

AMENDED IN SENATE JULY 1, 2004

AMENDED IN SENATE JUNE 9, 2004

AMENDED IN ASSEMBLY APRIL 15, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 3077

**Introduced by Committee on Local Government (Salinas (Chair),
Lieber (Vice Chair), Daucher, Garcia, La Suer, Leno, Mullin,
Steinberg, and Wiggins)**

March 11, 2004

An act to amend Sections 54975, 56036, 56077, 56132, 56337, 56375.5, 56810, 57025, 57120, 57125, and 57126 of the Government Code, and to amend Section 99 of the Revenue and Taxation Code, relating to local government reorganization.

LEGISLATIVE COUNSEL'S DIGEST

AB 3077, as amended, Committee on Local Government. Local government reorganization.

(1) Existing law requires the board of supervisors of a county to include in the Local Appointments List all appointments of public members and alternate public members made to the local agency formation commission pursuant to specified provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 that concern commission creation and the selection of commissioners generally.

This bill would additionally require the board of supervisors to include in the Local Appointments List the appointment of public members and alternate public members made pursuant to the provisions

of that act that specify the membership of commissions in specific counties, thereby imposing a state-mandated local program.

(2) Existing law defines the term “subject agency,” for the purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as each district or city for which a change of organization is proposed or provided in a reorganization or plan of reorganization.

This bill instead would define “subject agency” as each district or city for which a change of organization or reorganization is proposed or provided in a plan of reorganization.

(3) Existing law prescribes certain procedures, applicable until January 1, 2005, to the detachment of territory from the Broadmoor Police Protection District.

This bill would extend the operation of those provisions until January 1, 2006.

(4) Existing law specifies that a city or county officer may serve as a member of the commission while holding office as a city or county officer, but that upon ceasing to be a city or county officer, his or her membership on the commission shall be considered vacant.

This bill would specify that a district officer may serve as a member of the commission under the same circumstances.

(5) Existing law requires that determinations made by a commission regarding specified matters shall be consistent with the spheres of influence of the affected local agencies.

This bill would also require that determinations made by the commission regarding annexations of unincorporated islands of territory shall be consistent with the spheres of influence of the affected local agencies.

(6) Existing law concerning the exchange of property tax revenue between local agencies when a city is incorporated or a district is formed defines “prior fiscal year” for the purposes of calculating the amount of the exchange.

This bill would revise that definition.

(7) Existing law requires the executive officer of the commission to give mailed notice of a protest meeting to be held on a proposal to landowners owning land within any territory proposed to be formed into, annexed to, or detached from, an improvement district.

This bill would also require, if the subject territory is inhabited, that the executive officer give mailed notice to all registered voters residing within the affected territory.



(8) Existing law requires the commission, in any resolution ordering a formation or an incorporation subject to an election, to provide for the establishment of an appropriations limit, as specified.

This bill would also require the commission to provide for the establishment of an appropriations limit in any resolution ordering a reorganization subject to an election.

(9) Existing law specifies the procedures for the conduct of special elections relating to changes of organization or reorganization.

This bill would authorize those special elections to be conducted wholly by mailed ballot, as specified.

(10) This bill would also make technical, nonsubstantive changes.

(11) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 54975 of the Government Code is
2 amended to read:

3 54975. (a) The board of supervisors shall include in the Local
4 Appointments List prepared pursuant to Section 54972 all
5 appointments of public members and alternate public members
6 made to the local agency formation commission pursuant to
7 Chapter 2 (commencing with Section 56325) of Part 2 of Division
8 3.

9 (b) Whenever an unscheduled vacancy occurs in a local agency
10 formation commission, the board of supervisors shall cause a
11 special vacancy notice to be posted as provided in Section 54974.
12 Final appointment to fill the vacancy may not be made by the



1 appointing body for at least 10 working days after the posting of
2 the notice.

