

## Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term

City of Los Angeles Proposal

Applicant Proposal

Term	City of Los Angeles Proposal	Applicant Proposal
<b>GOVERNANCE OF NEW CITIES</b>		
<b>Elected Leaders</b>		The new Hollywood city will have seven council members. On the election date, the election for the new Hollywood City Council members for the proposed new Hollywood city will be held. The council members will be elected by district. The person receiving the most votes in each district for council member will be elected. The initial council members elected in even numbered districts will serve two-year terms; those elected in odd numbered districts will serve two-year terms. Thereafter, all council members will be elected to four-year terms with elections held in November of even numbered years beginning in 2004, and council terms shall begin the first week of January, following the election. Each year one member of the council will be selected by a vote of the majority of the council members to serve as the Mayor except that the first Mayor shall serve as Mayor for the first three years to provide consistency during the transition and startup period.
<b>Effective Date</b>	The transition period shall commence with the effective date of incorporation (July 1, 2003).	The new Hollywood city will become effective on the later of the date of certification of the election results or fifteen days after the Election Date ("Effective Date"). This will be the date the new Hollywood City becomes operational and the newly elected Council Members take office.
<b>Appropriations Limit</b>		[No terms proposed]
<b>Sphere of Influence</b>		[No terms proposed]
<b>Name of City</b>		The name of the new city shall be Hollywood.
<b>Appointive Positions</b>		[No terms proposed]
<b>Ordinances</b>		The existing City of Los Angeles laws and ordinances, as required by the Cortese-Knox-Hertzberg Act, will roll over to the new Hollywood City on the Effective Date, except as otherwise designated by LAFCO. Subsequent changes to the existing laws and ordinances would be made by the newly elected City Council and Mayor of the new Hollywood City. These officials will be duly elected by the public and conduct their deliberations in accordance with public policy laws and guidelines such as the Brown Act.
<b>TRANSITION PERIOD SERVICE</b>		

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<b>Transition Period Length</b>	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).	A transition period of up to three years from the effective date is requested to provide for the gradual and orderly transfer of municipal services and personnel.
<b>Payment Calculation</b>	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.	The Cortese-Knox-Hertzberg Act provides that the parent organization provides services during the transition period. Normally, the new Hollywood City would then be allowed to reimburse the City of Los Angeles for the services over a five year period following the transition period. The scale of expenditures will require less delay, with frequent ongoing payments by the new Hollywood City to the City of Los Angeles during the transition period to pay for the services. Lacking specific service contracts, such payments could be a number, not to-exceed a fixed percentage of total revenues accruing to the new Hollywood City, approximating projected service costs. Reconciliation of cost and revenue balances can occur at the end of the transition period or periodically during the transition period.
<b>Payment Scope</b>	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.	[Excludes all departments except police, fire, animal services and recreation and parks.]

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<b>Reimbursement Schedule</b>	<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 scale of expenditures will require...frequent ongoing payments by the new Hollywood City to the City of Los Angeles during the transition period to pay for the services. Lacking specific service contracts, such payments could be a number, not to-exceed a fixed percentage of total revenues accruing to the new Hollywood City, approximating projected service costs. Reconciliation of cost and revenue balances can occur at the end of the transition period or periodically during the transition period.</p>
<b>Contractual Coverage</b>	<p>By contract, the City and the new city may agree to different services.</p>	
<b>Escape Clause</b>		<p>At any time during the transition period the duly elected Council and Mayor of the new Hollywood City may begin implementation of the CFA's reorganization plan by setting up departments and transferring City of Los Angeles employees to the new Hollywood City.</p>

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<b>Service Control</b>	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.	
<b>Service Level</b>	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.	During the transition period, the City of Los Angeles, under terms and conditions set forth by LAFCO, will provide the new Hollywood City with at least the same level of services the Hollywood region is currently receiving and the new Hollywood City will pay for such services at the same costs as set forth in the final LAFCO CFA. The new Hollywood city will continue to receive the same rates and quality of municipal services, comparable to those provided by the City of Los Angeles in the remaining City of Los Angeles.
<b>Service Alternatives</b>	If the City cannot or does not provide services to the territory of the incorporated area, the services will be provided by the County.	The new city... will retain flexibility as to whether to contract with the City of Los Angeles, or establish new Hollywood city departments to provide the services itself.
<b>MITIGATION PAYMENTS TO CITY OF LA</b>		
<b>Term</b>	25 years	Any revenue neutrality payment related to the fiscal effects of the special reorganization upon the City of Los Angeles should have a fixed term not-to-exceed ten (10) years.

