

**DRAFT**

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

**Summary**

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;

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

“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; 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;<sup>1</sup> and

WHEREAS, on December 9, 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

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<sup>1</sup> 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 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.

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 \_\_ public hearings on the Petition and the Proposal;

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

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

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

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

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;

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

WHEREAS, the *Environmental Impact Report for Special Reorganization of the San Fernando Valley Area* was issued on \_\_\_\_, 2002;

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:

- A. The Special Reorganization Area includes approximately 224 square miles and is inhabited.
- 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.
- C. In approving this proposal the Commission has considered the policies set forth in Government Code Section 56377, and finds that the Proposal is not reasonably expected to induce, facilitate, or lead to the conversion of existing open-space lands to uses other than open-spaces.
- D. Pursuant to Section 56375.1 of the Government Code, 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, the policies of Government Code sections 56001, 56300, 56301, and 56377.
  2. The spheres of influence of the local agencies affected by the Proposal have been reviewed by this Commission. The Proposal is consistent with the sphere of influence of the City of Los Angeles. Pursuant to Government Code section 56426.5, the Commission will determine the sphere of influence of the new city within one year of its effective date.
  3. The Commission has reviewed the Comprehensive Fiscal Analysis prepared pursuant to Government Code section 56833.1, and its supplement.
  4. The Commission has reviewed the State Controller's Report prepared pursuant to Government Code section 56833.3.
  5. The Commission has reviewed the Executive Officer's Report and recommendations prepared pursuant to Government Code section 56833, and the testimony presented at its public hearings.
  6. 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.
- E. 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.
- F. In accordance with Government Code section 56852.3, the Commission hereby accepts the findings and recommendations of the Executive Officer's Report, and of the Comprehensive Fiscal Analysis, as modified by the Executive Officer's Report. [Any findings that are not accepted will be identified prior to adoption of this Resolution.]
- G. 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. The Commission adopted its resolution on \_\_\_\_\_, 2002, certifying the EIR. Identified mitigation measures are adopted and included as conditions of project approval in this Resolution.
- H. 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 16 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.
- I. Subject to the conditions set forth herein, the special reorganization proposed by the Petition submitted, is hereby approved as follows:

1. The Special Reorganization Area is detached from the City of Los Angeles and incorporated as a general law city.
2. Effective Date. Subject to the limitations of Government Code section 57202, the effective date of the San Fernando Valley Special Reorganization is \_\_\_\_\_.
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. 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 are set forth in Exhibit \_ hereto and incorporated herein by this reference.
6. Election. The election of the first City Council and the incorporation election (hereinafter "election") shall be held concurrently, in compliance with Government Code section 57132.5.
7. City Name. Pursuant to Government Code Section 57101(d), on the ballot, the voters' shall be entitled to express their preference for a name for the new city and the name shall be chosen from the following five (5) choices:
  - a. Camelot
  - b. Mission Valley
  - c. Rancho San Fernando
  - d. San Fernando Valley
  - e. Valley City
8. Indemnification. The Applicant shall defend, 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. The City Council of the new city shall, immediately following its organization and prior to performing any other official act, adopt an ordinance providing that all City of Los Angeles ordinances 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 ordinances superseding them, whichever occurs first.
10. Approval of Agreements. The new city's City Council shall adopt, at its first council meeting, any revenue neutrality agreements and tax sharing agreements negotiated by the Applicant and agreed to by the City of Los Angeles.
11. Appointive Positions. Upon and after the effective date of this special reorganization, 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. The new city shall continue to levy all previously authorized and collected charges, fees, assessments and general or special taxes previously collected by the City of Los Angeles within the Special Reorganization Area, except as prohibited by law, and except with respect to services being provided by the City of Los Angeles during the transition period, in which case, the City of Los Angeles shall continue to levy all previously authorized and collected charges and fees relating to the transition period services being provided.
13. Sphere of Influence. Within one hundred eighty (180) days after the special reorganization, the new city shall submit an application to the Commission proposing a sphere of influence for the new city.
14. Transition Period Services. The City of Los Angeles shall continue to provide to the new city, all services except those provided by the Department of Neighborhood Empowerment furnished to the Special Reorganization Area prior to special reorganization until June 30, 2004, or for a shorter period, if the new city, acting through its City Council, cancels the provision of a particular service with six months' 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 upon six month's notice or with the agreement of the City of Los Angeles. If the new city cancels a transition period service with less than six months notice, the new city shall continue to be obligated to pay for transition period costs for that service throughout the six month period.