3 SEC. 2. Section 56036 of the Government Code is amended
4 to read:

5 56036. (a) "District" or "special district" means an agency
6 of the state, formed pursuant to general law or special act, for the
7 local performance of governmental or proprietary functions
8 within limited boundaries. "District" or "special district"
9 includes a county service area, but excludes all of the following:

- 10 (1) The state.
- 11 (2) A county.
- 12 (3) A city.
- 13 (4) A school district or a community college district.
- 14 (5) A special assessment district.
- 15 (6) An improvement district.
- 16 (7) A community facilities district formed pursuant to the
17 Mello-Roos Community Facilities Act of 1982, Chapter 2.5
18 (commencing with Section 53311) of Part 1 of Division 2 of Title
19 5.
- 20 (8) A permanent road division formed pursuant to Article 3
21 (commencing with Section 1160) of Chapter 4 of Division 2 of the
22 Streets and Highways Code.
- 23 (9) An air pollution control district or an air quality
24 maintenance district.
- 25 (10) A zone of any of the following:
 - 26 (A) A fire protection district.
 - 27 (B) A mosquito abatement and vector control district.
 - 28 (C) A public cemetery district.
 - 29 (D) A recreation and park district.
- 30 (b) Except as otherwise provided in paragraph (1), each of the
31 entities listed in paragraph (1) is a "district" or a "special district"
32 for the purposes of this division.
- 33 (1) For the purposes of Chapter 1 (commencing with Section
34 57000) to Chapter 7 (commencing with Section 57175), inclusive,
35 of Part 4 or Part 5 (commencing with Section 57300), none of the
36 following entities is a "district" or a "special district:"
 - 37 (A) A unified or union high school library district.
 - 38 (B) A bridge and highway district.
 - 39 (C) A joint highway district.
 - 40 (D) A transit or rapid transit district.



1 (E) A metropolitan water district.

2 (F) A separation of grade district.

3 (2) Any proceedings pursuant to Part 4 (commencing with
4 Section 57000) for a change of organization involving an entity
5 described in paragraph (1) shall be conducted pursuant to the
6 principal act authorizing the establishment of that entity.

7 (c) Except as otherwise provided in paragraph (1), each of the
8 entities listed in paragraph (1) is a “district” or “special district”
9 for purposes of this division.

10 (1) For the purposes of Chapter 1 (commencing with Section
11 57000) to Chapter 7 (commencing with Section 57175), inclusive,
12 of Part 4 or Part 5 (commencing with Section 57300), none of the
13 following entities is a “district” or “special district” if the
14 commission of the principal county determines, in accordance
15 with Sections 56127 and 56128, that the entity is not a “district”
16 or “special district.”

17 (A) A flood control district.

18 (B) A flood control and floodwater conservation district.

19 (C) A flood control and water conservation district.

20 (D) A conservation district.

21 (E) A water conservation district.

22 (F) A water replenishment district.

23 (G) The Orange County Water District.

24 (H) A California water storage district.

25 (I) A water agency.

26 (J) A county water authority or a water authority.

27 (2) If the commission determines that an entity described in
28 paragraph (1) is not a “district” or “special district,” any
29 proceedings pursuant to Part 4 (commencing with Section 57000)
30 for a change of organization involving the entity shall be
31 conducted pursuant to the principal act authorizing the
32 establishment of that entity.

33 SEC. 3. Section 56077 of the Government Code is amended
34 to read:

35 56077. “Subject agency” means each district or city for
36 which a change of organization or reorganization is proposed or
37 provided in a plan of reorganization.

38 SEC. 4. Section 56132 of the Government Code is amended
39 to read:



1 56132. (a) This section shall only apply to any change of
2 organization or reorganization that includes detachment of
3 territory from the Broadmoor Police Protection District in the
4 County of San Mateo and that includes or accommodates, or is
5 intended to facilitate, an annexation of territory to another local
6 agency that has initiated the change of organization or
7 reorganization. This section does not, however, apply to any
8 territory comprising real property owned by the San Francisco Bay
9 Area Rapid Transit District.

10 If the commission adopts a resolution approving such a change
11 of organization or reorganization, the board of commissioners of
12 the district may, within 15 days thereafter, adopt a resolution
13 finding either that the proposed detachment may or will not
14 adversely affect the district's ability to efficiently provide its law
15 enforcement services in the remainder of the district. The district
16 shall, if it adopts a resolution, file a certified copy of its resolution
17 with the local agency to which the affected territory is proposed to
18 be annexed and the commission. If that resolution finds that the
19 proposed detachment may have an adverse financial effect, then
20 the reorganization shall not become effective unless a majority of
21 the voters voting at a special election of the district called for that
22 purpose approve the detachment. The Broadmoor Police
23 Protection District shall pay the costs of the election. For purposes
24 of this section, it shall be conclusively presumed that any affected
25 local agency that adopts a resolution under Section 56654
26 requesting a detachment of contiguous territory from the
27 Broadmoor Police Protection District and that could have
28 concurrently requested annexation of the affected territory,
29 intends to do so.

