

AMENDED IN SENATE JUNE 6, 2012

AMENDED IN ASSEMBLY APRIL 30, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 2698

**Introduced by Committee on Local Government (Smyth (Chair),
Alejo (Vice Chair), Bradford, Davis, Gordon, and Hueso)**

March 21, 2012

An act to amend Sections 56375, 56425, 56658, 56662, 56827, 56853, 57077, 57102, 57107, 57113, and 57114.5 of, to add Sections 57077.1, 57077.2, 57077.3, and 57077.4 to, to repeal Sections 56854, 57081, and 57114 of, and to repeal and add Section 56663 of, the Government Code, *and to amend Section 99 of the Revenue and Taxation Code*, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 2698, as amended, Committee on Local Government. ~~The~~ Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(1) Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, sets forth the powers and duties of a local agency formation commission, including, among others, the power to approve the annexation of a contiguous disadvantaged community, under specified circumstances. Existing law provides that an application to annex a contiguous disadvantaged community is not required if ~~the~~ *a* commission finds that a majority of the residents within the affected territory are opposed to annexation.

This bill would provide that an application to annex a contiguous disadvantaged community is not required if the commission finds that

a majority of the registered voters within the affected territory are opposed to annexation.

(2) The act requires ~~the~~ *a local agency formation* commission to determine the sphere of influence of each local governmental agency within the county, and to enact policies designated to promote the logical and orderly development of areas within the sphere of influence. *When adopting, amending, or updating a sphere of influence for a special district, existing law requires a commission to require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.*

This bill would instead require ~~the~~ *a* commission to determine the sphere of influence of each city, and each special district subject to the jurisdiction of the commission, within the county. *The bill would instead authorize a commission to require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts, rather than mandating the filing.*

(3) The act authorizes a petitioner or legislative body to initiate proceedings before ~~the~~ *a local agency formation* commission to submit an application to the executive officer of the principal county, and requires the executive officer, immediately after receiving an application and before issuing a certificate of filing, to give mailed notice that the application has been received to specified agencies, as specified.

This bill would correct a cross-reference in these provisions.

(4) The act authorizes ~~the~~ *a local agency formation* commission to approve proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission. The act requires a local agency formation commission to comply with certain procedural requirements prior to ordering a change of organization or reorganization, including, among others, requiring voter approval of a change of organization or reorganization if certain requirements are met. Existing law authorizes ~~a commissioner~~ *a commission* to, without notice and hearing, make determinations with regard to approval or disapproval of a proposal for an annexation, detachment, or reorganization that consists solely of annexations or detachments, or both, and of a county service area.

This bill would revise and recast those provisions. The bill would, among other things, specify that voter approval is required for a change of organization or reorganization that consists of an incorporation or disincorporation, and provide for specific protest standards for a change of organization that consists of a dissolution of a district, a consolidation

of 2 or more districts, certain types of reorganizations, and the merger or establishment of a subsidiary district. The bill would authorize the waiver of protest proceedings under specified circumstances, and would set forth procedures that apply to those waivers, including the mailing of specified notices. The bill would exempt from voter approval a change of organization that consists of a dissolution, except if the proposal meets certain requirements, subject to protest procedures.

(5) The act provides that if a *local agency formation* commission has initiated a change of organization or reorganization that affects more than one special district, the commission may utilize and is encouraged to utilize a reorganization committee to review the proposal.

This bill would revise and recast that provision.

(6) The act requires a *local agency formation* commission to order the consolidation of districts, dissolution, merger, the establishment of a subsidiary district, or a reorganization that includes any of these changes of organization, without an election, as specified. The act exempts from these provisions, any proposal for a change of organization or reorganization submitted to a commission before January 1, 2003, where the Goleta Sanitary District or the Goleta West Sanitary district *District* is an affected district, as specified.

This bill would repeal this exemption.

(7) *Existing law requires a county auditor to adjust the allocation of property tax revenues for local agencies whose service area or service responsibility may be altered by a jurisdictional change, as specified.*

This bill would make a technical, nonsubstantive change to those provisions.

(7)

(8) This bill would make other conforming changes to the act to implement these provisions.

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

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

1 SECTION 1. Section 56375 of the Government Code is
2 amended to read:
3 56375. The commission shall have all of the following powers
4 and duties subject to any limitations upon its jurisdiction set forth
5 in this part:

- 1 (a) (1) To review and approve with or without amendment,
2 wholly, partially, or conditionally, or disapprove proposals for
3 changes of organization or reorganization, consistent with written
4 policies, procedures, and guidelines adopted by the commission.
- 5 (2) The commission may initiate proposals by resolution of
6 application for any of the following:
- 7 (A) The consolidation of a district, as defined in Section 56036.
8 (B) The dissolution of a district.
9 (C) A merger.
10 (D) The establishment of a subsidiary district.
11 (E) The formation of a new district or districts.
12 (F) A reorganization that includes any of the changes specified
13 in subparagraph (A), (B), (C), (D), or (E).
- 14 (3) A commission may initiate a proposal described in paragraph
15 (2) only if that change of organization or reorganization is
16 consistent with a recommendation or conclusion of a study
17 prepared pursuant to Section 56378, 56425, or 56430, and the
18 commission makes the determinations specified in subdivision (b)
19 of Section 56881.
- 20 (4) A commission shall not disapprove an annexation to a city,
21 initiated by resolution, of contiguous territory that the commission
22 finds is any of the following:
- 23 (A) Surrounded or substantially surrounded by the city to which
24 the annexation is proposed or by that city and a county boundary
25 or the Pacific Ocean if the territory to be annexed is substantially
26 developed or developing, is not prime agricultural land as defined
27 in Section 56064, is designated for urban growth by the general
28 plan of the annexing city, and is not within the sphere of influence
29 of another city.
- 30 (B) Located within an urban service area that has been delineated
31 and adopted by a commission, which is not prime agricultural land,
32 as defined by Section 56064, and is designated for urban growth
33 by the general plan of the annexing city.
- 34 (C) An annexation or reorganization of unincorporated islands
35 meeting the requirements of Section 56375.3.
- 36 (5) As a condition to the annexation of an area that is
37 surrounded, or substantially surrounded, by the city to which the
38 annexation is proposed, the commission may require, where
39 consistent with the purposes of this division, that the annexation

1 include the entire island of surrounded, or substantially surrounded,
2 territory.

