

EAST LOS ANGELES RESIDENTS ASSOCIATION

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January 17, 2012

Mr. Paul Novak,
Executive Officer
Local Agency Formation Commission
For the County of Los Angeles
80 South Lake Ave, Suite 870
Pasadena, CA 91101

Re: Request for Continuance of Public Hearing

Dear Mr. Novak:

As you are aware, a public hearing before the Los Angeles County Local Agency Formation Commission ("LAFCO") has been called for January 25, 2012 to consider the proposal to incorporate the new City of East Los Angeles ("City of East LA"). This hearing has been scheduled in accordance with California law that requires that a public hearing be held on a proposal for incorporation within 90 days of the issuance of the certificate of filing. In this case the certificate of filing was issued on September 29, 2011, and the time period for the hearing was extended because of a request filed by the proponents of incorporation that the State Controller Office review the Comprehensive Fiscal Analysis ("CFA") completed by LAFCO's consultant.

The CFA found that the proposed City of East Los Angeles could be feasible if the Legislature restores vehicle license fee subventions for new cities and East Los Angeles voters approve a utility user tax increase. Although accountants at the State Controller Office (SCO) reviewed the CFA, their findings that "validated" the Sheriff's proposed law enforcement costs are clearly invalid, as indicated in our letter to the SCO, the CFA, the Cortese-Knox-Hertzberg Act, and precedent. The law clearly calls for costs

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to be vetted in comparison to other cities, and the Sheriff's proposed cost of service clearly fails that test.

The question is not whether the City of East LA is feasible, but under what conditions. We propose the following:

- The transition period be seven months in length rather than twelve. Transition periods shorter than 12 months are common in California incorporations, and a shorter transition period would reduce the burden on the nascent city of repaying the rather high costs of County services provided during that time.
- Belvedere Park remain the responsibility of the County, and associated costs removed from the anticipated costs of the new City.
- The \$4.5 million library subsidy be eliminated from the proposed City's costs. Clearly, the County library system offers cities 40 weekly hours of operation, but under a much less patron-friendly schedule than in unincorporated areas with libraries open only four days weekly. Although that is unfortunate that the County library schedules are not constituent-oriented in cities, the CFA suggestion that the new City pay \$4.5 million annually clearly fails the test of comparison to other cities.
- The LAFCO hearing be continued to provide ample time for the Legislature to take action to restore vehicle license fees. The State Legislature in 2011 took the unprecedented step of stripping this source of revenue from California cities without fully considering the effect on newly incorporated cities that were previously entitled to enhanced VLF revenues. As it has become known that at least four cities that have incorporated since 2008 have been dramatically negatively affected by this change in revenue, legislative efforts have been initiated to address that problem. Those efforts, however, will take time to be completed.

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- The solid waste franchise fee be included in the new city's revenues. LAFCO might include in its terms and conditions that the initial solid waste franchise fee be set at the maximum rate. The new city could then reduce that rate budget-permitting.
- ELARA's nascent discussions with alternative service providers indicate that law enforcement services could be provided at costs lower than those in the CFA, and substantially lower than those proposed by the Sheriff.
- As a last resort, ELARA is prepared to consider the CFA suggestion that a utility user tax increase be placed on the ballot with the incorporation ballot question. We would be willing to submit to the voters the question of whether to increase the utility user tax in order to achieve feasibility, if needed.

In addition to those concerns, a key component of the incorporation proposal is tied to actions taken and to be taken by the California State Legislature with regard to restoring funding to cities, and particularly to new cities, from vehicle license fees ("VLF"). While the law requires that a public hearing be scheduled in this matter no later than 135 days following issuance of a certificate of filing and completion of the State Controller's Office, the law also contemplates continuance of that public hearing as necessary to assure a full and fair consideration of the proposed incorporation.

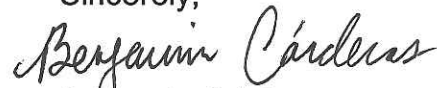
Given the particular issues at play in the current proposal, both as to the adequacy of the CFA and as to the potential dramatic effect of proposed legislation restoring VLF revenues to new cities, ELARA respectfully requests that the hearing to be held on January 25, 2012 be opened and then continued for a period of four months to allow appropriate actions to occur and be completed that relate directly to the fiscal viability of the proposed new City of East LA.

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Thank you as always for your professional handling of this issue. We look forward to your prompt response before the hearing. Feel free to contact me at 323.351.3514 or email: bcardenas79@yahoo.com should you have any questions or would like to further discuss this request.

Sincerely,



Benjamin Cárdenas
President

CC:

US Representative Grace Napolitano
US Representative Lucille Roybal-Allard
US Representative Judy Chu
CA State Controller John Chiang
L.A. County Supervisor Gloria Molina
CA State Senator Kevin De Leon
CA State Senator Ron Calderon
CA State Senator Ed Hernandez
CA State Assembly Speaker of the House, John Perez
CA Assembly Majority Leader Charles Calderon