30 (b) The Legislature finds and declares that a special law is
31 necessary and that a general law cannot be made applicable within
32 the meaning of Section 16 of Article IV of the California
33 Constitution because of the following special circumstances:

34 The Broadmoor Police Protection District consists primarily of
35 suburban residential properties which have long enjoyed an urban
36 level of police services. The threat of continued piecemeal
37 detachments of territory from the district threatens its ability to
38 continue providing that level of service on an economically
39 efficient basis.



1 (c) This section shall remain in effect only until January 1,
2 2006, and as of that date is repealed, unless a later enacted statute,
3 that is enacted prior to January 1, 2006, deletes or extends that date.

4 SEC. 4.5. Section 56337 of the Government Code is amended
5 to read:

6 56337. A city, county, or district officer may serve as a
7 member of the commission while holding office as a city, county,
8 or district officer. If a member who is a city, county, or district
9 officer ceases to be an officer of a city, county, or district during
10 his or her term, his or her membership on the commission shall be
11 considered vacant.

12 SEC. 5. Section 56375.5 of the Government Code is amended
13 to read:

14 56375.5. Every determination made by a commission
15 regarding the matters provided for by subdivisions (a), (m), and (n)
16 of Section 56375 and by subdivision (a) of Section 56375.3 shall
17 be consistent with the spheres of influence of the local agencies
18 affected by those determinations.

19 SEC. 6. Section 56810 of the Government Code is amended
20 to read:

21 56810. (a) (1) If the proposal includes the incorporation of
22 a city, as defined in Section 56043, the commission shall determine
23 the amount of property tax revenue to be exchanged by the affected
24 local agency pursuant to this section and Section 56815.

25 (2) If the proposal includes the formation of a district, as
26 defined in Section 2215 of the Revenue and Taxation Code, the
27 commission shall determine the amount of property tax to be
28 exchanged by the affected local agency pursuant to this section.

29 (b) The commission shall notify the county auditor of the
30 proposal and the services which the new jurisdiction proposes to
31 assume within the area, and identify for the auditor the existing
32 service providers within the area subject to the proposal.

33 (c) If the proposal would not transfer all of an affected agency's
34 service responsibilities to the proposed city or district, the
35 commission and the county auditor shall do all of the following:

36 (1) The county auditor shall determine the proportion that the
37 amount of property tax revenue derived by each affected local
38 agency pursuant to subdivision (b) of Section 93 of the Revenue
39 and Taxation Code bears to the total amount of revenue from all
40 sources, available for general purposes, received by each affected



1 local agency in the prior fiscal year. For purposes of making this
2 determination and the determination required by paragraph (3),
3 “total amount of revenue from all sources available for general
4 purposes” means the total amount of revenue which an affected
5 local agency may use on a discretionary basis for any purpose and
6 does not include any of the following:

7 (A) Revenue which, by statute, is required to be used for a
8 specific purpose.

9 (B) Revenue from fees, charges, or assessments which are
10 levied to specifically offset the cost of particular services and do
11 not exceed the cost reasonably borne in providing these services.

12 (C) Revenue received from the federal government which is
13 required to be used for a specific purpose.

14 (2) The commission shall determine, based on information
15 submitted by each affected local agency, an amount equal to the
16 total net cost to each affected local agency during the prior fiscal
17 year of providing those services which the new jurisdiction will
18 assume within the area subject to the proposal. For purposes of this
19 paragraph, “total net cost” means the total direct and indirect costs
20 that were funded by general purpose revenues of the affected local
21 agency and excludes any portion of the total cost that was funded
22 by any revenues of that agency that are specified in subparagraphs
23 (A), (B), and (C) of paragraph (1).

24 (3) The commission shall multiply the amount determined
25 pursuant to paragraph (2) for each affected local agency by the
26 corresponding proportion determined pursuant to paragraph (1) to
27 derive the amount of property tax revenue used to provide services
28 by each affected local agency during the prior fiscal year within the
29 area subject to the proposal. The county auditor shall adjust the
30 amount described in the previous sentence by the annual tax
31 increment according to the procedures set forth in Chapter 6
32 (commencing with Section 95) of Part 0.5 of Division 1 of the
33 Revenue and Taxation Code, to the fiscal year in which the new
34 city or district receives its initial allocation of property taxes.