- 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-incorporation service levels. The City of Los Angeles shall be allowed to reduce service levels in the new city during the transition period only as may be required for management of emergencies or revenue shortfalls in the new city or with the agreement of the new city. For the purposes of this condition, a revenue shortfall in the new city exists if the new city's actual transition period service payments fall short of baseline costs. The City of Los Angeles shall attempt to reduce service levels in a proportional manner.
- c. Transition Period Service Costs. The City of Los Angeles has requested that the new city reimburse the City of Los Angeles for the costs of transition period services. The cost of transition period services shall be calculated on the modified accrual accounting basis, and shall be reduced by the business license tax, property tax, and sales tax offsets, and any revenues generated in the Special Reorganization Area on or after the effective date and retained by the City of Los Angeles, including 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 such services.
- i. [The business license tax offset shall be fifty (50) percent of the annual business license tax receipts that are paid by businesses for the privilege of conducting business in the Special Reorganization Area in calendar year 2003, and one-hundred (100) percent of the sub-annual business license tax receipts paid for the privilege of conducting business in the Special Reorganization Area in calendar year 2003.]
  - ii. [The property tax offset shall be the lesser of:
    1. The fiscal year 2002-03 secured and unsecured ad valorem property taxes paid by property owners located in the Special Reorganization Area and remitted by the County Auditor-Controller to the City of Los Angeles on or after January 1, 2003; or
    2. Fifty (50) percent of the secured and unsecured ad valorem property taxes paid by property owners located in the Special Reorganization Area and budgeted for the fiscal year 2002-03.]<sup>2</sup>
  - iii. 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 after the

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<sup>2</sup> Conditions 14(c)(i) and (ii) would be unnecessary with a July 1, 2003 effective date.

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 second quarter of the year 2002 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 occurred in the second quarter of the year 2002.

- d. Budgeted Grant Funds. In lieu of a specific re-allocation of grant funding by the granting agency or other legal requirements, 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 Valley 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, or may take the form of an offset against the fiscal mitigation or 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 HUD entitlement grants on the basis of the new city's share of the City of Los Angeles low and moderate income population.
  - 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.
  - 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 the population aged 60 or greater.
  - 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 population or Part I criminal activity.
  - v. The new city shall be allocated a share of any other entitlement grant funds previously intended for city-wide use on the basis of population.
- e. Off-Budget Grant Funds. Throughout the transition period, 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, the incorporation of which the voters approve at the November 5, 2002 general election, shall be obligated to share the costs of election on the question of special reorganization in proportion to the assessed value in the respective territories. If the voters reject special reorganization, the County of Los Angeles is obligated to bear these costs.
- b. City of Los Angeles Redistricting Costs. The City of Los Angeles, the new city and any other cities formed pursuant to these special reorganization proceedings shall pay in proportionate (assessed property value) shares the costs of redistricting the City of Los Angeles.
- c. Accounting Costs. The new city and any other cities formed pursuant to these special reorganization proceedings shall pay in proportionate (assessed property value) shares the costs of establishing revenue collection procedures and validating pre-existing bonds.
- d. Transition Cost Controls. The City of Los Angeles shall consult with the new city regarding any transition costs permitted by this Resolution in excess of \$100,000 prior to encumbering the expenses.

15. Third Party Fiscal Agent. Both the new city and the City of Los Angeles shall remit all revenues collected by or on behalf of the new city to a 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 electricity (which are retained by the DWP for the provision of those utility services), Public Works, Bureau of Sanitation charges for sanitation equipment, 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.

- a. Payment Priorities. Regarding the priority of payments to be made by the new city and the fiscal agent, the priority ranking shall be debt payments to the City of Los Angeles, debt payments to the new city’s creditors for debt incurred to pay

for transition period service costs, fiscal mitigation payment, transition period service reimbursement, and lastly the new city's direct operating costs.

