

RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR LOS ANGELES COUNTY MAKING
DETERMINATIONS FOR APPROVAL OF THE SAN FERNANDO
VALLEY SPECIAL REORGANIZATION

WHEREAS, as used in this Resolution, the following terms shall mean:

“Applicant” is the Valley Study Foundation, Inc.;

“Commission” is the Local Agency Formation Commission for Los Angeles County;

“County” is the County of Los Angeles;

“Debt Service Schedule” is the debt service schedule prepared by the City of Los Angeles in accordance with condition 20;

“Effective Date” shall be the July 1st immediately following the Election, if the San Fernando Valley Special Reorganization is approved by the voters in accordance with condition 1;

“Election” consists of both the elections on the question of San Fernando Valley Special Reorganization and for the City Council and Mayor of the proposed new city as set forth in condition 6;

“Executive Officer” is the Executive Officer of the Commission;

“General Fund Proportionate Share” is 31.06 percent, representing the Special Reorganization Area’s contribution to the City of Los Angeles General Fund, as set forth in the Executive Officer’s Report issued April 24, 2002;

“Petition” is the original petition certified as a sufficient petition on March 15, 1999;

“Proposal” is the proposal for special reorganization of the San Fernando Valley area of the City of Los Angeles, consisting of the detachment of the Special Reorganization Area from the City of Los Angeles and the incorporation of the entire detached territory as a city;

“San Fernando Valley Special Reorganization” is the short-form designation given this Proposal;

“Special Reorganization Area” is the area described in Exhibit A (legal description) and shown on Exhibit B (map), which are attached hereto and by this reference incorporated herein. This territory is a modification of the originally proposed boundaries. In the event of any conflict between Exhibit A and Exhibit B, Exhibit A shall control;

“Transition Period” commences upon the Effective Date and terminates on the following June 30th; and

WHEREAS, the Petition was submitted to the Commission pursuant to the Cortese-Knox Local Government Reorganization Act of 1985 (the “Cortese-Knox Act”) and all amendments thereto up to that time, and has been processed pursuant to the Cortese-Knox Act and all references herein to the Government Code are to the former Government Code provisions of the Cortese-Knox Act;¹ and

¹ The Cortese-Knox Act was amended by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the “Hertzberg Act”), which became effective January 1, 2001. The proposal for San

WHEREAS, on December 15, 1998, the Executive Officer submitted the Petition to the County of Los Angeles Registrar-Recorder for verification that sufficient registered voters within the applicable area signed the Petition, and the Registrar-Recorder found that the requisite number of valid signatures were affixed to the Petition; and

WHEREAS, the Executive Officer has examined the Petition and executed his Certificate of Sufficiency in accordance with law; and

WHEREAS, at the times and in the substantial form and manner provided by law, the Executive Officer has given notice of public hearings by this Commission upon the Proposal; and

WHEREAS, the Commission has held 68 public hearings on the Petition and the Proposal; and

WHEREAS, the Commission's Subcommittee on Findings, Terms and Conditions held public hearings on the Petition and Proposal; and

WHEREAS, the Executive Officer facilitated 12 negotiation sessions with the Applicant and the City of Los Angeles; and

WHEREAS, the *San Fernando Valley Proposal for Special Reorganization Comprehensive Fiscal Analysis* was issued on January 9, 2002; and

WHEREAS, the *San Fernando Valley Proposal for Special Reorganization Supplemental Report* was issued on February 21, 2002; and

WHEREAS, the *California State Controller's Review of the Proposed San Fernando Valley Area Special Reorganization Comprehensive Fiscal Analysis* was issued on April 2, 2002; and

WHEREAS, the *Special Reorganization of the San Fernando Valley Executive Officer's Report* was issued on April 24, 2002; and

WHEREAS, the *Special Reorganization of the San Fernando Valley Executive Officer's Supplemental Report* was issued on May 21, 2002; and

WHEREAS, the *Final Environmental Impact Report for Special Reorganization of the San Fernando Valley Area* was issued on May 22, 2002; and

WHEREAS, the Executive Officer has reviewed all available information and prepared reports, including recommendations, and presented the findings, reports and related information to the Commission, which were then considered by the Commission; and

WHEREAS, at the public hearings the Commission heard and received all oral and written protests, objections, all oral and written evidence which was made, presented or filed, and persons present were given an opportunity to hear and be heard in respect to any matter relating to these hearings.

NOW, THEREFORE, the Local Agency Formation Commission for Los Angeles County does hereby find, determine, resolve and order as follows:

Fernando Valley Special Reorganization was accepted for filing prior to the Hertzberg Act's effective date, and therefore, pursuant to the provisions of the Hertzberg Act it is being processed under the prior law.

- A. The Special Reorganization Area is inhabited, with a population of approximately 1.35 million based on 2000 Census data.
- B. The Commission has considered all relevant factors set forth in Government Code Section 56841 and all other relevant factors in reaching its conclusions regarding the Proposal, and based thereon finds that the proposed San Fernando Valley Special Reorganization:
 - 1. Will not have a significant adverse social and economic impact upon any particular communities or groups in the Special Reorganization Area or the remaining City of Los Angeles or any other adjacent areas, and does not have a significant adverse impact on the local governmental structure of the County of Los Angeles;
 - 2. Will result in the creation of an entity with the capability to provide efficient municipal services to the affected population;
 - 3. Conforms to planned, orderly, and efficient patterns of urban development;
 - 4. Will not effect the physical and economic integrity of agricultural lands, as defined by Government Code section 56016, or result in the conversion of prime agricultural land in open space use to other uses;
 - 5. Has definite and certain boundaries that conform to lines of assessment and ownership, and does not create any islands of City of Los Angeles territory within the Special Reorganization Area and does not create any islands of unincorporated territory that did not already exist; and
 - 6. Is consistent with the general and specific plans of the City of Los Angeles and the County of Los Angeles.
- C. Pursuant to Government Code section 56375.1, and based upon the entire record, the Commission finds that:
 - 1. The San Fernando Valley Special Reorganization is consistent with the intent of the Cortese-Knox Act, and the policies of Government Code sections 56001, 56300, 56301, and 56377, in that the San Fernando Valley Special Reorganization:
 - a. Expresses a logical modification of the boundaries of the City of Los Angeles for the creation of a new city by generally following the geographic boundaries of the San Fernando Valley taking into consideration the requests of property owners to be excluded from or included within the Special Reorganization Area and the agreement of the Applicant to modifications of the original boundaries of the Proposal consistent with those requests;
 - b. Weighs the total community service needs of the Special Reorganization Area and the remaining City of Los Angeles against the total financial resources available for securing community services and establishes appropriate community service priorities in both areas that reflect local circumstances, conditions, and the limited financial resources of both areas;