3 (6) A commission shall not impose any conditions that would
4 directly regulate land use density or intensity, property
5 development, or subdivision requirements.

6 (7) The decision of the commission with regard to a proposal
7 to annex territory to a city shall be based upon the general plan
8 and rezoning of the city. When the development purposes are not
9 made known to the annexing city, the annexation shall be reviewed
10 on the basis of the adopted plans and policies of the annexing city
11 or county. A commission shall require, as a condition to
12 annexation, that a city rezone the territory to be annexed or present
13 evidence satisfactory to the commission that the existing
14 development entitlements on the territory are vested or are already
15 at build-out, and are consistent with the city's general plan.
16 However, the commission shall not specify how, or in what
17 manner, the territory shall be rezoned.

18 (8) (A) Except for those changes of organization or
19 reorganization authorized under Section 56375.3, and except as
20 provided by subparagraph (B), a commission shall not approve an
21 annexation to a city of any territory greater than 10 acres, or as
22 determined by commission policy, where there exists a
23 disadvantaged unincorporated community that is contiguous to
24 the area of proposed annexation, unless an application to annex
25 the disadvantaged unincorporated community to the subject city
26 has been filed with the executive officer.

27 (B) An application to annex a contiguous disadvantaged
28 community shall not be required if either of the following apply:

29 (i) A prior application for annexation of the same disadvantaged
30 community has been made in the preceding five years.

31 (ii) The commission finds, based upon written evidence, that a
32 majority of the registered voters within the affected territory are
33 opposed to annexation.

34 (b) With regard to a proposal for annexation or detachment of
35 territory to, or from, a city or district or with regard to a proposal
36 for reorganization that includes annexation or detachment, to
37 determine whether territory proposed for annexation or detachment,
38 as described in its resolution approving the annexation, detachment,
39 or reorganization, is inhabited or uninhabited.

1 (c) With regard to a proposal for consolidation of two or more
2 cities or districts, to determine which city or district shall be the
3 consolidated successor city or district.

4 (d) To approve the annexation of unincorporated, noncontiguous
5 territory, subject to the limitations of Section 56742, located in the
6 same county as that in which the city is located, and that is owned
7 by a city and used for municipal purposes and to authorize the
8 annexation of the territory without notice and hearing.

9 (e) To approve the annexation of unincorporated territory
10 consistent with the planned and probable use of the property based
11 upon the review of general plan and rezoning designations. No
12 subsequent change may be made to the general plan for the annexed
13 territory or zoning that is not in conformance to the rezoning
14 designations for a period of two years after the completion of the
15 annexation, unless the legislative body for the city makes a finding
16 at a public hearing that a substantial change has occurred in
17 circumstances that necessitate a departure from the rezoning in
18 the application to the commission.

19 (f) With respect to the incorporation of a new city or the
20 formation of a new special district, to determine the number of
21 registered voters residing within the proposed city or special district
22 or, for a landowner-voter special district, the number of owners
23 of land and the assessed value of their land within the territory
24 proposed to be included in the new special district. The number
25 of registered voters shall be calculated as of the time of the last
26 report of voter registration by the county elections official to the
27 Secretary of State prior to the date the first signature was affixed
28 to the petition. The executive officer shall notify the petitioners of
29 the number of registered voters resulting from this calculation.
30 The assessed value of the land within the territory proposed to be
31 included in a new landowner-voter special district shall be
32 calculated as shown on the last equalized assessment roll.

33 (g) To adopt written procedures for the evaluation of proposals,
34 including written definitions consistent with existing state law.
35 The commission may adopt standards for any of the factors
36 enumerated in Section 56668. Any standards adopted by the
37 commission shall be written.

38 (h) To adopt standards and procedures for the evaluation of
39 service plans submitted pursuant to Section 56653 and the initiation

1 of a change of organization or reorganization pursuant to
2 subdivision (a).

3 (i) To make and enforce regulations for the orderly and fair
4 conduct of hearings by the commission.

5 (j) To incur usual and necessary expenses for the
6 accomplishment of its functions.

7 (k) To appoint and assign staff personnel and to employ or
8 contract for professional or consulting services to carry out and
9 effect the functions of the commission.

10 (l) To review the boundaries of the territory involved in any
11 proposal with respect to the definiteness and certainty of those
12 boundaries, the nonconformance of proposed boundaries with lines
13 of assessment or ownership, and other similar matters affecting
14 the proposed boundaries.

15 (m) To waive the restrictions of Section 56744 if it finds that
16 the application of the restrictions would be detrimental to the
17 orderly development of the community and that the area that would
18 be enclosed by the annexation or incorporation is so located that
19 it cannot reasonably be annexed to another city or incorporated as
20 a new city.

21 (n) To waive the application of Section 22613 of the Streets and
22 Highways Code if it finds the application would deprive an area
23 of a service needed to ensure the health, safety, or welfare of the
24 residents of the area and if it finds that the waiver would not affect
25 the ability of a city to provide any service. However, within 60
26 days of the inclusion of the territory within the city, the legislative
27 body may adopt a resolution nullifying the waiver.

28 (o) If the proposal includes the incorporation of a city, as defined
29 in Section 56043, or the formation of a district, as defined in
30 Section 2215 of the Revenue and Taxation Code, the commission
31 shall determine the property tax revenue to be exchanged by the
32 affected local agencies pursuant to Section 56810.

33 (p) To authorize a city or district to provide new or extended
34 services outside its jurisdictional boundaries pursuant to Section
35 56133.

36 (q) To enter into an agreement with the commission for an
37 adjoining county for the purpose of determining procedures for
38 the consideration of proposals that may affect the adjoining county
39 or where the jurisdiction of an affected agency crosses the boundary
40 of the adjoining county.