- b. Payment Frequency. The fiscal agent shall reimburse the City of Los Angeles on a monthly basis for transition period service costs and non-debt liabilities under a modified accrual accounting basis. For bonded indebtedness payments to the City of Los Angeles, the fiscal agent shall make payments in accordance with the City of Los Angeles debt payment schedule(s). The fiscal agent shall make monthly payments to the City of Los Angeles for the fiscal mitigation payment.
  - c. Payment Advances. The new city shall not be required to advance funds to the City of Los Angeles except for purposes of bonded indebtedness payments. The new city and its fiscal agent shall be authorized to deduct reasonable interest expenses from any funds advanced to the City of Los Angeles by more than one week.
  - d. Late Payments. For any late payment made by the new city, the fiscal agent shall add interest at a rate equal to the City of Los Angeles general pool investment yield to the disbursement made to the City.
  - e. Fiscal Agent Costs. The new city shall reimburse the third party fiscal agent for the all costs of collecting and remitting tax revenues.
  - f. Choice of Fiscal Agent. The third party fiscal agent shall be acceptable to both the new city and the City of Los Angeles.
  - g. Post Transition Period. The new city shall remit all property tax revenues collected on behalf of the new city to the third party fiscal agent until all bonded indebtedness existing as of the effective date is retired or the parties agree otherwise. The third party fiscal agent shall make payments to the City of Los Angeles for outstanding debt, and shall be authorized to deduct interest for debt payments advanced by more than one week.
16. Mitigation Payment. The Commission finds that the Valley Special Reorganization has a negative fiscal effect on the City of Los Angeles of \$55.8 million that should be mitigated. Starting with fiscal year 2003-04, 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 \$55.8 million. On July 1, 2004, and annually thereafter, the mitigation payment shall be adjusted for the percentage change in the Los Angeles metropolitan area Consumer Price Index (CPI-U) using July 1, 2001 as the base year; 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 June 30, 2022; and
  - c. the annual mitigation payment shall be paid to the City of Los Angeles in twelve equally monthly installments due on the 15<sup>th</sup> of the month; and
  - d. the first monthly installment shall be due on July 15, 2003, unless otherwise agreed to by the new city and the City of Los Angeles.
17. Employees. 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.
18. Assets.
- a. Fund Balances. Upon the effective date, the City of Los Angeles shall transfer trust account fund balances for projects specific to the Special Reorganization Area to the new city's fiscal agent. Upon the effective date, the City of Los Angeles shall transfer to the new city 30.57 percent (proportion of the Special Reorganization Area's general fund revenue contribution) of any unexpended general fund balances (including reserves) and an allocation of all special fund balances based upon the proportion of the Special Reorganization Area's revenue contribution to each special fund, 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, and
    11. 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 territory of the new city, for facilities or services not yet rendered for underground utilities, roads, parks, housing and any other allowed use. 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. Streets and Highways: Upon the effective date of incorporation, 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.
- d. Storm Water Facilities: Upon the effective date of incorporation, 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.
- e. Local Service-Related Assets Transferred. Upon the effective date of incorporation, and without the payment of compensation to the City of Los Angeles, all right, title, interest and responsibility for local service-related facilities (itemized in Exhibit B) and the furnishings, fixtures, rolling stock and equipment contained therein or otherwise associated with the services provided by that facility shall vest in the new city, subject to existing licensing and contractual arrangements. During the transition period, 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.
- f. 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, with any associated cost-sharing arrangements to be negotiated by the parties.
- g. Miscellaneous Assets. Upon the effective date of incorporation, 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 Valley Special Reorganization area, but not transferred or excluded from transfer elsewhere in the resolution, shall vest in the new city.

- h. 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.
- i. Exclusions. With the exception of Van Nuys Airport, all assets and property under the control of the Departments of Airports, Harbor, and Water and Power shall remain with the City of Los Angeles. 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 of Los Angeles.

19. Public Utilities.

- a. Water and Power Utility Services: The City of Los Angeles shall continue to provide water and power public utility service to customers located in the new city. The new city shall enter into franchise 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 debt issued prior to the effective date.
- b. Wastewater Services. The City of Los Angeles shall continue to provide wastewater collection and treatment service to customers located in the new city. The new city shall enter into a franchise 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 debt issued prior to the effective date.
- c. Wastewater Regulation. The City of Los Angeles may regulate industrial dischargers to ensure compliance with the City of Los Angeles' environmental discharge permits. The City may exercise its authority directly or by contracting with the new city.
- d. Utility Service and Rates. The City of Los Angeles shall provide the same level of water, electric and wastewater service as is provided to each particular type of customer within the City of Los Angeles to customers of the corresponding type within the new city, and shall charge the same utility rates as are charged to each particular type of customer within the City of Los Angeles to customers of the corresponding type 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 types of customers based on usage or cost of service, the rates charged to a particular type of customer in the remaining City will always be the same as the rate charged to the corresponding type 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 type of customer in either area, those additional costs shall be borne uniformly across the two cities by that type of customer, without any differentials based upon the location of the customer within one city or the other.