- c. Encourages and provides planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space lands within those patterns;
 - d. Discourages urban sprawl and encourages the orderly development of the Special Reorganization Area and the remaining City of Los Angeles based upon local conditions and circumstances; and
 - e. Is not reasonably expected to induce, facilitate, or lead to the conversion of existing open-space lands to uses other than open-spaces because the Special Reorganization Area is already urbanized and developed, and the Proposal does not contemplate significant new development or any material alteration to the general plan and zoning ordinances currently in effect.
 2. The Commission has reviewed and considered the spheres of influence of the local agencies affected by the Proposal. The Proposal is consistent with the sphere of influence of the City of Los Angeles as the City of Los Angeles will continue to be the primary service provider through the end of the Transition Period. Pursuant to Government Code section 56426.5, the Commission will determine the sphere of influence of the new city within one year of the Effective Date.
 3. The Commission has reviewed and considered the Comprehensive Fiscal Analysis prepared pursuant to Government Code section 56833.1, and its supplement.
 4. The Commission has reviewed and considered the State Controller's Report prepared pursuant to Government Code section 56833.3.
 5. The Commission has reviewed and considered the Executive Officer's Report and its supplement and the recommendations of the Executive Officer prepared pursuant to Government Code section 56833, and the testimony presented at the public hearings held on the Proposal.
 6. Based upon the analysis set forth in the Executive Officer's Report and its supplement, the Commission finds that the proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.
- D. The Commission has reviewed the boundaries of the Special Reorganization Area for definiteness and certainty and has determined that the same are definite and certain.
- E. In accordance with Government Code section 56852.3, the Commission hereby accepts the findings of the Comprehensive Fiscal Analysis and its supplement, with respect to the financial viability of the new city and the fiscal impact on the City of Los Angeles, except to the extent that the fiscal calculations therein have been updated, amended or clarified through more accurate and up-to-date data, as set forth in the Executive Officer's Report and its supplement, for the reasons stated therein. In accordance with Government Code section 56852.3, the Commission hereby accepts the findings and recommendations of the Executive Officer's Report, as modified by its supplement, including, but not limited to, those findings and

recommendations with respect to the financial viability of the new city and the fiscal impact on the City of Los Angeles.

- F. The Commission, through its Executive Officer, conducted an Initial Study of the Petition and the Proposal and has caused an Environmental Impact Report (EIR) on the San Fernando Valley Special Reorganization to be prepared in accordance with the provisions of the California Environmental Quality Act (CEQA). The Commission hereby certifies that the Final EIR on the San Fernando Valley Special Reorganization has been completed in compliance with CEQA and the State CEQA Guidelines and reflects the independent judgment and analysis of the Commission. The Commission hereby adopts the mitigation measures identified in the Final EIR and set forth in the Mitigation Monitoring and Reporting Program attached hereto as Exhibit C, which is incorporated herein by this reference, and includes the identified mitigation measures as conditions of approval of the San Fernando Valley Special Reorganization. The Commission finds, pursuant to Public Resources Code section 21081.6, that the Mitigation and Monitoring Reporting Program is adequately designed to ensure compliance with the mitigation measures. The Commission hereby adopts the CEQA Findings of Fact for the Final EIR for the San Fernando Valley Special Reorganization attached hereto as Exhibit D, which are incorporated herein by this reference and determines that the significant environmental effects of the Proposed Project, as identified in the Final EIR have been avoided or substantially lessened through the changes or alterations that have been required or incorporated into the Proposed Project through this Resolution. The Commission further finds, based upon the Final EIR, that the Proposed Project is *de minimus* in its effect on fish and wildlife resources. Therefore, the Proposed Project is exempt from State Department of Fish and Game fees pursuant to Section 711.2, *et seq.*, of the California Fish and Game Code.
- G. The Commission finds that revenues currently received by the City of Los Angeles for services which, but for the operation of Government Code section 56845, would accrue to the proposed city are not substantially equal to the expenditures currently made by the City of Los Angeles for those services which will be assumed by the proposed city. The Commission has proposed condition 17 to mitigate the negative fiscal effect on the City of Los Angeles through the annual payment of monies over a fixed period of time. The Commission finds that this condition adequately mitigates the negative fiscal effect on the City of Los Angeles. The Commission finds pursuant to Government Code Section 56845(a) that the incorporation is not occurring for primarily financial reasons.
- H. Subject to the conditions set forth herein, the San Fernando Valley Special Reorganization, is hereby approved as follows:
1. Subject to confirmation by the voters of the City of Los Angeles and the Special Reorganization Area in accordance with Government Code section 57176.1, the Special Reorganization Area is detached from the City of Los Angeles and incorporated as a general law city.
 2. Effective Date. Pursuant to Government Code section 56844(p) and subject to the limitations of Government Code section 57202, the

Effective Date of the San Fernando Valley Special Reorganization is the July 1st immediately following the Election.

3. Boundaries. The boundaries of the new city shall be the Special Reorganization Area as set forth in Exhibits A and B attached hereto and incorporated herein. In the event of any conflict between Exhibit A and Exhibit B, Exhibit A shall control.
4. Elected Officials. Consistent with Government Code section 56852.7, the legislative body of the new city shall consist of fourteen (14) members elected by districts, and a mayor who shall be a voting member of the council, elected at large. The Commission has established the initial boundaries for the fourteen (14) districts, consistent with the requirements of Government Code section 56852.7. The first election of City Council members and the mayor shall be held concurrently with the election on the question of special reorganization. The mayor shall hold office for four-year terms from the first election onward. As provided for in Government Code section 34880, the City Council members shall hold office until the next municipal election. At that election, the members elected by the even-numbered districts shall hold office for four years and the members elected by odd-numbered districts shall hold office for two years. Thereafter, the term of office is four years for all members.
5. Council District Boundaries. The City Council district boundaries, and the findings of the Commission with respect to the establishment of said boundaries, are set forth in Exhibit E hereto and incorporated herein by this reference.
6. Election. The Election shall consist of the election of the first City Council and mayor and the election on the question of special reorganization, which shall be held concurrently, at the next election that complies with the provisions of Government Code section 57132.5, namely, the next regular primary or general election occurring in an even-numbered year at least 88 days after the date on which the resolution calling the election was adopted.
7. City Name. Pursuant to Government Code section 57101(d), on the ballot, the voters in the Special Reorganization Area shall be entitled to express their preference for a name for the new city from among the following five (5) choices:
 - a. Camelot
 - b. Mission Valley
 - c. Rancho San Fernando
 - d. San Fernando Valley
 - e. Valley City
8. Indemnification. Prior to the Effective Date, the Commission will defend any lawsuit related to this Resolution. The new city, if the Proposal is approved, or the Applicant, if the Proposal is not approved,

shall hold harmless and indemnify the Commission and/or its agents, officers, employees and consultants from any claim, action or proceeding against the Commission and/or its agent, officers, employees and consultants to attack, set aside, void or annul the Commission's approval of this Proposal or any action relating to or arising out of such approval when such action is brought within the applicable statute of limitations.