## Terms Proposed by the City of Los Angeles and the Applicant

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<b>Linkage to Revenues</b>	<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 revenue neutrality amounts will remain fixed over the term. However, the actual installments will be linked to actual revenue flows over time in order to adjust for cash flows under changing economic conditions. The revenue neutrality installments will be calculated as a percent of actual revenues received by the new Hollywood City. In the event the actual revenues are less than LAFCO projected, then the revenue neutrality installment for the particular year will be reduced accordingly and the unpaid amount will be deferred and paid at the end of the mitigation period. In no event will this cause the total amount of the revenue neutrality installments to be decreased to the City of Los Angeles, provided the lower revenue received by the new Hollywood City is not a result of inaccurate revenue information provided by the City of Los Angeles to LAFCO.</p>
<b>Payment Amount</b>	<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 new Hollywood City will meet any obligation to the City of Los Angeles to assure revenue neutrality as determined by LAFCO in preparing the final Comprehensive Fiscal Analysis by comparing costs and revenues transferred to the new Hollywood City. Contracting between the Hollywood City and the City of Los Angeles will be considered an offset to any effects that may occur due to reduced economies of scale. If the new Hollywood city decides not to assume a specific function during the transition period, the costs transferred will be adjusted accordingly.</p>
<b>Payment Schedule</b>	<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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<b>Payment Offsets</b>	<p>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.</p>	<p>All municipal revenues derived from property taxes, sales taxes, and state subventions will immediately accrue and be transferred to the new Hollywood city at the earliest opportunity after the effective date. Revenues that do not or cannot accrue directly to the new Hollywood City (e.g. Tobacco Settlement funds) will be paid to the new Hollywood City when received by the City of Los Angeles, or upon consent of the new Hollywood City may be credited against other financial obligations (e.g. revenue neutrality payments).</p>
<b>FISCAL AGENT</b>		
<b>Revenue Collection</b>	<p>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.</p>	<p>All applicable municipal revenues will accrue to the new Hollywood City as of the effective date, and a process will be established to allow such revenues as are not able to be directly reprogrammed to the Hollywood City, to be immediately transferred from the City of Los Angeles to the new Hollywood City. Until such time as such filings or payment cycles begin to flow directly to the new Hollywood City, any revenue otherwise due to the new Hollywood City but paid to the City of Los Angeles will be reimbursed to the new Hollywood City by the City of Los Angeles, with reasonable diligence.</p>

**Terms Proposed by the City of Los Angeles and the Applicant**

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<b>Fiscal Agent</b>		All applicable municipal revenues will accrue to the new Hollywood City as of the effective date, and a process will be established to allow such revenues as are not able to be directly reprogrammed to the Hollywood City, to be immediately transferred from the City of Los Angeles to the new Hollywood City. Until such time as such filings or payment cycles begin to flow directly to the new Hollywood City, any revenue otherwise due to the new Hollywood City but paid to the City of Los Angeles will be reimbursed to the new Hollywood City by the City of Los Angeles, with reasonable diligence.
<b>Fiscal Agent Payment Priorities</b>	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.	
<b>Late Payments</b>	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.	
<b>Fiscal Agent Costs</b>	The new city shall pay for the cost of using the Auditor-Controller as a third party fiscal agent.	
<b>REVENUES</b>		

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<b>Grants</b>	<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>The City of Los Angeles will provide a proportional and equitable share of existing and pending grant funding to the new Hollywood city. Grant funds received by the City of Los Angeles pursuant to applications that pre-date the effective date of the new Hollywood city will be allocated on a pro rata proportional and equitable basis to the new Hollywood city appropriately construed under the terms of the grant.</p>
<b>Tax Authorization</b>		<p>For purposes of preparing the final CFA, LAFCO should provide that existing taxes, fees, and charges will continue to be levied at the same rate as in the City of Los Angeles. There will not be any new taxes, fees or charges.</p>
<b>Tobacco Settlement</b>	[No terms proposed]	<p>Revenues that do not or cannot accrue directly to the new Hollywood City (e.g. Tobacco Settlement funds) will be paid to the new Hollywood City when received by the City of Los Angeles, or upon consent of the new Hollywood City may be credited against other financial obligations (e.g. revenue neutrality payments).</p>
<b>Special Assessment Districts</b>	<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>	