20. Debt and Liabilities. Unless and until the new city defeases its portion of the City of Los Angeles debt outstanding on the effective date, 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 section. The fiscal agent shall be required to remit the debt payment to the City of Los Angeles in a timely fashion for repayment of the bondholders, with appropriate deductions for interest earned by the City on any pledged funds paid by the new city prior to the City's actual payment of debt service.
- a. [Tax and Revenue Anticipation Notes. For fiscal year 2002-03, the fiscal agent shall set aside the new city's share of tax and revenue anticipation note debt outstanding prior to the effective date of incorporation on the dates and in the proportions dictated by the pledge schedule in the City's bond covenant. For the pension portion of the debt, the new city's share of debt service shall be proportional to its contribution to the City's general fund (30.57%), and then reduced by half. For the cash flow portion of the debt, the new city's share shall be zero (0%). The fiscal agent shall remit the debt payment to the City of Los Angeles in a timely fashion for repayment of the bondholders, with appropriate deductions for interest earned by the City on any pledged funds paid by the new city prior to the City's actual payment of debt service. For the 2003-04 fiscal year and subsequent years, each party shall accept responsibility for its own tax and revenue anticipation notes.]<sup>3</sup>
- b. General Obligation Bond Debt. The new city shall annually pass an ordinance by August 1 of each year adopting the General Obligation property tax rate established by the City of Los Angeles for repayment of General Obligation debt outstanding on the effective date. The new city shall authorize

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<sup>3</sup> Condition would be unnecessary with a July 1, 2003 effective date.

the Los Angeles County Tax Collector to remit to the City of Los Angeles all Valley Special Reorganization Area property owners' payments for general obligation debt outstanding on the effective date. The City of Los Angeles shall continue to be responsible for repaying the bondholders.

- c. Assessment and Special Tax Bond Debt. Parcels within the Valley Special Reorganization Area that are currently encumbered with special tax assessments for bonded indebtedness, shall remain encumbered until the bonds are paid in full, except that property owners in the new city shall not bear liability for outstanding Pershing Square Park Project debt. Property owners in the new city shall continue to bear liability for assessments for bonded indebtedness for the police emergency communications system, Proposition K, and the Cascades Business Park assessment in Sylmar.
- d. Judgment Obligation Bond Debt. The new city shall be obligated to pay for the new city's share of judgment obligation bond debt outstanding as of the effective date, consistent with the debt payment schedule in the bond covenant(s). The new city's share of debt service shall be proportional to its contribution to the City's general fund (30.57%). The fiscal agent shall remit the debt payment to the City of Los Angeles in a timely fashion for repayment of the bondholders, with appropriate deductions for interest earned by the City on any pledged funds paid by the new city prior to the City's actual payment of debt service.
- e. Lease Obligation Bond Debt. The new city shall make Lease Obligation debt service payments to the City of Los Angeles, consistent with the debt payment schedule in the bond covenant(s), for the debt that is secured and defeased by the general fund, on the basis of estimated contribution to the general fund (30.57%) unless and until the new city pays the City of Los Angeles for its share of the debt outstanding on the effective date. The fiscal agent shall remit the debt payment to the City of Los Angeles in a timely fashion for repayment of the bondholders, with appropriate deductions for interest earned by the City on any pledged funds paid by the new city prior to the City's actual payment of debt service. If the debt-financed equipment cannot be transferred to the new city, the City of Los Angeles shall provide the new city with access to, and use of, an equitable share of this debt-financed equipment during its useful life. The new city shall not bear responsibility for debt paid by special funds, in particular, the portion of lease obligation bond debt paid by Convention Center revenues, the Staples Arena developer or the Pershing Square special taxes.

- f. Parking Revenue Bond Debt. During the transition period, the City of Los Angeles shall be required to pay the new city's share of the outstanding parking revenue bond debt from the parking fees collected in the Valley 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 outstanding as of June 30, 2004, consistent with the payment schedule in the bond covenant(s). 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%). The fiscal agent shall remit the debt payment to the City of Los Angeles in a timely fashion for repayment of the bondholders, with appropriate deductions for interest earned by the City on any pledged funds paid by the new city prior to the City's actual payment of debt service.
- g. Sanitation Equipment Charge Revenue Bond Debt. During the transition period, the City of Los Angeles shall pay the new city's share of the outstanding sanitation equipment charge revenue bonds debt from the sanitation charges collected in the Valley 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 outstanding as of June 30, 2004, consistent with the debt payment schedule in the bond covenant(s). 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 (41%). The fiscal agent shall remit the debt payment to the City of Los Angeles in a timely fashion for repayment of the bondholders, with appropriate deductions for interest earned by the City on any pledged funds paid by the new city prior to the City's actual payment of debt service.
- h. Workers Compensation. The new city shall pay on a monthly basis a share of the City of Los Angeles workers' compensation attributable to workplace injuries that occurred prior to the effective date, as well as all claims filed prior to the effective date, where the new city's share of these costs is equivalent to the percentage (30.57%) the Valley Special Reorganization Area contributed to the City of Los Angeles general fund in fiscal year 2000-2001.
- i. Liability Claims. The new city shall pay on a monthly basis a share of the City of Los Angeles liability claims attributable to injuries that occurred prior to the effective date, as well as all claims filed prior to the effective date, where the new city's share of these costs is equivalent to the percentage (30.57%)

the Valley Special Reorganization Area contributed to the City of Los Angeles general fund in fiscal year 2000-2001.