1 (r) To approve with or without amendment, wholly, partially,
2 or conditionally, or disapprove pursuant to this section the
3 annexation of territory served by a mutual water company formed
4 pursuant to Part 7 (commencing with Section 14300) of Division
5 3 of Title 1 of the Corporations Code that operates a public water
6 system to a city or special district. Any annexation approved in
7 accordance with this subdivision shall be subject to the state and
8 federal constitutional prohibitions against the taking of private
9 property without the payment of just compensation. This
10 subdivision shall not impair the authority of a public agency or
11 public utility to exercise eminent domain authority.

12 SEC. 2. Section 56425 of the Government Code is amended
13 to read:

14 56425. (a) In order to carry out its purposes and responsibilities
15 for planning and shaping the logical and orderly development and
16 coordination of local governmental agencies subject to the
17 jurisdiction of the commission to advantageously provide for the
18 present and future needs of the county and its communities, the
19 commission shall develop and determine the sphere of influence
20 of each city and each special district, as defined by Section 56036,
21 within the county and enact policies designed to promote the logical
22 and orderly development of areas within the sphere.

23 (b) Prior to a city submitting an application to the commission
24 to update its sphere of influence, representatives from the city and
25 representatives from the county shall meet to discuss the proposed
26 new boundaries of the sphere and explore methods to reach
27 agreement on development standards and planning and zoning
28 requirements within the sphere to ensure that development within
29 the sphere occurs in a manner that reflects the concerns of the
30 affected city and is accomplished in a manner that promotes the
31 logical and orderly development of areas within the sphere. If an
32 agreement is reached between the city and county, the city shall
33 forward the agreement in writing to the commission, along with
34 the application to update the sphere of influence. The commission
35 shall consider and adopt a sphere of influence for the city consistent
36 with the policies adopted by the commission pursuant to this
37 section, and the commission shall give great weight to the
38 agreement to the extent that it is consistent with commission
39 policies in its final determination of the city sphere.

1 (c) If the commission's final determination is consistent with
2 the agreement reached between the city and county pursuant to
3 subdivision (b), the agreement shall be adopted by both the city
4 and county after a noticed public hearing. Once the agreement has
5 been adopted by the affected local agencies and their respective
6 general plans reflect that agreement, then any development
7 approved by the county within the sphere shall be consistent with
8 the terms of that agreement.

9 (d) If no agreement is reached pursuant to subdivision (b), the
10 application may be submitted to the commission and the
11 commission shall consider a sphere of influence for the city
12 consistent with the policies adopted by the commission pursuant
13 to this section.

14 (e) In determining the sphere of influence of each local agency,
15 the commission shall consider and prepare a written statement of
16 its determinations with respect to each of the following:

17 (1) The present and planned land uses in the area, including
18 agricultural and open-space lands.

19 (2) The present and probable need for public facilities and
20 services in the area.

21 (3) The present capacity of public facilities and adequacy of
22 public services that the agency provides or is authorized to provide.

23 (4) The existence of any social or economic communities of
24 interest in the area if the commission determines that they are
25 relevant to the agency.

26 (5) For an update of a sphere of influence of a city or special
27 district that provides public facilities or services related to sewers,
28 municipal and industrial water, or structural fire protection, that
29 occurs pursuant to subdivision (g) on or after July 1, 2012, the
30 present and probable need for those public facilities and services
31 of any disadvantaged unincorporated communities within the
32 existing sphere of influence.

33 (f) Upon determination of a sphere of influence, the commission
34 shall adopt that sphere.

35 (g) On or before January 1, 2008, and every five years thereafter,
36 the commission shall, as necessary, review and update each sphere
37 of influence.

38 (h) In determining a sphere of influence, the commission may
39 assess the feasibility of governmental reorganization of particular
40 agencies and recommend reorganization of those agencies when

1 reorganization is found to be feasible and if reorganization will
2 further the goals of orderly development and efficient and
3 affordable service delivery. The commission shall make all
4 reasonable efforts to ensure wide public dissemination of the
5 recommendations.

6 (i) When adopting, amending, or updating a sphere of influence
7 for a special district, the commission shall ~~do all of the following:~~

8 ~~(1) Require existing districts to file written statements with the~~
9 ~~commission specifying the functions or classes of services provided~~
10 ~~by those districts.~~

11 ~~(2) Establish~~ *establish* the nature, location, and extent of any
12 functions or classes of services provided by existing districts.

13 *(j) When adopting, amending, or updating a sphere of influence*
14 *for a special district, the commission may require existing districts*
15 *to file written statements with the commission specifying the*
16 *functions or classes of services provided by those districts.*

17 SEC. 3. Section 56658 of the Government Code is amended
18 to read:

19 56658. (a) Any petitioner or legislative body desiring to initiate
20 proceedings shall submit an application to the executive officer of
21 the principal county.

22 (b) (1) Immediately after receiving an application and before
23 issuing a certificate of filing, the executive officer shall give mailed
24 notice that the application has been received to each affected
25 agency, the county committee on school district organization, and
26 each school superintendent whose school district overlies the
27 affected territory. The notice shall generally describe the proposal
28 and the affected territory. The executive officer shall not be
29 required to give notice pursuant to this subdivision if a local agency
30 has already given notice pursuant to subdivision (c) of Section
31 56654.

32 (2) It is the intent of the Legislature that an incorporation
33 proposal shall be processed in a timely manner. With regard to an
34 application that includes an incorporation, the executive officer
35 shall immediately notify all affected local agencies and any
36 applicable state agencies by mail and request the affected agencies
37 to submit the required data to the commission within a reasonable
38 timeframe established by the executive officer. Each affected
39 agency shall respond to the executive officer within 15 days
40 acknowledging receipt of the request. Each affected local agency

1 and the officers and departments thereof shall submit the required
2 data to the executive officer within the timelines established by
3 the executive officer. Each affected state agency and the officers
4 and departments thereof shall submit the required data to the
5 executive officer within the timelines agreed upon by the executive
6 officer and the affected state departments.