35 (4) For purposes of this subdivision, in any county in which,
36 prior to the adoption of Article XIII A of the California
37 Constitution, and continuing thereafter, a separate fund or funds
38 were established consisting of revenues derived from the
39 unincorporated area of the county and from which fund or funds
40 services rendered in the unincorporated area have been paid, the



1 amount of property tax revenues derived pursuant to paragraph
2 (3), may, at the discretion of the commission, be transferred to the
3 proposed city over a period not to exceed 12 fiscal years following
4 its incorporation. In determining whether the transfer of the
5 amount of property tax revenues determined pursuant to paragraph
6 (3) shall occur entirely within the fiscal year immediately
7 following the incorporation of the proposed city or shall be phased
8 in over a period not to exceed 12 full fiscal years following the
9 incorporation, the commission shall consider each of the
10 following:

11 (A) The total amount of revenue from all sources available to
12 the proposed city.

13 (B) The fiscal impact of the proposed transfer on the
14 transferring agency.

15 (C) Any other relevant facts which interested parties to the
16 exchange may present to the commission in written form.

17 The decision of the commission shall be supported by written
18 findings setting forth the basis for its decision.

19 (d) If the proposal would transfer all of an affected agency's
20 service responsibilities to the proposed city or district, the
21 commission shall request the auditor to determine the property tax
22 revenue generated for the affected service providers by tax rate
23 area, or portion thereof, and transmit that information to the
24 commission.

25 (e) The executive officer shall notify the auditor of the amount
26 determined pursuant to paragraph (3) of subdivision (c) or
27 subdivision (d), as the case may be, and, where applicable, the
28 period of time within which and the procedure by which the
29 transfer of property tax revenues will be effected pursuant to
30 paragraph (4) of subdivision (c), at the time the executive officer
31 records a certificate of completion pursuant to Section 57203 for
32 any proposal described in subdivision (a), and the auditor shall
33 transfer that amount to the new jurisdiction.

34 (f) The amendments to this section enacted during the 1985–86
35 Regular Session of the Legislature shall apply to any proposal
36 described in subdivision (a) for which a certificate of completion
37 is recorded with the county recorder on or after January 1, 1987.

38 (g) For purposes of this section, “prior fiscal year” means the
39 most recent fiscal year for which data on actual direct and indirect
40 costs and revenues needed to perform the calculations required by



1 this section are available preceding the issuance of the certificate
2 of filing.

3 (h) An action brought by a city or district to contest any
4 determinations of the county auditor or the commission with
5 regard to the amount of property tax revenue to be exchanged by
6 the affected local agency pursuant to this section shall be
7 commenced within three years of the effective date of the city’s
8 incorporation or the district’s formation. These actions may be
9 brought by any city that incorporated or by any district that formed
10 on or after January 1, 1986.

11 (i) This section applies to any city that incorporated or district
12 that formed on or after January 1, 1986.

13 (j) The calculations and procedures specified in this section
14 shall be made prior to and shall be incorporated into the
15 calculations specified in Section 56815.

16 SEC. 7. Section 57025 of the Government Code is amended
17 to read:

18 57025. (a) The executive officer of the commission shall
19 give notice of the protest hearing to be held on the proposal by
20 publication pursuant to Sections 56153 and 56154 and by posting
21 pursuant to Sections 56158 and 56159.

22 (b) The executive officer shall give mailed notice to all
23 landowners owning land within any affected territory, consistent
24 with Sections 56155 to 56157, inclusive.

25 (c) If the subject territory is inhabited, the executive officer
26 shall also give mailed notice to all registered voters residing within
27 any affected territory, consistent with Sections 56155 to 56157,
28 inclusive.

29 (d) The executive officer shall also give mailed notice to each
30 affected city, affected district, or affected county, the proponents,
31 if any, and to persons requesting special notice, consistent with
32 Sections 56155 to 56157, inclusive.

33 (e) In the case of a proposed change of organization or
34 reorganization that would result in the extension of any previously
35 authorized special tax or benefit assessment to the affected
36 territory, the executive officer of the commission shall give mailed
37 notice to each landowner within the affected territory.

38 SEC. 8. Section 57120 of the Government Code is amended
39 to read:



1 57120. In addition to any other requirements, any resolution
2 of the commission ordering a change of organization or
3 reorganization that includes a formation or an incorporation
4 subject to an election shall provide for the establishment of the
5 appropriations limit determined pursuant to Section 56811 or
6 56812.