9. Ordinance Adoption. Pursuant to Government Code section 56844(v) and consistent with Government Code section 57376(a), the City Council of the new city shall, immediately following the Effective Date and prior to performing any other official act, adopt an ordinance providing that all City of Los Angeles ordinances not in conflict with the general laws of the State, previously applicable in the Special Reorganization Area, shall remain in full force and effect as city ordinances for a period of 120 days thereafter or until the City Council has enacted its own ordinances superseding any or each of the previously applicable ordinances, whichever occurs first.
10. [Intentionally omitted.]
11. Appointive Positions. Upon and after the Effective Date, the City Manager, City Clerk and City Treasurer of the new city shall be appointed by the City Council in accordance with Government Code Section 36510.
12. Tax Authorization. Pursuant to Government Code section 56844(t):
 - a. The new city shall continue to levy all previously authorized and collected charges, fees, assessments and general or special taxes collected by the City of Los Angeles within the Special Reorganization Area prior to the Effective Date, except as prohibited by law, and except with respect to services being provided by the City of Los Angeles during the Transition Period, as to which the City of Los Angeles shall continue to levy all previously authorized and collected charges and fees, unless and until the provision of such services by the City of Los Angeles is discontinued pursuant to condition 14(a).
 - b. The new city shall not modify, alter or rescind any existing general or special tax, fee, charge, or assessment so as to impair its ability to satisfy its financial obligations to the City of Los Angeles under the conditions of this Resolution.
13. Sphere of Influence. Pursuant to Government Code section 56844(o), and in order to conform with Government Code section 56426.5, within two hundred seventy (270) days after the Effective Date, the new city shall submit an application to the Commission proposing a sphere of influence for the new city.
14. Transition Period Services. Pursuant to Government Code section 56844(t), and consistent with Government Code section 57384, the City of Los Angeles shall continue to provide to the new city all services furnished to the Special Reorganization Area prior to the Effective Date

until the June 30th following the Effective Date (“Transition Period”), or for a shorter period, if the new city, acting through its City Council, cancels the provision of a particular service by giving the City of Los Angeles six months’ written notice, or a service contract between the parties takes effect. Transition Period services shall not include utility services being provided by the City of Los Angeles to customers in the new city after the Effective Date.

- a. Cancellation. The new city may cancel Transition Period services provided by the City of Los Angeles only by giving the City of Los Angeles six months’ written notice or with the written agreement of the City of Los Angeles. If the new city cancels a Transition Period service upon less than six months’ written notice, the new city shall continue to be obligated to pay for Transition Period costs for that service throughout the six-month period, unless otherwise agreed to by the City of Los Angeles.
- b. Service Levels. During the Transition Period, the City of Los Angeles shall be obligated to provide services to the new city in such a manner as to maintain pre-Effective Date service levels. The City of Los Angeles shall be allowed to reduce service levels for the services it provides within the new city during the Transition Period only as may be required in response to emergencies or if revenue shortfalls are experienced by the new city or with the agreement of the new city. For the purposes of this condition, a revenue shortfall is experienced by the new city if the new city has not paid in full the prior month’s invoice for Transition Period services within thirty (30) days of receipt of the invoice. Thereafter, the City of Los Angeles may reduce service levels. If the City of Los Angeles reduces service levels hereunder, it shall attempt to reduce service levels in a manner proportional to the reduction in the actual payment received from the new city for Transition Period services.
- c. Transition Period Service Costs. The new city shall reimburse the City of Los Angeles for the total actual direct and indirect costs of Transition Period services provided by the City of Los Angeles, in conformity with Government Code section 57384(b), except that the definition of “net costs” shall not exclude costs to be paid from special funds that have been transferred to the new city. The City of Los Angeles shall submit a monthly invoice to the new city for the actual direct and indirect costs of Transition Period services provided in that month. The cost of Transition Period services shall be calculated on the modified accrual accounting basis, and shall be reduced by the sales tax offset and any other revenues generated in the Special Reorganization Area on or after the Effective Date and retained by the City of Los Angeles, including, without limitation, direct charges, fees and fines related to Transition Period services. After such revenue

offsets, the new city shall owe the City of Los Angeles the net cost of Transition Period services. The new city or the third party fiscal agent shall make monthly payments to the City of Los Angeles within fifteen (15) days of receipt of each invoice for Transition Period services.

- i. The provisional sales tax offset shall be forty-five (45) percent of the sales tax allocations paid by the State Board of Equalization to the City of Los Angeles for citywide taxable activity that occurs in the first quarter beginning on the Effective Date. This provisional sales tax offset shall be reconciled to the ratio of the State Board of Equalization sales tax payment to the new city for the quarter beginning on the October 1st immediately following the Effective Date to the sum of the State Board of Equalization sales tax payments to the City of Los Angeles and the new city for taxable activity that occurs in the same quarter.
- d. Budgeted Grant Funds. Pursuant to Government Code section 56844(i), the disposition, transfer and division of budgeted grant funds shall occur in the following manner. In lieu of a specific re-allocation of grant funding by the granting agency or other legal requirements that would prohibit a re-allocation of grant funding to the new city, the City of Los Angeles shall distribute budgeted grant funding in the manner set forth in this condition. The City of Los Angeles shall proportionately allocate any entitlement grant funds previously earmarked for the Special Reorganization Area that are included in the City of Los Angeles budget unless and until the granting agency directly allocates the new city's share of those grant funds to the new city or directs the City of Los Angeles to allocate the funds in another fashion. The allocation may be made directly to the third party fiscal agent appointed in accordance with condition 16, or may take the form of an offset against the Transition Period service payment. The allocations to the new city shall occur in the following manner unless the granting agency instructs otherwise:
- i. The new city shall be allocated a share of City of Los Angeles funds for the U.S. Department of Housing and Urban Development ("HUD") entitlement grants on the basis of the new city's share of the City of Los Angeles low and moderate-income population, as defined by HUD.
 - ii. The new city shall be allocated a share of City of Los Angeles funds for the administration of the Workforce Investment Act grant on the basis of the new city's share of the working-age population, which shall be defined as persons aged 16 through 64 and which shall be estimated with 2000 Census data.

- iii. The new city shall be allocated a share of City of Los Angeles grant funds distributed by the California Department of Aging on the basis of its population aged 60 or greater, as reflected in the 2000 Census. If the County of Los Angeles administers these grant funds on behalf of the new city, the new city shall remit these funds to the County of Los Angeles.
- iv. The new city shall be allocated a share of City of Los Angeles grant funds distributed by the Governor's Office of Criminal Justice Planning or the U.S. Department of Justice on the basis of Part I criminal activity, as defined by the U.S. Department of Justice. Until Part I criminal activity levels in the new city are available, these grant funds shall be allocated on the basis of population.
- v. The new city shall be allocated a share of any other entitlement grant funds previously intended for use throughout the City of Los Angeles on the basis of population.
- vi. The new city shall be allocated all other entitlement grant funds previously designated for use for specific projects or programs within the Special Reorganization Area.
- e. Off-Budget Grant Funds. Throughout the Transition Period, pursuant to Government Code section 56844(r), the City of Los Angeles shall continue to use off-budget grants to fund service providers within the Special Reorganization Area unless and until instructed to do otherwise by the granting agency.

15. Transition Costs.

- a. Election Costs. Pursuant to Government Code section 57150(e), the City of Los Angeles, and any new cities formed pursuant to a special reorganization election held on the same date as the Election, shall be obligated to share the costs of the Election, and all other special reorganization elections held at that time, in proportion to the assessed value of property within their respective territories. If all of the special reorganization proposals considered on the same date as the Election are defeated, the County of Los Angeles shall pay the costs of the Election, and all other special reorganization elections held at that time, in accordance with Government Code section 57150(e). Election costs shall be paid within thirty (30) days of a written request for payment being made by the County Registrar-Recorder, unless an alternative payment arrangement is agreed to by the County Registrar-Recorder.
- b. City of Los Angeles Redistricting Costs. Pursuant to Government Code sections 56845 (c) and 56844(i), the City of

Los Angeles, and any new cities formed pursuant to a special reorganization election held on the same date as the Election shall pay the costs of redistricting the City of Los Angeles for the next City of Los Angeles municipal election immediately following the Election, in proportion to the assessed value of property within their respective territories. Redistricting costs shall be paid within thirty (30) days of a written request for payment for actual costs incurred being made by the City of Los Angeles, unless an alternative payment arrangement is agreed to by the City of Los Angeles and the new cities.