7 (3) If a special district is, or as a result of a proposal will be,
8 located in more than one county, the executive officer of the
9 principal county shall immediately give the executive officer of
10 each other affected county mailed notice that the application has
11 been received. The notice shall generally describe the proposal
12 and the affected territory.

13 (c) Except when a commission is the lead agency pursuant to
14 Section 21067 of the Public Resources Code, the executive officer
15 shall determine within 30 days of receiving an application whether
16 the application is complete and acceptable for filing or whether
17 the application is incomplete.

18 (d) The executive officer shall not accept an application for
19 filing and issue a certificate of filing for at least 20 days after giving
20 the mailed notice required by subdivision (b). The executive officer
21 shall not be required to comply with this subdivision in the case
22 of an application which meets the requirements of Section 56662
23 or in the case of an application for which a local agency has already
24 given notice pursuant to subdivision (c) of Section 56654.

25 (e) If the appropriate fees have been paid, an application shall
26 be deemed accepted for filing if no determination has been made
27 by the executive officer within the 30-day period. An executive
28 officer shall accept for filing, and file, any application submitted
29 in the form prescribed by the commission and containing all of
30 the information and data required pursuant to Section 56652.

31 (f) When an application is accepted for filing, the executive
32 officer shall immediately issue a certificate of filing to the
33 applicant. A certificate of filing shall be in the form prescribed by
34 the executive officer and shall specify the date upon which the
35 proposal shall be heard by the commission. From the date of
36 issuance of a certificate of filing, or the date upon which an
37 application is deemed to have been accepted, whichever is earlier,
38 an application shall be deemed filed pursuant to this division.

39 (g) If an application is determined not to be complete, the
40 executive officer shall immediately transmit that determination to

1 the applicant specifying those parts of the application which are
2 incomplete and the manner in which they can be made complete.

3 (h) Following the issuance of the certificate of filing, the
4 executive officer shall proceed to set the proposal for hearing and
5 give published notice thereof as provided in this part. The date of
6 the hearing shall be not more than 90 days after issuance of the
7 certificate of filing or after the application is deemed to have been
8 accepted, whichever is earlier. Notwithstanding Section 56106,
9 the date for conducting the hearing, as determined pursuant to this
10 subdivision, is mandatory.

11 SEC. 4. Section 56662 of the Government Code is amended
12 to read:

13 56662. (a) If a proposal for an annexation, a detachment, or a
14 reorganization consisting solely of annexations or detachments,
15 or both, or formation of a county service area meets all of the
16 following criteria, the commission may make determinations upon
17 the proposal without notice and hearing and may waive protest
18 proceedings entirely pursuant to Part 4 (commencing with Section
19 57000):

20 (1) The territory is uninhabited.

21 (2) An affected local agency has not submitted a written demand
22 for notice and hearing during the 10-day period as described in
23 subdivision (c).

24 (3) The proposal meets either of the following criteria:

25 (A) The petition accompanying the proposal is signed by all of
26 the owners of land within the affected territory.

27 (B) The proposal is accompanied by proof, satisfactory to the
28 commission, that all the owners of land within the affected territory
29 have given their written consent to the proposal.

30 (b) Except for the determinations authorized to be made by
31 subdivision (a), the commission shall not make any determinations
32 upon any proposal, plan of reorganization, or report and
33 recommendation of a reorganization committee until after public
34 hearing by the commission on that proposal, plan of reorganization,
35 or report and recommendation of a reorganization committee.

36 (c) The commission shall not take any action on the petition or
37 resolution of application for 10 days following the mailed notice
38 required under subdivision (b) of Section 56658. Upon written
39 demand by an affected local agency, filed with the executive officer
40 during that 10-day period, the commission shall make

1 determinations upon the petition or resolution of application only
2 after notice and hearing on the petition or resolution of application.

3 (d) If a proposal for an annexation, a detachment, or a
4 reorganization consisting solely of annexations or detachments,
5 or both, or formation of a county service area meets all of the
6 following criteria, the commission may make determinations upon
7 the proposal and waive protest proceedings entirely pursuant to
8 Part 4 (commencing with Section 57000):

9 (1) The territory is uninhabited.

10 (2) The proposal is accompanied by proof, satisfactory to the
11 commission, that all the owners of land within the affected territory,
12 exclusive of land owned by a private railroad company, have given
13 their written consent to the proposal and a private railroad company
14 that is an owner of land within the affected territory has not
15 submitted written opposition to the waiver of protest proceedings
16 prior to the conclusion of the commission hearing.

17 (3) A subject agency has not submitted written opposition to a
18 waiver of protest proceedings.

19 SEC. 5. Section 56663 of the Government Code is repealed.

20 SEC. 6. Section 56663 is added to the Government Code, to
21 read:

22 56663. For a change of organization consisting of an annexation
23 or a detachment, or a reorganization consisting solely of
24 annexations or detachments, or both, or the formation of a county
25 service area that would otherwise require the conduct of protest
26 proceedings, the commission may waive protest proceedings
27 pursuant to Part 4 (commencing with Section 57000) if all of the
28 following have occurred:

29 (a) The mailed notice pursuant to Section 56157 has been given
30 to landowners and registered voters within the affected territory.

31 (b) The mailed notice discloses to the registered voters and
32 landowners that unless written opposition to the proposal is
33 received before the conclusion of the commission proceedings on
34 the proposal, the commission intends to waive protest proceedings.
35 The notice shall disclose that there is potential for the extension
36 or continuation of any previously authorized charge, fee,
37 assessment, or tax by the local agency in the affected territory.

38 (c) Written opposition to the proposal from landowners or
39 registered voters within the affected territory is not received before
40 the conclusion of the commission proceedings on the proposal.

1 SEC. 7. Section 56827 of the Government Code is amended
2 to read:

3 56827. (a) Except as provided in subdivision (b), upon the
4 presentation of any petition or applications making a proposal for
5 a reorganization, the commission may take proceedings pursuant
6 to Part 3 (commencing with Section 56650) without referring the
7 proposal to a reorganization committee, as provided in this part.