7 SEC. 9. Section 57125 of the Government Code is amended
8 to read:

9 57125. (a) Special elections called within all or any part of a
10 city or registered-voter district shall be governed by the general
11 election provisions and the local election provisions of the
12 Elections Code, so far as they may be applicable, relating to the
13 qualifications of voters, the manner of voting, the form of the
14 ballot, the duties of precinct and election officers, the canvassing
15 of returns, and all other particulars. If the commission determines
16 that there is any inconsistency:

17 (1) Between the general elections provisions and the local
18 elections provisions of the Elections Code, the local elections
19 provisions shall control.

20 (2) Between this division and the Elections Code, this division
21 shall control.

22 (b) Notwithstanding any other provision of law, special
23 elections pursuant to this division may be conducted wholly by
24 mailed ballot on ~~an established mailed ballot election date or any~~
25 ~~other any date other than an established election date~~ authorized
26 by the elections official of the county or counties affected by the
27 use of mailed ballots.

28 SEC. 10. Section 57126 of the Government Code is amended
29 to read:

30 57126. (a) Special elections called within all or any part of a
31 landowner-voter district shall be governed by the general elections
32 provisions of the principal act, so far as they may be applicable,
33 relating to the qualifications of voters, the manner of voting, the
34 form of the ballot, the duties of precinct and election officers, the
35 canvassing of returns, and all other particulars. To the extent of any
36 inconsistency between the provisions of this division and the
37 principal act as determined by the commission, the provisions of
38 this division shall control.

39 (b) Notwithstanding any other provision of law, special
40 elections held pursuant to this division may be conducted wholly



1 by mailed ballot on ~~an established mailed ballot election date or~~
2 ~~any other date permitted~~ *any date other than an established*
3 *election date authorized* by the elections official of the county or
4 counties affected by the use of mailed ballots.

5 SEC. 11. Section 99 of the Revenue and Taxation Code is
6 amended to read:

7 99. (a) For the purposes of the computations required by this
8 chapter:

9 (1) In the case of a jurisdictional change, other than a city
10 incorporation or a formation of a district as defined in Section
11 2215, the auditor shall adjust the allocation of property tax revenue
12 determined pursuant to Section 96 or 96.1, or the annual tax
13 increment determined pursuant to Section 96.5, for local agencies
14 whose service area or service responsibility would be altered by
15 the jurisdictional change, as determined pursuant to subdivision
16 (b) or (c).

17 (2) In the case of a city incorporation, the auditor shall assign
18 the allocation of property tax revenues determined pursuant to
19 Section 56810 of the Government Code and the adjustments in tax
20 revenues that may occur pursuant to Section 56815 of the
21 Government Code to the newly formed city or district and shall
22 make the adjustment as determined by Section 56810 in the
23 allocation of property tax revenue determined pursuant to Section
24 96 or 96.1 for each local agency whose service area or service
25 responsibilities would be altered by the incorporation.

26 (3) In the case of a formation of a district as defined in Section
27 2215, the auditor shall assign the allocation of property tax
28 revenues determined pursuant to Section 56810 of the
29 Government Code to the district and shall make the adjustment as
30 determined by Section 56810 in the allocation of property tax
31 revenue determined pursuant to Section 96 or 96.1 for each local
32 agency whose service area or service responsibilities would be
33 altered by the formation.

34 (b) Upon the filing of an application or a resolution pursuant to
35 the Cortese-Knox-Hertzberg Local Government Reorganization
36 Act of 2000 (Division 3 (commencing with Section 56000) of Title
37 5 of the Government Code), but prior to the issuance of a certificate
38 of filing, the executive officer shall give notice of the filing to the
39 assessor and auditor of each county within which the territory
40 subject to the jurisdictional change is located. This notice shall



1 specify each local agency whose service area or responsibility will
2 be altered by the jurisdictional change.

3 (1) (A) The county assessor shall provide to the county
4 auditor, within 30 days of the notice of filing, a report which
5 identifies the assessed valuations for the territory subject to the
6 jurisdictional change and the tax rate area or areas in which the
7 territory exists.

8 (B) The auditor shall estimate the amount of property tax
9 revenue generated within the territory that is the subject of the
10 jurisdictional change during the current fiscal year.

11 (2) The auditor shall estimate what proportion of the property
12 tax revenue determined pursuant to paragraph (1) is attributable to
13 each local agency pursuant to Section 96.1 and Section 96.5.