- j. 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 (20)(h) and (i). 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.
21. Provisional Appropriations Limit. The provisional appropriations limit, as required by Article XIII B of the California Constitution, shall be \$1.213 billion.
22. Property Tax Exchange. Pursuant to Government Code sections 56375(q) and 56842, the amount of property tax to be exchanged between the affected agencies is \$\_\_\_\_\_.
23. Debt 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 legal liability claims. 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 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.
24. 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 [during fiscal year 2002-2003] and during the remainder of the transition period. The City of Los Angeles shall maintain all records of such 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.
25. Proposition K District. That portion of Landscaping and Lighting District No. 96-1 (Proposition K) located within the new city shall be detached from the District and formed into a new District. The assessment that will be authorized to be collected by the respective

Districts annually for the remainder of the assessment (2021) shall be as follows:

- District located in the remaining City of Los Angeles: \$ per year;
- District located in the Valley Special Reorganization Area: \$ per year;
- District located in the Hollywood Special Reorganization Area:<sup>4</sup> \$ per year; and
- District located in the Harbor Special Reorganization Area: \$ per year.

The new city shall be obligated to carry out those specified projects located within its territory and otherwise administer the District in compliance with all responsibilities, powers and limitations of District 96-1. In addition to the specified projects, the District shall be authorized to allocate funds for competitive projects in accordance with Section 6 of Proposition K in the following amounts and for the following categories of projects:

- District located in the remaining City of Los Angeles:
  - Regional Recreation/Education Facilities: \$ per year;
  - Neighborhood At-Risk Youth Recreational Facilities: \$ per year;
  - Youth Schools/Recreational Projects: \$ per year;
  - Aquatic Upgrades: \$ per year;
  - Athletic Fields: \$ per year;
  - Lighting: \$ per year;
  - Urban Greening: \$ per year;
  - Acquisition of Parks/Natural Lands: \$ per year.
- District located in the Valley Special Reorganization Area:
  - Regional Recreation/Education Facilities: \$ per year;
  - Neighborhood At-Risk Youth Recreational Facilities: \$ per year;
  - Youth Schools/Recreational Projects: \$ per year;
  - Aquatic Upgrades: \$ per year;
  - Athletic Fields: \$ per year;
  - Lighting: \$ per year;
  - Urban Greening: \$ per year;
  - Acquisition of Parks/Natural Lands: \$ per year.
- District located in the Hollywood Special Reorganization Area:
  - Regional Recreation/Education Facilities: \$ per year;

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<sup>4</sup> The voters in the Valley Special Reorganization election will not be determining fund limits and project allocations for the Harbor and Hollywood, but only for the Valley and the remaining City of Los Angeles.

Neighborhood At-Risk Youth Recreational Facilities: \$ per year  
 Youth Schools/Recreational Projects: \$ per year;  
 Aquatic Upgrades: \$ per year;  
 Athletic Fields: \$ per year;  
 Lighting: \$ per year;  
 Urban Greening: \$ per year;  
 Acquisition of Parks/Natural Lands: \$ per year.

District located in the Harbor Special Reorganization Area:

Regional Recreation/Education Facilities: \$ per year;  
 Neighborhood At-Risk Youth Recreational Facilities: \$ per year  
 Youth Schools/Recreational Projects: \$ per year;  
 Aquatic Upgrades: \$ per year;  
 Athletic Fields: \$ per year;  
 Lighting: \$ per year;  
 Urban Greening: \$ per year;  
 Acquisition of Parks/Natural Lands: \$ per year.

Should any area described above not be approved for Special Reorganization and remain part of the City, the allocations for that area shall be added to the allocation for the City. 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.

22. 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.

23. Business Improvement Districts. The administration and any trust fund balances of any Business Improvement District located entirely within the Valley 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, that portion located within the new city shall be detached and become the responsibility of the new city.
24. 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.
25. 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 the Development Agreements listed below, 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. The Development Agreements are: [list of agreements to be supplied by the City].
26. 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.

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 \_\_ day of May, 2002, by the following vote:

AYES:

NOES:

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Larry J. Calemine  
Executive Officer

draft

draft