- c. Accounting Costs. Pursuant to Government Code sections 56845(c) and 56844(i), the new city and any other cities formed pursuant to a special reorganization election held on the same date as the Election shall pay the costs of establishment of revenue collection procedures, analysis and separation of funds and outstanding debt and liabilities for transfer, preparation of the Debt Service Schedule required by condition 21, and validation of pre-existing bonds of the City of Los Angeles, if necessary, in proportion to the assessed value of property within their respective territories. These accounting costs shall be paid within thirty (30) days of a written request for payment for actual costs incurred being made by the City of Los Angeles, unless an alternative payment arrangement is agreed to by the City of Los Angeles and the new cities.
- d. Other Transition Costs. Pursuant to Government Code sections 56845(c) and 56844(i), the new city and any other cities formed pursuant to a special reorganization election held on the same date as the Election shall pay other one-time transition costs required to be incurred by the City of Los Angeles, directly resulting from the special reorganizations, which are not Transition Period service costs provided for in condition 14. The transition costs permitted by this condition shall include the duplication of City of Los Angeles records and data, expenses for processing deeds for real property transfers, quitclaims on street easements, costs associated with employee transfers, information technology and computer systems reprogramming, and other similar costs not typically incurred by the City of Los Angeles as a result of the City's usual and customary municipal operations. Ongoing costs of municipal operations related to the continuing employment of personnel, and the maintenance and operation of facilities and equipment shall not be reimbursable pursuant to this condition. The new cities shall be responsible for the transition costs provided for in this condition in proportion to the assessed value of property within their respective territories. These transition costs shall be paid within thirty (30) days of a written request for payment for actual costs incurred being made by the City of Los Angeles,

unless an alternative payment arrangement is agreed to by the City of Los Angeles and the new cities.

- e. Transition Cost Controls. The City of Los Angeles shall not be entitled to reimbursement for any asserted transition costs permitted by this condition in excess of \$100,000 without the prior consent of the new cities, which consent shall not be unreasonably withheld.
16. Third Party Fiscal Agent. The new city shall retain a third party fiscal agent to carry out the responsibilities set forth in this condition. The third party fiscal agent shall be acceptable to both the new city and the City of Los Angeles. The new city shall reimburse the third party fiscal agent for all of the costs associated with the performance of these responsibilities.
 - a. Transition Period Responsibilities. The Los Angeles County Auditor-Controller shall remit all property taxes collected on behalf of the new city to the third party fiscal agent during the Transition Period. Unless otherwise agreed to by the City of Los Angeles and the new city, both the new city and the City of Los Angeles shall remit all other revenues collected by or on behalf of the new city to the third party fiscal agent throughout the Transition Period. For the purposes of this condition, “revenues” shall be defined to exclude direct charges and fees for services, including Department of Water and Power (“DWP”) charges for water and power (which are retained by the DWP for the provision of those utility services), Public Works, Bureau of Sanitation charges for sanitation equipment, wastewater charges, fees related to the issuance of permits and licenses, other similar administrative fees and charges, and fines. Direct charges, fees and fines generated in the Special Reorganization Area through the provision of Transition Period services shall be directly credited by the City of Los Angeles to the Transition Period service payment or the new city’s portion of debt repayment, as appropriate, and not remitted to the fiscal agent. If the Auditor-Controller cannot remit the new city’s property tax directly to the third party fiscal agent, the new city shall remit all of its property tax to the third party fiscal agent during the Transition Period.
 - b. Post Transition Period Responsibilities. The third party fiscal agent shall estimate, as of July 1 of each fiscal year after the Transition Period, the amount of property tax revenue that must be remitted to pay for the following: (1) the mitigation payment required by condition 17; (2) the new city’s share of the debt liability identified in condition 21 for that year; and (3) an amount sufficient to pay the new city’s share of the non-debt liability identified in condition 22 for that year. The third party fiscal agent shall submit its estimate to the Los Angeles

County Auditor-Controller which shall remit that portion of the property tax to the third party fiscal agent for disbursement to the City of Los Angeles in accordance with this condition and conditions 17, 21 and 22, unless the new city and the City of Los Angeles agree otherwise. If the Auditor-Controller cannot remit the new city's property tax directly to the third party fiscal agent, the new city shall remit that portion of its property tax to the third party fiscal agent which the third party fiscal agent determines is required for the payments identified in conditions 17, 21 and 22. The new city shall remit to the third party fiscal agent any additional amounts necessary to meet its obligations under conditions 17, 21 and 22 if the property taxes initially remitted to the third party fiscal agent are not sufficient to pay the actual obligations as they accrue.

- c. Payment Priorities. The new city and the third party fiscal agent shall prioritize the new city's payment obligations as follows: (1) the debt liability and non-debt liability payments to the City of Los Angeles required by conditions 21 and 22; (2) debt payments for the new city's bonded indebtedness or loan repayment; (3) the fiscal mitigation payment required by condition 17; (4) the transition costs required by condition 15; (5) the Transition Period service costs required by condition 14(c); and (6) the new city's direct operating costs.
- d. Payment Frequency. The third party fiscal agent shall reimburse the City of Los Angeles on a monthly basis for the Transition Period service costs set forth in condition 14(c) and non-debt liabilities set forth in condition 22 under a modified accrual accounting basis as defined by Generally Accepted Accounting Principles. For debt liability payments to the City of Los Angeles required by condition 21, the fiscal agent shall make payments in accordance with the Debt Service Schedule. The fiscal agent shall make monthly payments to the City of Los Angeles for the fiscal mitigation payment required by condition 17.
- e. Payments Made in Advance. The new city shall not be required to pay over moneys to the City of Los Angeles for payments required by this Resolution, in advance of the date upon which the City of Los Angeles shall make corresponding payments, except for purposes of the debt liability payments required by condition 21. The new city and its fiscal agent shall be authorized to deduct interest at a rate equal to the City of Los Angeles general pool investment yield from any funds advanced to the City of Los Angeles by more than one week.
- f. Late Payments. For any late payment(s) made by the new city, the fiscal agent shall add interest to the disbursement made to

the City of Los Angeles at a rate equal to the City of Los Angeles general pool investment yield.

- g. Auditor-Controller Indemnification. The new city shall indemnify, defend and hold harmless, the County of Los Angeles, its Auditor-Controller and other officers, elected officials, employees and agents from any and all liability, damages, and costs, including but not limited to attorneys' fees and defense costs, arising from or related to any of the duties and obligations imposed upon the Auditor-Controller pursuant to this Resolution.

17. Mitigation Payment. Pursuant to Government Code section 56845, the Commission finds that the Valley Special Reorganization has an annual negative fiscal effect on the City of Los Angeles of \$127,122,000 that should be mitigated. Starting thirty (30) days after the Effective Date, and for a period of twenty (20) years thereafter, the new city shall make an annual fiscal mitigation payment to the City of Los Angeles in the following manner:

- a. The initial annual mitigation payment shall be \$127,122,000, adjusted over the term on an annual basis for actual inflation, as measured by the percentage change in the Los Angeles metropolitan area Consumer Price Index (CPI-U) that occurred between January 1, 2001 and January of the fiscal year in which payment is being made; and
- b. The annual mitigation payment shall be discounted by a factor of five percent annually after the first fiscal year of incorporation in a cumulative fashion, so as to completely phase out the mitigation payment after twenty (20) years; and
- c. The annual mitigation payment shall be paid to the City of Los Angeles in twelve equal monthly installments commencing thirty-one (31) days after the Effective Date, due on the 1st of the month, unless otherwise agreed to by the new city and the City of Los Angeles, adjusted for inflation using the California Department of Finance forecasts of the Consumer Price Index for the Los Angeles area with any adjustments due to differences between the forecast and actual inflation made in the next payment following the availability of the actual inflation data.