14 (3) Within 45 days of notice of the filing of an application or
15 resolution, the auditor shall notify the governing body of each
16 local agency whose service area or service responsibility will be
17 altered by the amount of, and allocation factors with respect to,
18 property tax revenue estimated pursuant to paragraph (2) that is
19 subject to a negotiated exchange.

20 (4) Upon receipt of the estimates pursuant to paragraph (3) the
21 local agencies shall commence negotiations to determine the
22 amount of property tax revenues to be exchanged between and
23 among the local agencies. This negotiation period shall not exceed
24 60 days.

25 The exchange may be limited to an exchange of property tax
26 revenues from the annual tax increment generated in the area
27 subject to the jurisdictional change and attributable to the local
28 agencies whose service area or service responsibilities will be
29 altered by the proposed jurisdictional change. The final exchange
30 resolution shall specify how the annual tax increment shall be
31 allocated in future years.

32 (5) In the event that a jurisdictional change would affect the
33 service area or service responsibility of one or more special
34 districts, the board of supervisors of the county or counties in
35 which the districts are located shall, on behalf of the district or
36 districts, negotiate any exchange of property tax revenues. Prior to
37 entering into negotiation on behalf of a district for the exchange
38 of property tax revenue, the board shall consult with the affected
39 district. The consultation shall include, at a minimum, notification
40 to each member and executive officer of the district board of the



1 pending consultation and provision of adequate opportunity to
2 comment on the negotiation.

3 (6) Notwithstanding any other provision of law, the executive
4 officer shall not issue a certificate of filing pursuant to Section
5 56658 of the Government Code until the local agencies included
6 in the property tax revenue exchange negotiation, within the
7 60-day negotiation period, present resolutions adopted by each
8 such county and city whereby each county and city agrees to accept
9 the exchange of property tax revenues.

10 (7) In the event that the commission modifies the proposal or
11 its resolution of determination, any local agency whose service
12 area or service responsibility would be altered by the proposed
13 jurisdictional change may request, and the executive officer shall
14 grant, 15 days for the affected agencies, pursuant to paragraph (4)
15 to renegotiate an exchange of property tax revenues.
16 Notwithstanding the time period specified in paragraph (4), if the
17 resolutions required pursuant to paragraph (6) are not presented to
18 the executive officer within the 15-day period, all proceedings of
19 the jurisdictional change shall automatically be terminated.

20 (8) In the case of a jurisdictional change that consists of a city's
21 qualified annexation of unincorporated territory, an exchange of
22 property tax revenues between the city and the county shall be
23 determined in accordance with subdivision (e) if that exchange of
24 revenues is not otherwise determined pursuant to either of the
25 following:

26 (A) Negotiations completed within the applicable period or
27 periods as prescribed by this subdivision.

28 (B) A master property tax exchange agreement among those
29 local agencies, as described in subdivision (d).

30 For purposes of this paragraph, a qualified annexation of
31 unincorporated territory means an annexation, as so described, for
32 which proceedings before the relevant local agency formation
33 commission are initiated, as provided in Section 56651 of the
34 Government Code, on or after January 1, 1998, and on or before
35 January 1, 2005.

36 (9) No later than the date on which the certificate of completion
37 of the jurisdictional change is recorded with the county recorder,
38 the executive officer shall notify the auditor or auditors of the
39 exchange of property tax revenues and the auditor or auditors shall
40 make the appropriate adjustments as provided in subdivision (a).



1 (c) Whenever a jurisdictional change is not required to be
2 reviewed and approved by a local agency formation commission,
3 the local agencies whose service area or service responsibilities
4 would be altered by the proposed change, shall give notice to the
5 State Board of Equalization and the assessor and auditor of each
6 county within which the territory subject to the jurisdictional
7 change is located. This notice shall specify each local agency
8 whose service area or responsibility will be altered by the
9 jurisdictional change and request the auditor and assessor to make
10 the determinations required pursuant to paragraphs (1) and (2) of
11 subdivision (b). Upon notification by the auditor of the amount of,
12 and allocation factors with respect to, property tax subject to
13 exchange, the local agencies, pursuant to the provisions of
14 paragraphs (4) and (6) of subdivision (b), shall determine the
15 amount of property tax revenues to be exchanged between and
16 among the local agencies. Notwithstanding any other provision of
17 law, no such jurisdictional change shall become effective until
18 each county and city included in these negotiations agrees, by
19 resolution, to accept the negotiated exchange of property tax
20 revenues. The exchange may be limited to an exchange of property
21 tax revenue from the annual tax increment generated in the area
22 subject to the jurisdictional change and attributable to the local
23 agencies whose service area or service responsibilities will be
24 altered by the proposed jurisdictional change. The final exchange
25 resolution shall specify how the annual tax increment shall be
26 allocated in future years. Upon the adoption of the resolutions
27 required pursuant to this section, the adopting agencies shall notify
28 the auditor who shall make the appropriate adjustments as
29 provided in subdivision (a). Adjustments in property tax
30 allocations made as the result of a city or library district
31 withdrawing from a county free library system pursuant to Section
32 19116 of the Education Code shall be made pursuant to Section
33 19116 of the Education Code, and this subdivision shall not apply.

