neutrality Agreement	Terms and conditions; settlement agreement following litigation
Limited	<i>Time-limited agreement for 40% of TOT, 50% of sales tax allocated to county for transition year and mitigation period. Ongoing agreement for 50% of property tax and 30% of sales tax to be allocated to county.</i>	<i>\$1.2 million annually for mitigation period, with incentives structured for new city to annex adjacent areas.</i>	<i>Quarterly remittance of transient occupancy tax revenues, in addition to a declining share of property tax revenues. Property tax revenue share remitted to county starts at 90%, is reduced slightly through the first 18 years of the term and then phased out at the rate of 10% annually.</i>	<i>Lump sum of \$12 million to be repaid from general revenues in first 2 years, and thereafter from a combination of general revenues and sales tax increments.</i>	<i>Annual county deficit with 3% annual inflation adjustment to be paid in seven annual installments, with discount for early payment.</i>	<i>Resolution: \$5.6 million annually in quarterly installments with inflation adjustment. Settlement: all property taxes (approx. \$2.2 million annually)</i>
Default provisions	<i>In the event of default by the new city, the County Auditor may set up an escrow account to divert city property taxes to the county.</i>	<i>Resolution requires parties to effect a direct transfer from the Board of Equalization or the County Auditor. Prior to that, City Council appropriation required on annual basis. In the event of default by the new city, the County Auditor may set up an escrow account to divert city property taxes to the county.</i>	<i>If triggering factors occur, the tax sharing agreement may be reopened with dispute resolution procedures outlined by LAFCO.</i>	<i>Resolution requires parties to effect a direct transfer from the Board of Equalization or the County Auditor. Prior to that, City Council appropriation required on annual basis. In the event of default by the new city, the County Auditor may set up an escrow account to divert city property taxes to the county.</i>		
Assets						
Liquid assets	<i>County shall provide accounting for distribution of funds set aside for use in the area</i>		County transfers impact fees intended for use in new city	Local park trust funds transfer.		County transfers impact fees intended for use in new city
Local service-related	<i>All real property exc. Fire stations and flood control district property. Park property and equipment transfer.</i>	Local parks, street lights, storm drainage facilities, roads transfer. Conditions explicitly state that sheriff and library facilities do not transfer.		Local parks, street lights, storm drainage facilities, roads transfer. All county-owned real property except a regional park transfers.	Local parks, street lights, stormdrains, roads and related easements transfer	
Data and Records		The parties shall expeditiously prepare and record evidence for real property transfers following incorporation.				
Easements				Transfer if related to an asset that transfers, as specified in Revenue Neutrality Agreement.	Transfer if related to an asset that transfers	
Stormwater		Local storm drain facilities transfer		Local storm drain facilities transfer	Local storm drain facilities transfer	
Wastewater						

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California Incorporation Terms

Terms & Conditions in Incorporations Subject to Revenue Neutrality

City	Goleta	Aliso Viejo	Elk Grove	Rancho Santa Margarita	Laguna Woods	Citrus Heights
Redevelopment	<i>Redevelopment assets and liabilities transfer</i>					
Liabilities	<i>Redevelopment assets and liabilities transfer</i>	City assumes liabilities of county park CSA	County continues special tax levy for community facilities district consistent with bond covenants.		City must adopt any development fee programs for community facilities.	
Dispute Resolution	<i>Mutual agreement required to amend revenue neutrality agreement, or legal action.</i>	<i>Mutual agreement required to amend revenue neutrality agreement, or legal action filed in Superior Court.</i>	Mutual agreement or mediation required to amend revenue neutrality agreement, or legal action filed in Superior Court.	<i>Mutual agreement required to amend revenue neutrality agreement, or legal action filed in Superior Court.</i>	Applicant agrees to indemnify LAFCO for any action relating to its approval of the proposal	
Employee Protection						
Revenues						
Grants	<i>City shall participate in county's CDBG program through completion of current contracts.</i>					
Expenditures						
Reorganization election			Election costs borne by the City.			Costs for Council election borne by the city
Incorporation study costs		Map and legal description production costs covered by applicant or new city.		The new city shall reimburse LAFCO for unbudgeted costs for consultants and counsel incurred in incorporation process, as well as map and legal description production costs.	Applicant agrees to indemnify LAFCO for any action relating to its approval of the proposal	
Accounting	<i>County collects and distributes TOT at no charge to city.</i>	Property tax revenue administration costs to be shared by the city and the county.	<i>Property tax revenue administration costs to be shared by the city and the county.</i>			
Standard provisions						
Governance	City governed by five-member council elected at large.	Ballot includes question on future council representation by district or at large (57101)	Terms of office for City Council (57377-57379). Initial district boundaries to be adopted by the first City Council.	Terms of office for City Council (57377-57378)	Ballot includes question on future council representation by district or at large (57101)	Terms of office for City Council (57377-57379)
Appointive positions	City Manager, City Clerk and Treasurer appointive rather than elective	City Manager, City Attorney, City Clerk and Treasurer appointive rather than elective	City Manager, City Clerk and Treasurer appointive rather than elective	City Manager, City Attorney, City Clerk and Treasurer appointive rather than elective	City Manager, City Attorney, City Clerk and Treasurer appointive rather than elective	City Manager, City Clerk and Treasurer appointive rather than elective
Ordinances		Adopt applicable county ordinances	Adopt applicable county ordinances and general plan	Adopt applicable county ordinances	Adopt applicable county ordinances	Adopt applicable county ordinances and general plan

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California Incorporation Terms

Terms & Conditions in Incorporations Subject to Revenue Neutrality

City	Goleta	Aliso Viejo	Elk Grove	Rancho Santa Margarita	Laguna Woods	Citrus Heights
Appropriations limit	\$24,100,000	\$9,700,000	\$22,040,000	\$10,000,000	\$3,581,586	\$21,000,000
Property tax	<i>Property tax transfer with 2 separate options</i>	Property tax transfer via formula	Property tax transfer	Property tax transfer via formula	Property tax transfer	Property tax transfer
Tax continuation	Taxes and assessments continue in effect	Taxes and transportation fee programs continue	General taxes continue in effect	New city has authority to continue all taxes and assessments.		General taxes continue in effect
Streets		Transfer on effective date	Transfer on effective date	Transfer on effective date	Transfer on effective date	Transfer on effective date
Development agreements		Development agreements made prior to effective date remain valid (65865.3)	Development agreements made prior to effective date remain valid (65865.3)	Development agreements made prior to effective date remain valid (65865.3)	Development agreements made prior to effective date remain valid (65865.3)	Development agreements made prior to effective date remain valid (65865.3)

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