18. Employees.

- a. With respect to employee transfers, both the City of Los Angeles and the new city are required to comply with the provisions of Government Code section 56844.2, which requires that: (1) public employees, as defined therein, shall continue to be deemed public employees of the original local agency or the newly incorporated local agency for purposes

including, but not limited to, the continuation and application of any collective bargaining agreement that applies to these employees, and all representational and collective bargaining rights, pursuant to Government Code section 3500, *et seq.*; (2) that any existing collective bargaining agreement shall remain in effect and be fully binding on either local agency, and on the employee organizations that are parties to the agreement for the balance of the term of the agreement, or until a subsequent agreement has been established; and (3) that any existing retiree benefits, including but not limited to, health dental, and vision care benefits, shall not be diminished.

- b. Pursuant to Government Code section 56844(l), the new city shall accept responsibility and liability for accrued vacation, sick leave and other compensated time-off for City of Los Angeles employees who transfer to the new city as part of a transfer in service responsibility from the City of Los Angeles to the new city.

19. Assets. The Commission has reviewed and considered the legal opinions of its Legal Counsel and of the California Legislative Counsel, along with the legal opinions of the Applicant and the City of Los Angeles on issues related to the transfer of assets from the City of Los Angeles to the new city. Pursuant to Government Code section 56844(h), the disposition, transfer, and division of assets relevant to the San Fernando Valley Special Reorganization shall occur in the following manner:

- a. Fund Balances. Upon the Effective Date, the City of Los Angeles shall transfer trust account fund balances for capital improvement projects specific to the Special Reorganization Area to the third party fiscal agent. Upon the Effective Date, the City of Los Angeles shall transfer to the new city the General Fund Proportionate Share of the contingency and emergency reserve funds and any other general fund balance net of outstanding loans, encumbrances and re-appropriations required for capital improvements. Upon the Effective Date, the City of Los Angeles shall transfer to the new city an allocation of all special fund balances net of outstanding loans, encumbrances and re-appropriations required for capital improvements, based upon the proportion of the Special Reorganization Area's revenue contribution to the respective special fund, as set forth in Exhibit F, attached hereto and incorporated herein, except for the following special funds which shall be wholly retained by the City of Los Angeles:
 - 1. Water Revenue Fund
 - 2. Power Revenue Fund

3. Sewer Construction & Maintenance Fund
 4. Convention Center Revenue Fund
 5. Zoo Enterprise Trust Fund
 6. Special Police Communications/911 System Tax Fund
 7. City Employees Retirement Fund
 8. Fire and Police Pension Fund
 9. El Pueblo de Los Angeles Historical Monument Revenue Fund
 10. Staples Arena Special Fund
 11. Airport Revenue Fund
 12. Harbor Revenue Fund
 13. Tax Revenue Anticipation Notes Fund, and
 14. Bond Redemption & Interest Funds.
- b. Impact Fees. The City of Los Angeles shall transfer to the new city impact fees collected prior to the special reorganization within and intended for use in the Special Reorganization Area, for facilities or services not yet rendered for underground utilities, roads, parks, housing and any other allowed use(s). The new city shall be required to expend and collect these impact fees for the original purposes for which the impact fees were collected by the City of Los Angeles.
- c. Public Safety Augmentation Fund. The new city shall be entitled to the General Fund Proportionate Share of the City of Los Angeles allocation of the County of Los Angeles Public Safety Augmentation Fund. (Government Code section 30051, *et seq.*) The County of Los Angeles Auditor-Controller shall directly remit the General Fund Proportionate Share of the City of Los Angeles allocation of the Public Safety Augmentation Fund to the new city. The new city shall be required to expend these funds in compliance with Government Code section 30051, *et seq.*
- d. Tobacco Settlement. On an annual basis, the City of Los Angeles shall transfer to the new city an amount equal to the General Fund Proportionate Share of the funds received by the City of Los Angeles pursuant to the Memorandum of Understanding between the State of California, the City of Los Angeles and various other parties, dated August 5, 1998, relating to several coordinated actions including *People v. Philip Morris, Inc.*, San Francisco Superior Court Case No. 980864, to which the City of Los Angeles was a party, regarding the disposition of any recovery relating to said litigation.

- e. Streets and Highways. Upon the Effective Date, all right, title, interest and responsibility for any and all public roads, adjacent slopes, medians, sidewalks, trails, bikeways, landscaped areas, open space, street lights, signals, and bridges located within the boundaries of the Special Reorganization Area shall vest in the new city, except that the City of Los Angeles 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.
- f. Storm Water Facilities. Upon the Effective Date, all right, title, interest and responsibility for any and all storm drain facilities and related easements owned by the City of Los Angeles and located within the boundaries of the Special Reorganization Area shall vest in the new city.
- g. Local Service-Related Assets Transferred. All right, title, interest and responsibility for local service-related facilities and the furnishings, fixtures, rolling stock and equipment contained therein or otherwise associated with the services provided by that facility, as identified in Exhibit G attached hereto and incorporated herein, shall vest in the new city, upon the Effective Date and without the payment of compensation, subject to existing licensing and contractual arrangements, unless other conditions to the transfer are set forth in Exhibit G. Unless otherwise provided for in Exhibit G, the City of Los Angeles shall be entitled to use these service-related assets, at no cost, for the provision of services to the new city during the Transition Period.
- h. Shared Local Service-Related Assets. The new city shall permit the City of Los Angeles to continue using the booking facility at the Van Nuys Police Station located at 6240 Sylmar Avenue, after the Transition Period, with any associated cost-sharing arrangements to be negotiated by the new city and the City of Los Angeles.
- i. Miscellaneous Assets. Upon the Effective Date, and without the payment of compensation to the City of Los Angeles, all right, title, interest and responsibility for all other assets owned by the City of Los Angeles and located within the Special Reorganization Area, but not transferred or excluded from transfer elsewhere in this Resolution or Exhibit G, shall vest in the new city.
- j. Van Nuys Airport. Upon the approval of the Federal Aviation Administration or other federal agency having jurisdiction, and without the payment of compensation to the City of Los

Angeles, all right, title, interest and responsibility for the Van Nuys Airport shall vest in the new city. Any City-owned property adjacent to the airport, the transfer of which is not subject to federal government approval, shall transfer without compensation to the new city as of the Effective Date of incorporation. The new city shall permit the City of Los Angeles to continue using helicopters at the Van Nuys Airport after the Transition Period with any associated cost-sharing arrangements to be negotiated by the new city and the City of Los Angeles.