34 (d) With respect to adjustments in the allocation of property
35 taxes pursuant to this section, a county and any local agency or
36 agencies within the county may develop and adopt a master
37 property tax transfer agreement. The agreement may be revised
38 from time to time by the parties subject to the agreement.

39 (e) (1) An exchange of property tax revenues that is required
40 by paragraph (8) of subdivision (b) to be determined pursuant to



1 this subdivision shall be determined in accordance with all of the
2 following:

3 (A) The city and the county shall mutually select a third-party
4 consultant to perform a comprehensive, independent fiscal
5 analysis, funded in equal portions by the city and the county, that
6 specifies estimates of all tax revenues that will be derived from the
7 annexed territory and the costs of city and county services with
8 respect to the annexed territory. The analysis shall be completed
9 within a period not to exceed 30 days, and shall be based upon the
10 general plan or adopted plans and policies of the annexing city and
11 the intended uses for the annexed territory. If, upon the completion
12 of the analysis period, no exchange of property tax revenues is
13 agreed upon by the city and the county, subparagraph (B) shall
14 apply.

15 (B) The city and the county shall mutually select a mediator,
16 funded in equal portions by those agencies, to perform mediation
17 for a period of not to exceed 30 days. If, upon the completion of
18 the mediation period, no exchange of property tax revenues is
19 agreed upon by the city and the county, subparagraph (C) shall
20 apply.

21 (C) The city and the county shall mutually select an arbitrator,
22 funded in equal portions by those agencies, to conduct an advisory
23 arbitration with the city and the county for a period of not to exceed
24 30 days. At the conclusion of this arbitration period, the city and
25 the county shall each present to the arbitrator its last and best offer
26 with respect to the exchange of property tax revenues. The
27 arbitrator shall select one of the offers and recommend that offer
28 to the governing bodies of the city and the county. If the governing
29 body of the city or the county rejects the recommended offer, it
30 shall do so during a public hearing, and shall, at the conclusion of
31 that hearing, make written findings of fact as to why the
32 recommended offer was not accepted.

33 (2) Proceedings under this subdivision shall be concluded no
34 more than 150 days after the auditor provides the notification
35 pursuant to paragraph (3) of subdivision (b), unless one of the
36 periods specified in this subdivision is extended by the mutual
37 agreement of the city and the county. Notwithstanding any other
38 provision of law, except for those conditions that are necessary to
39 implement an exchange of property tax revenues determined
40 pursuant to this subdivision, the local agency formation



1 commission shall not impose any fiscal conditions upon a city's
2 qualified annexation of unincorporated territory that is subject to
3 this subdivision.

4 (f) Except as otherwise provided in subdivision (g), for the
5 purpose of determining the amount of property tax to be allocated
6 in the 1979–80 fiscal year and each fiscal year thereafter for those
7 local agencies that were affected by a jurisdictional change which
8 was filed with the State Board of Equalization after January 1,
9 1978, but on or before January 1, 1979. The local agencies shall
10 determine by resolution the amount of property tax revenues to be
11 exchanged between and among the affected agencies and notify
12 the auditor of the determination.

13 (g) For the purpose of determining the amount of property tax
14 to be allocated in the 1979–80 fiscal year and each fiscal year
15 thereafter, for a city incorporation that was filed pursuant to
16 Sections 54900 to 54904 after January 1, 1978, but on or before
17 January 1, 1979, the amount of property tax revenue considered to
18 have been received by the jurisdiction for the 1978–79 fiscal year
19 shall be equal to two-thirds of the amount of property tax revenue
20 projected in the final local agency formation commission staff
21 report pertaining to the incorporation multiplied by the proportion
22 that the total amount of property tax revenue received by all
23 jurisdictions within the county for the 1978–79 fiscal year bears
24 to the total amount of property tax revenue received by all
25 jurisdictions within the county for the 1977–78 fiscal year. Except,
26 however, in the event that the final commission report did not
27 specify the amount of property tax revenue projected for that
28 incorporation, the commission shall by October 10, determine
29 pursuant to Section 54790.3 of the Government Code the amount
30 of property tax to be transferred to the city.