8 (b) The commission may refer to a reorganization committee
9 any incorporation proposal that includes, or may be modified to
10 include, any of the following changes of organization affecting an
11 independent special district: consolidation, dissolution, formation,
12 merger, or establishment of a subsidiary district.

13 (c) If the commission has initiated a change of organization or
14 reorganization that affects more than one special district, the
15 commission may, and is encouraged to, utilize a reorganization
16 committee to review the proposal.

17 SEC. 8. Section 56853 of the Government Code is amended
18 to read:

19 56853. (a) If a majority of the members of each of the
20 legislative bodies of two or more local agencies adopt substantially
21 similar resolutions of application making proposals either for the
22 consolidation of districts or for the reorganization of all or any
23 part of the districts into a single local agency, the commission shall
24 approve, or conditionally approve, the proposal.

25 (b) Except as provided in subdivision ~~(d)~~ (c), a commission may
26 order any material change in the provisions or the terms and
27 conditions of the consolidation or reorganization, as set forth in
28 the proposals of the local agencies. The commission shall direct
29 the executive officer to give each subject agency mailed notice of
30 any change prior to ordering a change. The commission shall not,
31 without the written consent of all subject agencies, take any further
32 action on the consolidation or reorganization for 30 days following
33 that mailing. Upon written demand by any subject agency, filed
34 with the executive officer during that 30-day period, the
35 commission shall make determinations upon the proposals only
36 after notice and hearing on the proposals. If no written demand is
37 filed, the commission may make those determinations without
38 notice and hearing. The application of any provision of this
39 subdivision may be waived by consent of all of the subject
40 agencies.

1 (c) The commission shall not order a material change in the
2 provisions of a consolidation or reorganization, as set forth in the
3 proposals of the local agencies pursuant to subdivision (a), that
4 would add or delete districts without the written consent of the
5 applicant local agencies.

6 SEC. 9. Section 56854 of the Government Code is repealed.

7 SEC. 10. Section 57077 of the Government Code is amended
8 to read:

9 57077. If a change of organization consists of an incorporation
10 or disincorporation, or if a reorganization includes an incorporation
11 or disincorporation, the commission shall order the change of
12 organization or reorganization subject to confirmation of the voters.
13 A protest proceeding shall not be conducted.

14 SEC. 11. Section 57077.1 is added to the Government Code,
15 to read:

16 57077.1. (a) If a change of organization consists of a
17 dissolution, the commission shall order the dissolution without
18 confirmation of the voters, except if the proposal meets the
19 requirements of subdivision (b), the commission shall order the
20 consolidation subject to confirmation of the voters.

21 (b) The commission shall order the dissolution subject to the
22 confirmation of the voters as follows:

23 (1) If the proposal was not initiated by the commission, and if
24 a subject agency has not objected by resolution to the proposal,
25 the commission has found that protests meet one of the following
26 protest thresholds:

27 (A) In the case of inhabited territory, protests have been signed
28 by either of the following:

29 (i) At least 25 percent of the number of landowners within the
30 affected territory who own at least 25 percent of the assessed value
31 of land within the territory.

32 (ii) At least 25 percent of the voters entitled to vote as a result
33 of residing within, or owning land within, the affected territory.

34 (B) In the case of a landowner-voter district, that the territory
35 is uninhabited and that protests have been signed by at least 25
36 percent of the number of landowners within the affected territory
37 owning at least 25 percent of the assessed value of land within the
38 territory.

1 (2) If the proposal was not initiated by the commission, and if
2 a subject agency has objected by resolution to the proposal, written
3 protests have been submitted as follows:

4 (A) In the case of inhabited territory, protests have been signed
5 by either of the following:

6 (i) At least 25 percent of the number of landowners within any
7 subject agency within the affected territory who own at least 25
8 percent of the assessed value of land within the territory.

9 (ii) At least 25 percent of the voters entitled to vote as a result
10 of residing within, or owning land within, any subject agency
11 within the affected territory.

12 (B) In the case of a landowner-voter district, that the territory
13 is uninhabited and protests have been signed by at least 25 percent
14 of the number of landowners within any subject agency within the
15 affected territory, owning at least 25 percent of the assessed value
16 of land within the subject agency.

17 (3) If the proposal was initiated by the commission, and
18 regardless of whether a subject agency has objected to the proposal
19 by resolution, written protests have been submitted that meet the
20 requirements of Section 57113.

21 (c) Notwithstanding subdivisions (a) and (b) and Section 57102,
22 if a change of organization consists of the dissolution of a district
23 that is consistent with a prior action of the commission pursuant
24 to Section 56378, 56425, or 56430, the commission may do either
25 of the following:

26 (1) If the dissolution is initiated by the district board,
27 immediately approve and order the dissolution without an election
28 or protest proceedings pursuant to this part.

29 (2) If the dissolution is initiated by an affected local agency, by
30 the commission pursuant to Section 56375, or by petition pursuant
31 to Section 56650, order the dissolution after holding at least one
32 noticed public hearing, and after conducting protest proceedings
33 in accordance with this part. Notwithstanding any other law, the
34 commission shall terminate proceedings if a majority protest exists
35 in accordance with Section 57078. If a majority protest is not
36 found, the commission shall order the dissolution without an
37 election.

38 SEC. 12. Section 57077.2 is added to the Government Code,
39 to read:

1 57077.2. (a) If the change of organization consists of a
2 consolidation of two or more districts, the commission shall order
3 the consolidation without confirmation by the voters, except that
4 if the proposal meets the requirements of subdivision (b), the
5 commission shall order the consolidation subject to confirmation
6 of the voters.

7 (b) The commission shall order the consolidation subject to the
8 confirmation of the voters as follows:

9 (1) If the commission has approved a proposal submitted by
10 resolution of a majority of the members of the legislative bodies
11 of two or more local agencies pursuant to Section 56853, and the
12 commission has found that protests meet one of the following
13 protest thresholds:

14 (A) In the case of inhabited territory, protests have been signed
15 by either of the following:

16 (i) At least 25 percent of the number of landowners within the
17 territory subject to the consolidation who own at least 25 percent
18 of the assessed value of land within the territory.