- k. Assignment of Leases. On or after the Effective Date and without the payment of compensation to the City of Los Angeles, at the option of the new city and with the consent of the lessor, if any consent is required, the City of Los Angeles shall assign to the new city any and all leases, whether of real or personal property, for property leased by the City of Los Angeles and located within and exclusively serving the Special Reorganization Area.
- l. “AS IS” Transfer. Real or personal property of the City of Los Angeles transferred to the new city pursuant to conditions 19(g), (i) and (j), above, shall be accepted by the new city “AS IS.”
- m. Exclusions. Ownership and control of the City's airports other than Van Nuys Airport, the Port of Los Angeles, the Convention Center, and the water, power, and wastewater systems shall remain with the City of Los Angeles.

20. Public Utilities.

- a. Water and Power Utility Services. Pursuant to Government Code section 56844(j) and (r), the City of Los Angeles shall be obligated to continue to provide water and power public utility service to customers located in the new city, and customers in the new city shall be entitled to the same priority in the use of, and service from, these public utilities as they received as customers residing within the City of Los Angeles prior to the date of the Election, in perpetuity, unless the new city elects otherwise, except that the new city shall enter into initial franchise or service agreements for water and power with the City of Los Angeles for terms that end no sooner than the latest maturity date of bonded indebtedness for Department of Water and Power debt issued prior to the date of the Election.
- b. Wastewater Services. Pursuant to Government Code section 56844(j) and (r), the City of Los Angeles shall continue to be obligated to provide wastewater collection and treatment service to customers located in the new city, and customers in the new city shall be entitled to the same priority in the use of,

and service from, this public utility as they received as customers residing within the City of Los Angeles prior to the date of the Election, in perpetuity, unless the new city elects otherwise, except that the new city shall enter into an initial franchise or service agreement for wastewater services with the City of Los Angeles for a term that ends no sooner than the latest maturity date of bonded indebtedness for wastewater system debt issued prior to the date of the Election.

- c. Wastewater Regulation. Pursuant to Government Code section 56844(r), the City of Los Angeles may continue to regulate industrial dischargers within the Special Reorganization Area to ensure compliance with the City of Los Angeles' environmental discharge permits so long as the City of Los Angeles provides wastewater service to the new city. The City of Los Angeles may exercise its authority directly or by contracting with the new city.
- d. Utility Service and Rates. Pursuant to Government Code section 56844(j), (r), (t) and (v), the City of Los Angeles shall provide the same level of water, power and wastewater service as is provided to each particular class of customer within the City of Los Angeles to customers of the corresponding class within the new city, and shall charge the same utility rates as are charged to each particular class of customer within the City of Los Angeles to customers of the corresponding class in the new city, with no rate differential based upon the location of the customer within one city or the other, such that while the City of Los Angeles may adjust rates and differentiate between different classes of customers based on usage or cost of service, the rates charged to a particular class of customer in the remaining City of Los Angeles will always be the same as the rate charged to the corresponding class of customer in the new city, and to the extent that there are additional costs associated with the provision of utility services to a particular class of customer in either area, those additional costs shall be borne uniformly across the two cities by that class of customer, without any differentials based upon the location of the customer within one city or the other.
- e. Alternative Condition.
Should condition 20(d) be found to be unlawful, unenforceable, invalid, or void by a final judgment of a court of competent jurisdiction, the other terms and conditions of this Resolution shall remain in full force and effect and the San Fernando Valley Special Reorganization shall remain in effect and shall not be void or invalidated by reason of said term or condition being unlawful, unenforceable, invalid or void.

- i. Should condition 20(d) be found unlawful, unenforceable, invalid or void, the new city shall no longer be obligated pursuant to condition 20(a) and/or (b), above, to enter into franchise or service agreements with the City of Los Angeles for the provision of water, power and/or wastewater service and may cancel any agreements for the provision of these services already entered into.
21. Debt Liability. Pursuant to Government Code section 56844(c), the outstanding debt liability of the City of Los Angeles shall be allocated to the new city in the following manner. Unless and until the new city defeases its portion of the City of Los Angeles outstanding debt issued as of the date of the Election, the new city shall assume the obligation for its portion of the City of Los Angeles debt and bear a corresponding share of the City's debt service obligation as enumerated in this condition, and as set forth in that certain Debt Service Schedule to be provided by the City of Los Angeles to the new city by or before the Effective Date, which schedule shall specify the principal amount then outstanding of bonds, notes and lease obligations of the City of Los Angeles, the applicable debt service, lease payment set-aside or other schedule for each series or issue of such obligations and their maturity date or dates, as well as the category of capital improvement listed below, to which such debt relates. Unless otherwise indicated below, the portion of the debt service payments shown on the Debt Service Schedule for which the new city will be responsible will be the General Fund Proportionate Share. The third party fiscal agent shall be required to remit the debt payments to the City of Los Angeles in a timely fashion for repayment of the bondholders, with appropriate deductions for interest earned by the City of Los Angeles on any pledged funds paid by the new city prior to the City of Los Angeles' actual payment of debt service at a rate equal to the City of Los Angeles general pool investment yield. The new city shall not be liable for any portion of City of Los Angeles debt liability that is not set forth in this Resolution.
 - a. General Obligation Bond Debt. The new city shall annually adopt an ordinance by August 1 of each year adopting the ad valorem property tax rate established by the City of Los Angeles for repayment of its outstanding general obligation bond debt issued as of the date of the Election. The new city and its residents shall be exempt from the repayment of any general obligation bond debt issued after the date of the Election. The new city shall authorize the Los Angeles County Tax Collector to remit to the City of Los Angeles all Special Reorganization Area property owners' payments for general obligation debt issued prior to the date of the Election and outstanding on the Effective Date, as shown on the Debt Service Schedule. The City of Los Angeles shall continue to be

responsible for managing accounts and acting as paying agent for the bondholders. Should the new city fail in any year to enact the ordinance required by this condition, the new city's share of the City of Los Angeles general obligation bond debt shall be paid to the City of Los Angeles by the third party fiscal agent from the new city's property taxes. The unissued authorization for general obligation bonds, as of the date of the Election, shall be allocated between the remaining City of Los Angeles and the new city in the following manner: (1) on the basis of the location of the projects for each area, as indicated in the ballot measures approved by the voters, and in the amounts allocated for those projects adopted by the City of Los Angeles City Council as of the date of the adoption of this Resolution; (2) twenty-eight percent (28%) of the city-wide Police and Fire station renovation costs adopted by the City of Los Angeles City Council as of the date of the adoption of this Resolution shall be allocated to the new city; and (3) program management and contingency amounts adopted by the City of Los Angeles City Council as of the date of the adoption of this Resolution shall be allocated based on the percentage of total project costs allocated in items 1 and 2, herein, to each city. This allocation method is intended to enable each city to deliver the projects in their areas that have been approved by the voters. The project amounts for Propositions Q and F approved by the City of Los Angeles City Council as of the date of the adoption of this Resolution are attached hereto as Exhibit H and incorporated herein by this reference.

- b. Assessment and Special Tax Bond Debt. Parcels within the Special Reorganization Area that are encumbered with special tax assessments for bonded indebtedness as of the date of the Election, shall remain encumbered until the respective series of bonds are paid in full, except that property owners in the new city shall be exempt from the repayment of outstanding Pershing Square Park Project debt. Special Assessment installments received by the City of Los Angeles following the Effective Date for such parcels shall be remitted to, or upon the order of the new city applied to, the payment of such bonded indebtedness. Property owners in the new city shall continue to bear liability for assessments for bonded indebtedness for the police emergency communications system, Proposition K (consistent with conditions 29 or 30), and the Cascades Business Park assessment in Sylmar.
- c. Judgment Obligation Bond Debt. The new city shall be obligated to pay for the General Fund Proportionate Share of outstanding judgment obligation bond debt issued as of the date of the Election, consistent with the Debt Service Schedule.