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	<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:</p> <p>District located within remaining City of Los Angeles: \$ _____ per year</p> <p>District located within Valley Special Reorganization Area: \$ _____ per year</p> <p>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>	
<b>Prop K Assessment District</b>	<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>	

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<b>PUBLIC EMPLOYEES</b>		
<b>General</b>	<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>All existing employees will continue to be employed by the City of Los Angeles. Subsequently, some employees may, from time to time, transfer to the new Hollywood City. Salary and benefits, including pensions of transferred employees, will not be reduced.</p>
<b>Bargaining Unit &amp; Contract</b>	<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 Hollywood city collective bargaining agreements will continue to apply to employees working either in the City of Los Angeles or in the new Hollywood city, as associated with various classes and grades of transferred employees and will be honored.</p>
<b>Civil Service</b>	<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>Transferred employees working in the new city will have bumping rights for a two-year period from the date they are assigned to the new city. Transferred employees on certification lists will remain on the lists with all of their rights.</p>
<b>Retirement Benefits</b>	<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>Benefits for transferred employees upon being transferred to the new city will not be less than the benefits received while employed by the City of Los Angeles. The new Hollywood city will be responsible for its proportional share of any unfunded benefits of existing retirees.</p>

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<b>Surplus Employee Mitigation</b>	<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>	
<b>ASSETS</b>		
<b>Liquid Assets &amp; Trust Accounts</b>	<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>The new Hollywood city will be allocated a share of cash assets, general accounts, investment accounts, reserve accounts, accounts receivable and intangible assets or property. Cash assets and receivables associated with allocated services will be allocated proportionally and equitably to those transferred services. Other cash assets and receivables will be allocated proportionally and equitably to population. Impact fee and other trust accounts dedicated to Hollywood purposes will be proportionally and equitably transferred. In any case, the new Hollywood city shall be entitled to a proportional and equitable share of all financial accounts, investments, reserves and cash assets.</p>

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<b>Local Service-Related Assets</b>	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.	All local Hollywood physical assets as defined herein, including but not limited to distributed infrastructure such as streets, sidewalks, signage, localized structures, buildings, land, libraries, parks, police, fire and other facilities, infrastructure improvements, furniture, equipment and vehicles and fungible assets, owned by the City of Los Angeles will be transferred to the new Hollywood City without adjustment as of the effective date. Local Hollywood physical assets will be those assets that are located within the new Hollywood city boundaries and which substantially support the provision of municipal services to the new Hollywood city. Fungible assets including furniture, equipment and vehicles, etc. will be distributed based on location where such items are utilized or deployed when necessary equitably and fairly by class of age and condition of such items.
<b>Municipal Buildings &amp; Facilities</b>		
<b>Streets</b>	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 local Hollywood physical assets as defined herein, including but not limited to distributed infrastructure such as streets, sidewalks, signage, ... land, ..., infrastructure improvements..., owned by the City of Los Angeles will be transferred to the new Hollywood City without adjustment as of the effective date.
<b>Easements</b>	[Position: Easements transfer in a manner that follows that asset to which it is related.]	
<b>Financial Records &amp; Data</b>	[Position: On-site access upon effective date, with new city reimbursing the City's costs of constructing separate financial records.]	The new Hollywood city will be entitled to a proportional and equitable share, a geographically relevant share, and/or duplicate copies of all intangible informational and intellectual assets or property maintained by the City including but not limited to databases, maps, records, GIS files, intellectual property, and administrative methodologies. This shall include licenses, rights, and access to relevant records and files.