19 (ii) At least 25 percent of the voters entitled to vote as a result
20 of residing within, or owning land within, the territory.

21 (B) In the case of a landowner-voter district, the territory is
22 uninhabited and protests have been signed by at least 25 percent
23 of the number of landowners within the territory subject to the
24 consolidation, owning at least 25 percent of the assessed value of
25 land within the territory.

26 (2) If the commission has approved a proposal not initiated by
27 the commission and if a subject agency has not objected by
28 resolution to the proposal, written protests have been submitted
29 that meet the requirements specified in subparagraph (A) or (B)
30 of paragraph (1).

31 (3) If the proposal was not initiated by the commission, and if
32 a subject agency has objected by resolution to the proposal, written
33 protests have been submitted as follows:

34 (A) In the case of inhabited territory, protests have been signed
35 by either of the following:

36 (i) At least 25 percent of the number of landowners within any
37 subject agency within the affected territory who own at least 25
38 percent of the assessed value of land within the territory.

1 (ii) At least 25 percent of the voters entitled to vote as a result
2 of residing within, or owning land within, any subject agency
3 within the affected territory.

4 (B) In the case of a landowner-voter district, the territory is
5 uninhabited, and protests have been signed by at least 25 percent
6 of the number of landowners within any subject agency within the
7 affected territory, owning at least 25 percent of the assessed value
8 of land within the subject agency.

9 (4) If the commission has approved a proposal initiated by the
10 commission, and regardless of whether a subject agency has
11 objected to the proposal by resolution, written protests have been
12 submitted that meet the requirements of Section 57113.

13 SEC. 13. Section 57077.3 is added to the Government Code,
14 to read:

15 57077.3. (a) If a proposal consists of a reorganization not
16 described in Section 57075, 57076, 57077, 57077.4, or 57111, the
17 commission shall order the reorganization without confirmation
18 by the voters except that if the reorganization meets the
19 requirements of subdivision (b), the commission shall order the
20 reorganization subject to confirmation of the voters.

21 (b) The commission shall order the reorganization subject to
22 confirmation of the voters as follows:

23 (1) If the commission has approved a proposal submitted by
24 resolution of a majority of the members of the legislative bodies
25 of two or more local agencies pursuant to Section 56853, and the
26 commission has found that protests meet one of the following
27 protest thresholds:

28 (A) In the case of inhabited territory, protests have been signed
29 by either of the following:

30 (i) At least 25 percent of the number of landowners within the
31 affected territory who own at least 25 percent of the assessed value
32 of land within the territory.

33 (ii) At least 25 percent of the voters entitled to vote as a result
34 of residing within, or owning land within, the affected territory.

35 (B) In the case of a landowner-voter district, that the territory
36 is uninhabited, and that protests have been signed by at least 25
37 percent of the number of landowners within the affected territory,
38 owning at least 25 percent of the assessed value of land within the
39 territory.

1 (2) If the commission has approved a proposal not initiated by
2 the commission, and if a subject agency has not objected by
3 resolution to the proposal, a written protest has been submitted
4 that meets the requirements specified in subparagraph (A) or (B)
5 of paragraph (1).

6 (3) If the commission has approved a proposal not initiated by
7 the commission, and if a subject agency has objected by resolution
8 to the proposal, written protests have been submitted as follows:

9 (A) In the case of inhabited territory, protests have been signed
10 by either of the following:

11 (i) At least 25 percent of the number of landowners within any
12 subject agency within the affected territory who own at least 25
13 percent of the assessed value of land within the territory.

14 (ii) At least 25 percent of the voters entitled to vote as a result
15 of residing within, or owning land within, any subject agency
16 within the affected territory.

17 (B) In the case of a landowner-voter district, the territory is
18 uninhabited, and protests have been signed by at least 25 percent
19 of the number of landowners within any subject agency within the
20 affected territory, owning at least 25 percent of the assessed value
21 of land within the subject agency.

22 (4) If the commission has approved a proposal initiated by the
23 commission, and regardless of whether a subject agency has
24 objected to the proposal by resolution, written protests have been
25 submitted that meet the requirements of Section 57113.

26 (c) This section shall not apply to reorganizations governed by
27 Sections 56853.5 and 56853.6.

28 SEC. 14. Section 57077.4 is added to the Government Code,
29 to read:

30 57077.4. (a) If a reorganization consists of the dissolution of
31 one or more districts and the annexation of all or substantially all
32 the territory to another district not initiated pursuant to Section
33 56853 or by the commission pursuant to Section 56375, the
34 commission shall order the reorganization without confirmation
35 by the voters except that if the reorganization meets the
36 requirements of subdivision (b), the commission shall order the
37 reorganization subject to confirmation by the voters.

38 (b) The commission shall order the reorganization subject to
39 confirmation by the voters as follows:

1 (1) In the case of inhabited territory, protests have been signed
2 by either of the following:

3 (A) At least 25 percent of the number of landowners within any
4 subject agency within the affected territory who own at least 25
5 percent of the assessed value of land within the territory.

6 (B) At least 25 percent of the voters entitled to vote as a result
7 of residing within, or owning land within, any subject agency
8 within the affected territory.

9 (2) In the case of a landowner-voter district, the territory is
10 uninhabited, and protests have been signed by at least 25 percent
11 of the number of landowners within any subject agency within the
12 affected territory, owning at least 25 percent of the assessed value
13 of land within the subject agency.

14 (3) If the reorganization has been initiated by the commission
15 pursuant to Section 56375, protests have been submitted that meet
16 the requirements of Section 57113.

17 SEC. 15. Section 57081 of the Government Code is repealed.

18 SEC. 16. Section 57102 of the Government Code is amended
19 to read:

20 57102. (a) In any resolution ordering a dissolution, the
21 commission shall make findings upon one or more of the following
22 matters:

23 (1) That the corporate powers have not been used, as specified
24 in Section 56871, and that there is a reasonable probability that
25 those powers will not be used in the future.