- d. Lease Obligation Bond and Certificates of Participation (“COP”) Debt. The new city shall make Lease Obligation Bond and COP debt service payments to the City of Los Angeles, consistent with the Debt Service Schedule, for the Lease Obligation Bond and COP debt issued as of the date of the Election that is secured and defeased by the general fund of the City of Los Angeles unless and until the new city pays the City of Los Angeles the General Fund Proportionate Share of the outstanding Lease Obligation Bond and COP debt. Notwithstanding any other conditions of this Resolution, if any debt-financed equipment or facilities cannot be transferred to the new city because of Lease Obligation Bond or COP covenants or terms, the City of Los Angeles shall provide the new city with access to, and use of, an equitable share of such equipment or facilities during its useful life. The new city will make use of tax-exempt debt-financed equipment and facilities in such a manner and take such other actions as necessary to maintain the tax-exempt status of such obligations. The new city shall not bear responsibility for that portion of obligations of the City of Los Angeles paid by special funds not accruing to the new city, in particular, the portion of lease obligation bond debt paid by Convention Center operating revenues net of non-debt operating expenditures, the Staples Arena developer or the Pershing Square special taxes.
- e. Parking Revenue Bond Debt. During the Transition Period, the City of Los Angeles shall be required to pay the new city’s share of outstanding parking revenue bond debt issued as of the date of the Election, from the parking fees collected in the Special Reorganization Area during the Transition Period. After the Transition Period, the new city shall be obligated to pay for the new city’s share of parking revenue bond debt issued as of the date of the Election that remains outstanding as of the last day of the Transition Period, consistent with the Debt Service Schedule. The new city’s share of debt service shall be proportional to its contribution to the City’s Special Parking Revenue Fund for fiscal year 1998-99 (12.25%).
- f. Sanitation Equipment Charge Revenue Bond Debt. During the Transition Period, the City of Los Angeles shall pay the new city’s share of outstanding sanitation equipment charge revenue bonds debt issued as of the date of the Election, from the sanitation charges collected in the Special Reorganization Area during the Transition Period. After the Transition Period, the new city shall be obligated to pay for the new city’s share of sanitation equipment charge revenue bond debt issued as of the date of the Election that remains outstanding as of the last day of the Transition Period, consistent with the Debt Service Schedule. The new city’s share of debt service shall be

proportional to its contribution to the City's Sanitation Equipment Charge Special Revenue Fund for fiscal year 1998-99 (40.86%).

22. Non-Debt Liability. Pursuant to Government Code section 56844(c), the non-debt liability of the City of Los Angeles shall be allocated to the new city in the following manner.
 - a. Workers Compensation Claims. The new city shall pay on a monthly basis a share of the cost of defense and indemnification of the City of Los Angeles for workers' compensation claims attributable to workplace injuries that occurred prior to the Effective Date, where the new city's share of these costs is equivalent to the General Fund Proportionate Share.
 - b. Liability Claims. The new city shall pay on a monthly basis a share of the cost of defense and indemnification of the City of Los Angeles for liability claims attributable to injuries or damages that occurred prior to the Effective Date, where the new city's share of these costs is equivalent to the General Fund Proportionate Share.
 - c. Consultation Regarding Payment of Non-Debt Liability. The City of Los Angeles shall report to the new city on a monthly basis on the status and progress of those claims and lawsuits referred to in conditions 21(a) and (b). The City of Los Angeles shall consult with the new city before agreeing to settlements involving the payment of \$500,000 or more to any claimant or plaintiff or \$500,000 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 of Los Angeles in the investigation and defense of these matters.
23. Provisional Appropriations Limit. The provisional appropriations limit, as required by Article XIII B of the California Constitution, shall be \$1.354 billion.
24. Property Tax Exchange. Pursuant to Government Code sections 56375(q) and 56842, all ad valorem property taxes that would have accrued to the City of Los Angeles from the tax rate areas within the Special Reorganization Area shall accrue to the new city from the Effective Date and thereafter, including any tax revenue that would have been allocated pursuant to the annual tax increment assigned to the City of Los Angeles for each tax rate area in the Special Reorganization Area, pursuant to Revenue and Taxation Code sections 96, 96.1, and 96.5, as now enacted or later amended. Otherwise, there shall be no property tax exchanged between the affected agencies.

25. Debt and Liability Audit Rights. The new city shall have audit rights with respect to the City of Los Angeles' fiscal management of all outstanding debt service and other liabilities for which the new city shall be proportionately liable as provided for in this Resolution, including but not limited to workers' compensation claims and liability claims as provided for in condition 22. The City of Los Angeles shall maintain all records related to the outstanding debt service and other liabilities for a period of at least three years from the date of retirement of a debt or payment of a workers' compensation or liability claim. The new city's right to audit shall terminate two years after the date of retirement of a debt or payment of a liability claim. The new city shall bear all expenses related to any audits conducted pursuant to this condition.
26. Revenue and Transition Period Cost Audit Rights. The new city shall have audit rights with respect to Transition Period service costs and any revenues collected by the City of Los Angeles in the Special Reorganization Area in the fiscal year prior to the Effective Date and during the Transition Period. The City of Los Angeles shall maintain all records of such costs and revenues for a period of at least three years from the date when the Transition Period ends. The new city's right to audit shall terminate two years after the last day of the Transition Period. The new city shall bear all expenses related to any audits conducted pursuant to this condition.
27. Fiscal Agent Audit Rights. The new city and the City of Los Angeles shall have audit rights with respect to revenue allocations and payments made by the third party fiscal agent. The city requesting the audit shall bear all expenses related to that audit. The cities' right to audit the fiscal agent shall terminate two years after the fiscal agent makes the last payment to the City of Los Angeles for outstanding liability.
28. City of Los Angeles Audit Rights. The City of Los Angeles shall have audit rights with respect to the new city's obligations to the City of Los Angeles pursuant to this Resolution, including but not limited to, the new city's obligations to pay for any services received from the City of Los Angeles, to make mitigation payments, and to make any debt or non-debt liability payments. The new city shall maintain all records of such obligations for a period of at least three years from the date when the obligation is satisfied. The audit rights of the City of Los Angeles shall terminate two years after all of the new city's obligations pursuant to this Resolution are satisfied. The City of Los Angeles shall bear all expenses related to any audits conducted pursuant to this condition.
29. Proposition K District. Pursuant to Government Code sections 56125 and 56844(e) and (u), that portion of Landscaping and Lighting District No. 96-1 (the "District")(Proposition K) located

within the new city shall be detached from the District and formed into a new landscape and lighting district (the “new district”).