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<b>Stormwater</b>	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.	
<b>Enterprises &amp; Wastewater</b>	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.	Assets and operations associated with all proprietary departments, enterprise ventures, joint powers authorities, and all regional services will be equitably shared with the Hollywood City through reorganized governmental entities. Definition of such joint organizations will be equitable. Actual formation of such entities can occur during the transition period. Joint organizations will provide for establishing by charter or formational articles: equal protection rights for the provision of services; and the determination of rates; and will include proportional participation on commissions, boards and panels of jointly serving entities.
<b>Miscellaneous</b>	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.	
<b>UTILITIES</b>		

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<b>Utility Rates</b>	<p>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.</p>	<p>Joint organizations will provide for establishing by charter or formational articles: equal protection rights for the provision of services; and the determination of rates; and will include proportional participation on commissions, boards and panels of jointly serving entities.</p>
<b>Water and Power Assets</b>	<p>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.</p>	<p><u>Water Rights.</u> The Hollywood City will receive its equitable share of service and ownership of existing water rights.  <u>Utility Assets.</u> Assets and operations associated with all proprietary departments, enterprise ventures, joint powers authorities, and all regional services will be equitably shared with the Hollywood City through reorganized governmental entities. Definition of such joint organizations will be equitable. Actual formation of such entities can occur during the transition period. Joint organizations will provide for establishing by charter or formational articles: equal protection rights for the provision of services; and the determination of rates; and will include proportional participation on commissions, boards and panels of jointly serving entities.</p>
<b>Utility Debt</b>	<p>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.</p>	<p>The new Hollywood city will be allocated a proportional and equitable share of liabilities.</p>
<b>Wastewater Assets</b>	<p>[same as Water and Power assets]</p>	<p>[same as Water and Power assets]</p>

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<b>Wastewater Fees &amp; Regulation</b>	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.	
<b>LIABILITIES</b>		
<b>General</b>	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:	The new Hollywood city will be allocated a proportional and equitable share of liabilities.
<b>Authorized Bonded Indebtedness</b>	[Allocated based on project authorization included in ballot question]	
<b>General Obligation &amp; Special Tax Bonds</b>	<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 does 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.	To the extent Hollywood is allocated a proportional share of the general obligation debt of the City of Los Angeles, a credit will be given for the estimated value of the new Hollywood City's interest in regional assets of the City of Los Angeles which, for any reason that the new Hollywood city does not receive.

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<b>Sanitation Equipment Charge Revenue Bonds</b>	<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>	<p>The new Hollywood City will also be allocated liens or debt that can be attributed directly to all other assets transferred to the new Hollywood city.</p>
<b>General Fund Lease Obligations, Certificates of Participation, and Judgment Obligation Bonds</b>	<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>	<p>The new Hollywood City will be proportionally and equitably allocated debt associated with any physical assets not entirely transferred but in which the new Hollywood city is allocated a proportional interest.</p>
<b>Parking Revenue Bond</b>	<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>	<p>The new Hollywood City will be proportionally and equitably allocated debt associated with any physical assets not entirely transferred but in which the new Hollywood city is allocated a proportional interest.</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
<b>Non-debt Liabilities</b>	<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>The new Hollywood City will participate proportionally and equitably in any general liability incurred prior to the vote on the within matter, and take responsibility for its role as a part of the larger area, whether the amount is liquidated or unliquidated.</p>
<b>Tort Liability</b>	<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>	
<b>Leases</b>	<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>	<p>All leasehold interests of property, facilities, equipment, etc., that are located within the new Hollywood city boundaries and meet the definition set forth for local physical assets will be transferred to the new Hollywood city as of the effective date.</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
<b>EXPENDITURES</b>		
<b>Redistricting Election</b>	[Position: Election costs for redistricting the remaining City of Los Angeles should be borne by the Valley.]	
<b>Transition Costs</b>	<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.	
<b>DEVELOPMENT &amp; REDEVELOPMENT</b>		
<b>Development Agreements</b>	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]	

# Terms Proposed by the City of Los Angeles and the Applicant

As of April 3, 2002

Term	City of Los Angeles Proposal	Applicant Proposal
<b>Development Permits</b>	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.	
<b>Redevelopment Projects</b>	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.	The existing redevelopment project area will be transferred to the new City of Hollywood, along with its assets and liabilities.
<b>Business Improvement Districts</b>	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.	