26 (2) That the district is a registered-voter district and is
27 uninhabited.

28 (3) That the board of directors of the district has, by unanimous
29 resolution, consented to the dissolution of the district.

30 (4) That the commission has authorized, pursuant to subdivision
31 (a) of Section 57077.1, the dissolution of the district without an
32 election.

33 (b) If the commission makes any of the findings specified in
34 subdivision (a), the commission may, except as otherwise provided
35 in Section 57103, order the dissolution of the district without
36 election.

37 SEC. 17. Section 57107 of the Government Code is amended
38 to read:

39 57107. (a) In any resolution ordering a merger or establishment
40 of a subsidiary district, the commission shall approve the change

1 of organization without an election except that if the change of
2 organization meets the requirements of subdivision (b), the
3 commission shall order the change of organization subject to
4 confirmation of the voters.

5 (b) The commission shall order the change of organization
6 subject to confirmation of the voters within any subject agency as
7 follows:

8 (1) If the proposal was not initiated by the commission, and if
9 a subject agency has not objected by resolution to the proposal,
10 the commission has found that protests meet one of the following
11 protest thresholds:

12 (A) In the case of inhabited territory, protests have been signed
13 by either of the following:

14 (i) At least 25 percent of the number of landowners within the
15 affected territory who own at least 25 percent of the assessed value
16 of land within the territory.

17 (ii) At least 25 percent of the voters entitled to vote as a result
18 of residing within, or owning land within, the affected territory.

19 (B) In the case of a landowner-voter district, that the territory
20 is uninhabited and that protests have been signed by at least 25
21 percent of the number of landowners within the affected territory
22 owning at least 25 percent of the assessed value of land within the
23 territory.

24 (2) If the proposal was not initiated by the commission, and if
25 a subject agency has objected by resolution to the proposal, written
26 protests have been submitted as follows:

27 (A) In the case of inhabited territory, protests have been signed
28 by either of the following:

29 (i) At least 25 percent of the number of landowners within any
30 subject agency within the affected territory who own at least 25
31 percent of the assessed value of land within the territory.

32 (ii) At least 25 percent of the voters entitled to vote as a result
33 of residing within, or owning land within, any subject agency
34 within the affected territory.

35 (B) In the case of a landowner-voter district, that the territory
36 is uninhabited and protests have been signed by at least 25 percent
37 of the number of landowners within any subject agency within the
38 affected territory, owning at least 25 percent of the assessed value
39 of land within the subject agency.

1 (3) If the proposal was initiated by the commission, and
2 regardless of whether a subject agency has objected to the proposal
3 by resolution, written protests have been submitted that meet the
4 requirements of Section 57113.

5 (c) Notwithstanding subdivision (a) or (b), the commission shall
6 not order the merger or establishment of a subsidiary district
7 without the consent of the subject city.

8 SEC. 18. Section 57113 of the Government Code is amended
9 to read:

10 57113. Notwithstanding Section 57102, 57108, or 57111, for
11 any proposal that was initiated by the commission pursuant to
12 subdivision (a) of Section 56375, the commission shall forward
13 the change of organization or reorganization for confirmation by
14 the voters if the commission finds either of the following:

15 (a) In the case of inhabited territory, protests have been signed
16 by either of the following:

17 (1) At least 10 percent of the number of landowners within any
18 subject agency within the affected territory who own at least 10
19 percent of the assessed value of land within the territory. However,
20 if the number of landowners within a subject agency is less than
21 300, the protests shall be signed by at least 25 percent of the
22 landowners who own at least 25 percent of the assessed value of
23 land within the territory of the subject agency.

24 (2) At least 10 percent of the voters entitled to vote as a result
25 of residing within, or owning land within, any a subject agency
26 within the affected territory. However, if the number of voters
27 entitled to vote within a subject agency is less than 300, the protests
28 shall be signed by at least 25 percent of the voters entitled to vote.

29 (b) In the case of a landowner-voter district, that the territory
30 is uninhabited and protests have been signed by at least 10 percent
31 of the number of landowners within any subject agency within the
32 affected territory, owning at least 10 percent of the assessed value
33 of land within the territory. However, if the number of voters
34 entitled to vote within a subject agency is less than 300, protests
35 shall be signed by at least 25 percent of the voters entitled to vote.

36 SEC. 19. Section 57114 of the Government Code is repealed.

37 SEC. 20. Section 57114.5 of the Government Code is amended
38 to read:

39 57114.5. (a) Notwithstanding subdivision (a) of Section
40 57077.1 and Sections 57077.4 and 57111, for any proposal

1 involving the dissolution of the Newhall County Water District,
2 the commission shall forward the change of organization or
3 reorganization for confirmation by the voters if the commission
4 finds that a petition requesting that the proposal be submitted to
5 confirmation by the voters has been signed by either:

6 (1) At least 10 percent of the number of voters entitled to vote
7 as a result of residing within the district.

8 (2) At least 10 percent of the number of landowners within the
9 district who own at least 10 percent of the assessed value of land
10 within the district.

11 (b) If a petition that meets the requirements of this section has
12 been submitted, the commission shall approve the proposal subject
13 to confirmation by the voters of the district.

14 *SEC. 21. Section 99 of the Revenue and Taxation Code is*
15 *amended to read:*

16 99. (a) For the purposes of the computations required by this
17 chapter:

18 (1) In the case of a jurisdictional change, other than a city
19 incorporation or a formation of a district as defined in Section
20 2215, the auditor shall adjust the allocation of property tax revenue
21 determined pursuant to Section 96 or 96.1, or the annual tax
22 increment determined pursuant to Section 96.5, for local agencies
23 whose service area or service responsibility would be altered by
24 the jurisdictional change, as determined pursuant to subdivision
25 (b) or (c).