31 The provisions of this subdivision shall also apply to the
32 allocation of property taxes for the 1980–81 fiscal year and each
33 fiscal year thereafter for incorporations approved by the voters in
34 June 1979.

35 (h) For the purpose of the computations made pursuant to this
36 section, in the case of a district formation that was filed pursuant
37 to Sections 54900 to 54904, inclusive, of the Government Code
38 after January 1, 1978, but before January 1, 1979, the amount of
39 property tax to be allocated to the district for the 1979–80 fiscal



1 year and each fiscal year thereafter shall be determined pursuant
2 to Section 54790.3 of the Government Code.

3 (i) For the purposes of the computations required by this
4 chapter, in the case of a jurisdictional change, other than a change
5 requiring an adjustment by the auditor pursuant to subdivision (a),
6 the auditor shall adjust the allocation of property tax revenue
7 determined pursuant to Section 96 or 96.1 or its predecessor
8 section, or the annual tax increment determined pursuant to
9 Section 96.5 or its predecessor section, for each local school
10 district, community college district, or county superintendent of
11 schools whose service area or service responsibility would be
12 altered by the jurisdictional change, as determined as follows:

13 (1) The governing body of each district, county superintendent
14 of schools, or county whose service areas or service
15 responsibilities would be altered by the change shall determine the
16 amount of property tax revenues to be exchanged between and
17 among the affected jurisdictions. This determination shall be
18 adopted by each affected jurisdiction by resolution. For the
19 purpose of negotiation, the county auditor shall furnish the parties
20 and the county board of education with an estimate of the property
21 tax revenue subject to negotiation.

22 (2) In the event that the affected jurisdictions are unable to
23 agree, within 60 days after the effective date of the jurisdictional
24 change, and if all the jurisdictions are wholly within one county,
25 the county board of education shall, by resolution, determine the
26 amount of property tax revenue to be exchanged. If the
27 jurisdictions are in more than one county, the State Board of
28 Education shall, by resolution, within 60 days after the effective
29 date of the jurisdictional change, determine the amount of property
30 tax to be exchanged.

31 (3) Upon adoption of any resolution pursuant to this
32 subdivision, the adopting jurisdictions or State Board of Education
33 shall notify the county auditor who shall make the appropriate
34 adjustments as provided in subdivision (a).

35 (j) For purposes of subdivision (i), the annexation by a
36 community college district of territory within a county not
37 previously served by a community college district is an alteration
38 of service area. The community college district and the county
39 shall negotiate the amount, if any, of property tax revenues to be
40 exchanged. In these negotiations, there shall be taken into



1 consideration the amount of revenue received from the timber
2 yield tax and forest reserve receipts by the community college
3 district in the area not previously served. In no event shall the
4 property tax revenue to be exchanged exceed the amount of
5 property tax revenue collected prior to the annexation for the
6 purposes of paying tuition expenses of residents enrolled in the
7 community college district, adjusted each year by the percentage
8 change in population and the percentage change in the cost of
9 living, or per capita personal income, whichever is lower, less the
10 amount of revenue received by the community college district in
11 the annexed area from the timber yield tax and forest reserve
12 receipts.

13 (k) At any time after a jurisdictional change is effective, any of
14 the local agencies party to the agreement to exchange property tax
15 revenue may renegotiate the agreement with respect to the current
16 fiscal year or subsequent fiscal years, subject to approval by all
17 local agencies affected by the renegotiation.

18 SEC. 12. Notwithstanding Section 17610 of the Government
19 Code, if the Commission on State Mandates determines that this
20 act contains costs mandated by the state, reimbursement to local
21 agencies and school districts for those costs shall be made pursuant
22 to Part 7 (commencing with Section 17500) of Division 4 of Title
23 2 of the Government Code. If the statewide cost of the claim for
24 reimbursement does not exceed one million dollars (\$1,000,000),
25 reimbursement shall be made from the State Mandates Claims
26 Fund.