- a. The total annual assessment for the new district shall be a proportionate share of the \$25 million Proposition K assessment limitation based upon the share of the total assessment paid by property owners in the Special Reorganization Area in fiscal year 2000-01. Property owners in the remaining City of Los Angeles shall be obligated to pay the remainder of the total annual assessment, unless other new cities are formed pursuant to any other pending special reorganizations, in which case each shall bear responsibility for their proportionate share of the total assessment based upon their fiscal year 2000-01 contribution. The assessments in the new district shall include: a) a debt component, which shall recoup the cost of debt service for Proposition K debt issued as of the date of the Election and outstanding on the Effective Date, and b) a non-debt component, which shall fund the costs of authorized improvements in the Special Reorganization Area consistent with Proposition K.
- i. The debt component shall be determined in the following manner. 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 the date of Election that are secured by Proposition K funds, including related bond trustee costs and costs charged by the County of Los Angeles for collection services, based upon the share of the total assessment paid by property owners in the Special Reorganization Area in fiscal year 2000-01. The amount that the properties in the new city shall be assessed shall be determined by the City of Los Angeles and levied by the new city based upon the benefit points methodology currently used. The new city shall cooperate in providing to the City of Los Angeles any information needed to determine the appropriate assessment amount. The County of Los Angeles Auditor-Controller shall rely on the assessment figure determined by the City of Los Angeles, shall continue to collect these fees as part of the property tax bill, and shall remit the fees directly to the City of Los Angeles. The new district shall bear no liability for the District’s Proposition K debt issued after the date of the Election.

- ii. The non-debt component shall consist of the remainder of the new city's proportionate share of the \$25 million annual Proposition K assessment. The amount that the properties in the new city shall be assessed shall be determined by the new city and levied by the new city based upon the benefit points methodology currently used for the District. The City of Los Angeles shall cooperate in providing to the new city any information needed to determine the appropriate assessment amount.
 - b. The new city shall be obligated to carry out those projects listed in Proposition K located within the Special Reorganization Area and to otherwise administer the new district in compliance with all responsibilities, powers and limitations of the District as set forth in Proposition K. 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.
 - c. Should division of the District into separate districts pursuant to this condition be found unlawful by a final judgment of a court of competent jurisdiction, the other terms and conditions of this Resolution shall remain in full force and effect and the San Fernando Valley Special Reorganization shall remain in effect and shall not be void or invalidated by reason of said term or condition being unlawful, and the District shall thereafter conform to condition 30, below.
30. Proposition K Alternative Condition. This condition shall only be enforceable if condition 29, above, is found unlawful by a final judgment of a court of competent jurisdiction. That portion of Landscaping and Lighting District No. 96-1 (the "District") (Proposition K) located within the new city shall remain part of the District for the purposes of carrying out the specified projects designated in Section 5 of Proposition K, except that the competitive funds designated in Section 5 shall be made available for projects within the boundaries of any city containing territory within the District on a pro rata basis as provided for below.
- a. Specified Projects. The District shall be obligated to carry out all specified projects, unless found infeasible under Section 5, except that the legislative body of any new city which includes territory within the District shall provide input to the Proposition K Steering Committee and Los Angeles City Council regarding

priorities for the timing of specified projects in the new city's territory. The timing of those specified projects shall be equitable, taking into consideration the need to complete all specified projects during the life of the District as specified in Section 11 of Proposition K.

- b. Competitive Funds. The funds designated in Section 5 of Proposition K for competitive grants shall be allocated on a pro rata basis for projects to be located within the boundaries of any city which includes territory within the District based upon the share of the total assessment paid by property owners in each new city in fiscal year 2000-01. The legislative body of each city shall select those competitive projects to be located within its boundaries, in accordance with the responsibilities, powers, and limitations of the District, including the competitive procedures outlined in Section 6 of Proposition K. The legislative body of each city shall provide information regarding the chosen projects to the Proposition K Steering Committee and Los Angeles City Council sufficiently in advance of each annual assessment so that the Los Angeles City Council can timely adopt the Engineer's Report and levy the assessment for the entire District, in accordance with Section 13 of Proposition K.
- c. Administrative and Maintenance Funds. The funds designated in Section 12 of Proposition K for administrative and incidental costs, and for maintenance of completed acquisitions and improvements, shall be made available on a pro rata basis for allocation by each legislative body which includes territory within the District based upon the share of the total assessment paid by property owners in each new city in fiscal year 2000-01. The City Council of Los Angeles shall determine the total amount of these funds to be allocated to each legislative body as part of each annual assessment.
- d. Outstanding Bonded Indebtedness. Property in any new city shall continue to be liable for assessment and payment of its pro rata share of any bonds issued that are secured by Proposition K funds, including related bond trustee costs and costs charged by the County for collection services, based upon the share of the total assessment paid by property owners in each new city in fiscal year 2000-01. The amount that the properties in the new city shall be assessed shall be determined by the City of Los Angeles 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 of Los Angeles Auditor-Controller shall rely on the assessment figure determined by the City of Los Angeles, shall continue to collect these fees as part of the property tax bill, and shall remit the fees directly to the City of Los Angeles.

- e. Administration of Specified and Competitive Projects. Within thirty (30) days of the adoption of the ordinance levying the annual assessment, funds designated in the Engineer's Report to be used for specified or competitive projects in the next fiscal year shall be transferred to an appropriate account under the control of the legislative body of the city in which the project shall be located. That city shall be responsible for ensuring that funds are used in accordance with the requirements of Proposition K.

- 31. Assessment Districts. The administration of any assessment districts located entirely within the detached territory shall be transferred to the new city after the Effective Date. 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.
- 32. Business Improvement Districts. The administration of any trust fund balances of any Business Improvement District located entirely within the Special Reorganization Area shall be transferred to the new city after the Effective Date. To the extent that any Business Improvement District is located partially within the new city and partially within the remaining City of Los Angeles, that portion located within the new city shall be detached and become the responsibility of the new city.
- 33. Redevelopment Areas. The City of Los Angeles shall not expand the boundaries of any redevelopment project area within the Special Reorganization Area nor shall it establish any new redevelopment project area during the Transition Period without the consent of the City Council of the new city.
- 34. Development Agreements. The new city shall succeed to the benefits and be bound by the obligations and duties of the City of Los Angeles with respect to all development agreements entered into prior to the date of the Election, and the City of Los Angeles shall be relieved of any

obligation under those agreements. The new city shall indemnify and hold the City of Los Angeles 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.

35. Conducting Authority. The Board of Supervisors of the County of Los Angeles shall be the Conducting Authority and shall conduct protest proceedings for the San Fernando Valley Special Reorganization in compliance with Government Code Section 57000, *et seq.*, and this Resolution.
36. Severability. Should any term or condition of this Resolution be found unlawful, unenforceable, invalid or void by a final judgment of a court of competent jurisdiction, all other terms and conditions of this Resolution shall remain in full force and effect and the San Fernando Valley Special Reorganization shall remain in effect and shall not be void or invalidated by reason of said term or condition being unlawful, unenforceable, invalid or void.

BE IT FURTHER RESOLVED by the Local Agency Formation Commission for Los Angeles County that the County of Los Angeles Board of Supervisors is directed to initiate appropriate proceedings in compliance with this Resolution and State Law and that the Executive Officer of this Commission is authorized and directed to:

- a. Mail a certified copy of this Resolution to the chief petitioners;
- b. Mail a certified copy of this Resolution to the affected governmental agencies whose boundaries are affected by the Resolution; and
- c. File a certified copy of this Resolution with the Clerk of the Board of Supervisors of the County.

The foregoing Resolution was adopted by the Local Agency Formation Commission for Los Angeles County on this 22nd day of May, 2002, by the following vote:

AYES:

NOES:

Pursuant to Government Code section 56854, technical corrections to the foregoing Resolution were adopted by the Local Agency Formation Commission for Los Angeles County on the 8th day of July, 2002.

Larry J. Calemine
Executive Officer

