



LOCAL AGENCY FORMATION COMMISSION
FOR LOS ANGELES COUNTY

MINUTES OF THE MEETING OF THE LOCAL AGENCY
FORMATION COMMISSION OF THE COUNTY OF LOS ANGELES
FINDING, TERMS & CONDITIONS SUB-COMMITTEE

February 25, 2002

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SANDOR L. WINGER
DEPUTY EXECUTIVE OFFICER

JUNE D. SAYALA
EXECUTIVE ASSISTANT

Present: James DiGiuseppe
Carol Herrera
Zev Yaroslavsky, Chairman

Larry J. Calemene, Executive Officer
John Krattli, Legal Counsel

Absent: William Wentworth

1. The Executive Officer (EO) indicated that today's sub-committee meeting would cover assets, liabilities, and enterprise departments. Subjects previously not discussed by the sub-committee. The positions of both parties have been made clear. The applicants contend that the people of the City of Los Angeles are "shareholders" in all of the City's assets, and entitled to a per capita, proportionate interest in all of the City's assets, facilities, etc. Generally speaking, the Applicant seeks a transfer of all assets located within the Valley Special Reorganization area, as well as a proportional interest or joint ownership of centralized assets.

However, The City of Los Angeles contends that there are constitutional constraints to the transfer of property held by a municipal corporation in its proprietary capacity. The City has asserted that municipal corporations hold property in their proprietary capacity in the same manner and with the same rights as private persons holding property, and based thereon, the California Constitution prohibits the State from taking such property without just compensation or the consent of the City.

2. The EO with respect to the legal opinions the Commission may utilize in the decision making process, indicated there were two sources for legal opinions used by staff as a basis for its recommendations. The respective opinions were given by County Counsel (CC) for Los Angeles County and Legislative Counsel (LC) of the State of California.

The following members of the public addressed the sub-committee

Set forth below is a summary of the staff recommendations for assets, enterprises and liabilities. In certain instances staff sets forth alternative recommendations based upon the legal opinions of the County Counsel (CC) and Legislative Counsel (LC), as indicated. The sub-committee's tentative recommendations are highlighted with square bullet and bold type face.

- Trust Account Funds and Liquid Assets:
 - **Sub-committee recommends LC option**
 - (CC) The Commission should require the transfer of trust account fund balances for projects specific to the Valley Special Reorganization area, but no general or special fund balances

should transfer unless the City of Los Angeles agrees to a transfer;
or

- (LC) The Commission should require the transfer of trust account fund balances for projects specific to the Valley Special Reorganization area, and 30.3 percent (proportion of Valley general fund revenue) of any unexpended general fund balances (including reserves) and special fund balances, except for:
 - Water Revenue Fund
 - Power Revenue Fund
 - Sewer Construction & Maintenance Fund
 - Convention Center Revenue Fund
 - Zoo Enterprise Trust Fund
 - Special Police Communications/911 System Tax Fund
 - City Employees Retirement Fund
 - Fire and Police Pension Fund
 - El Pueblo de Los Angeles Historical Monument Revenue Fund
 - Staples Arena Special Fund, and
 - Bond Redemption & Interest Funds.
- Local Service-Related Assets:
 - **Sub-committee recommends LC option.**
 - (CC) The Commission should require local service-related assets that are held pursuant to a public trust transferred on the effective date or upon their identification by the parties; other local service-related assets should only transfer upon the payment of compensation or on terms agreed to by the parties; or
 - (LC) The Commission should require the transfer of title to all service-related local assets (itemized in Attachment A) on the effective date; during the transition period, the City of Los Angeles should be entitled to use service-related assets, at no cost, for the provision of services to the new city.
- Leases: Staff recommends against requiring the Valley City to accept lease assignments. To the extent that there are stranded costs associated with existing City leases as a result of the special reorganization, those costs should be addressed as stranded costs.
 - Adopts staff recommendation.
- Streets and Highways:
 - **This item was held over.**
 - (CC) The Commission should require that, 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; or

- (LC) The Commission should also include transfer of the local wastewater collection system, and to the extent that they can be identified and determined usable by the new city, communications and other centralized systems.
- Storm Water Facilities: The Commission should require the transfer of all storm drain facilities and easements to the new city.
 - **Sub-committee adopts staff recommendation**
- Miscellaneous Assets:
 - **Sub-committee recommends LC option**
 - The Commission should require the transfer property-related easements; and
 - (CC) The Commission should require that other miscellaneous assets located within the Valley Special Reorganization area that are held pursuant to a public trust be transferred on the effective date or upon their identification by the parties; other miscellaneous assets located within the Valley Special Reorganization area should only be transferred upon the payment of compensation or on terms agreed to by the parties; or
 - (LC) The Commission should require the transfer, without compensation, of 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.
- Van Nuys Airport:
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 - (CC) The Commission should only transfer the airport upon the payment of compensation or consent of the City, and subject to FAA approval; any City-owned property adjacent to the airport, the transfer of which is not subject to FAA approval, should only be transferred upon the payment of compensation or on terms agreed to by the parties; or
 - (LC) The Commission should require the transfer of the Van Nuys Airport subject to FAA approval; any City-owned property adjacent to the airport,

the transfer of which is not subject to FAA approval, should be transferred without compensation.

- Utilities: Staff recommends that no public utility assets, ~~other than the local wastewater collection system~~, transfer to the new Valley City. Staff recommends that these integrated systems remain under single ownership.
 - **Sub-committee recommends approval.**
- Water and Power Utility Services: The Commission should require that the City of Los Angeles continue to provide water and power public utility service to customers located in the new city, and that the new city be required to enter into 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.
 - **Sub-committee recommends approval.**
- Wastewater Services: The Commission should require that the City of Los Angeles continue to provide wastewater collection and treatment service to customers located in the new city, and that the new city enter into an 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.
 - **This item was held over.**
- Utility Rates: The Commission should require that the City of Los Angeles treat customers in the new city on equal footing with customers within the remaining City of Los Angeles and charge the same rates to customers in the new city as are charged to customers within the remaining City of Los Angeles.
 - **Sub-committee recommends approval.**
- General Obligation Bonds: The Commission should require the new city to pass an ordinance each year adopting the GO property tax rate established by the City of Los Angeles for repayment of GO debt outstanding on the effective date, and require that the new city authorize the Los Angeles County Tax Collector to remit to the City of Los Angeles all Valley property owners' payments for GO debt outstanding on the effective date.
 - **Sub-committee recommends approval.**
- Assessment and Special Tax Bonds: The Commission should require that the parcels that are currently encumbered with such assessments remain encumbered until the bonds are paid in full.
 - **Sub-committee recommends approval.**

- Judgment Obligation Bonds: The Commission should require that the new city make monthly debt service payments to the City of Los Angeles for the debt based upon a 30.3 percent share of the annual debt service, unless and until the new city pays the City of Los Angeles for its share of the outstanding debt.
 - **Sub-committee recommends approval.**

- General Fund Lease Obligations and Certificates of Participation: The Commission should require that the new city make monthly debt service payments to the City of Los Angeles for the debt, based upon a 30.3 percent share of the annual debt service, unless and until the new city pays the City of Los Angeles for its share of the outstanding debt, and if the debt-financed equipment cannot be transferred to the new city, the Commission should require that the City of Los Angeles provide the new city with access to, and use of, an equitable share of this debt-financed equipment during its useful life.
 - **Sub-committee recommends approval.**

- Sanitation Equipment Charge Revenue Bonds: The Commission should require that the new city make monthly debt service payments to the City of Los Angeles for the debt based upon a 41 percent share of the annual debt service, unless and until the new city pays the City of Los Angeles for its share of the outstanding debt.
 - **Sub-committee recommends approval.**

- Parking Revenue Bonds: The Commission should require that the new city make monthly debt service payments to the City of Los Angeles for the debt based upon a 13 percent share of the annual debt service, unless and until the new city pays the City of Los Angeles for its share of the outstanding debt.
 - **Sub-committee recommends approval.**

- Workers' Compensation: The Commission should require that the new city 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 Valley's share of these costs is equivalent to the percentage the Valley contributed to the City of Los Angeles general fund in the most recent fiscal year. The new city should have audit rights with respect to any workers' compensation claims for which the new city will bear proportionate responsibility.
 - **Sub-committee recommends approval.**

- Liability Claims: The Commission should require that the new city 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 Valley's share of these costs is equivalent to the percentage the Valley contributed to the City of Los Angeles general fund in the most recent fiscal year. The new city should have the right to audit any legal liability claims for which they will bear proportionate responsibility.

- **Sub-committee recommends approval.**

3. The following members of the public addressed the Sub-committee:

Tim McOsker

Jeff Brain

Mr. Hamilton Union rep

4. The meeting of the next Sub-Committee was set for Monday, March 11, 2002 at 1:30 p.m.

5. The meeting adjourned at 3:30 p.m.