26 (2) In the case of a city incorporation, the auditor shall assign
27 the allocation of property tax revenues determined pursuant to
28 Section 56810 of the Government Code and the adjustments in tax
29 revenues that may occur pursuant to Section 56815 of the
30 Government Code to the newly formed city or district and shall
31 make the adjustment as determined by Section 56810 in the
32 allocation of property tax revenue determined pursuant to Section
33 96 or 96.1 for each local agency whose service area or service
34 responsibilities would be altered by the incorporation.

35 (3) In the case of a formation of a district as defined in Section
36 2215, the auditor shall assign the allocation of property tax
37 revenues determined pursuant to Section 56810 of the Government
38 Code to the district and shall make the adjustment as determined
39 by Section 56810 in the allocation of property tax revenue
40 determined pursuant to Section 96 or 96.1 for each local agency

1 whose service area or service responsibilities would be altered by
2 the formation.

3 (b) Upon the filing of an application or a resolution pursuant to
4 the Cortese-Knox-Hertzberg Local Government Reorganization
5 Act of 2000 (Division 3 (commencing with Section 56000) of Title
6 5 of the Government Code), but prior to the issuance of a certificate
7 of filing, the executive officer shall give notice of the filing to the
8 assessor and auditor of each county within which the territory
9 subject to the jurisdictional change is located. This notice shall
10 specify each local agency whose service area or responsibility will
11 be altered by the jurisdictional change.

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

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

19 (2) The auditor shall estimate what proportion of the property
20 tax revenue determined pursuant to paragraph (1) is attributable
21 to each local agency pursuant to Sections 96.1 and 96.5.

22 (3) Within 45 days of notice of the filing of an application or
23 resolution, the auditor shall notify the governing body of each local
24 agency whose service area or service responsibility will be altered
25 by *the jurisdictional change* of the amount of, and allocation factors
26 with respect to, property tax revenue estimated pursuant to
27 paragraph (2) that is subject to a negotiated exchange.

28 (4) Upon receipt of the estimates pursuant to paragraph (3), the
29 local agencies shall commence negotiations to determine the
30 amount of property tax revenues to be exchanged between and
31 among the local agencies. Except as otherwise provided, this
32 negotiation period shall not exceed 60 days. If a local agency
33 involved in these negotiations notifies the other local agencies, the
34 county auditor, and the local agency formation commission in
35 writing of its desire to extend the negotiating period, the negotiating
36 period shall be 90 days.

37 The exchange may be limited to an exchange of property tax
38 revenues from the annual tax increment generated in the area
39 subject to the jurisdictional change and attributable to the local
40 agencies whose service area or service responsibilities will be

1 altered by the proposed jurisdictional change. The final exchange
2 resolution shall specify how the annual tax increment shall be
3 allocated in future years.

4 (5) In the event that a jurisdictional change would affect the
5 service area or service responsibility of one or more special
6 districts, the board of supervisors of the county or counties in which
7 the districts are located shall, on behalf of the district or districts,
8 negotiate any exchange of property tax revenues. Prior to entering
9 into negotiation on behalf of a district for the exchange of property
10 tax revenue, the board shall consult with the affected district. The
11 consultation shall include, at a minimum, notification to each
12 member and executive officer of the district board of the pending
13 consultation and provision of adequate opportunity to comment
14 on the negotiation.

15 (6) Notwithstanding any other provision of law, the executive
16 officer shall not issue a certificate of filing pursuant to Section
17 56658 of the Government Code until the local agencies included
18 in the property tax revenue exchange negotiation, within the
19 negotiation period, present resolutions adopted by each such county
20 and city whereby each county and city agrees to accept the
21 exchange of property tax revenues.

22 (7) In the event that the commission modifies the proposal or
23 its resolution of determination, any local agency whose service
24 area or service responsibility would be altered by the proposed
25 jurisdictional change may request, and the executive officer shall
26 grant, 30 days for the affected agencies, pursuant to paragraph (4),
27 to renegotiate an exchange of property tax revenues.
28 Notwithstanding the time period specified in paragraph (4), if the
29 resolutions required pursuant to paragraph (6) are not presented
30 to the executive officer within the 30-day period, all proceedings
31 of the jurisdictional change shall automatically be terminated.

32 (8) In the case of a jurisdictional change that consists of a city's
33 qualified annexation of unincorporated territory, an exchange of
34 property tax revenues between the city and the county shall be
35 determined in accordance with subdivision (e) if that exchange of
36 revenues is not otherwise determined pursuant to either of the
37 following:

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

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

3 For purposes of this paragraph, a qualified annexation of
4 unincorporated territory means an annexation, as so described, for
5 which an application or a resolution was filed on or after January
6 1, 1998, and on or before January 1, 2015.

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

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

1 as the result of a city or library district withdrawing from a county
2 free library system pursuant to Section 19116 of the Education
3 Code shall be made pursuant to Section 19116 of the Education
4 Code, and this subdivision shall not apply.

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

10 (e) (1) An exchange of property tax revenues that is required
11 by paragraph (8) of subdivision (b) to be determined pursuant to
12 this subdivision shall be determined in accordance with all of the
13 following:

14 (A) The city and the county shall mutually select a third-party
15 consultant to perform a comprehensive, independent fiscal analysis,
16 funded in equal portions by the city and the county, that specifies
17 estimates of all tax revenues that will be derived from the annexed
18 territory and the costs of city and county services with respect to
19 the annexed territory. The analysis shall be completed within a
20 period not to exceed 30 days, and shall be based upon the general
21 plan or adopted plans and policies of the annexing city and the
22 intended uses for the annexed territory. If, upon the completion of
23 the analysis period, no exchange of property tax revenues is agreed
24 upon by the city and the county, subparagraph (B) shall apply.

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

30 (C) The city and the county shall mutually select an arbitrator,
31 funded in equal portions by those agencies, to conduct an advisory
32 arbitration with the city and the county for a period not to exceed
33 30 days. At the conclusion of this arbitration period, the city and
34 the county shall each present to the arbitrator its last and best offer
35 with respect to the exchange of property tax revenues. The
36 arbitrator shall select one of the offers and recommend that offer
37 to the governing bodies of the city and the county. If the governing
38 body of the city or the county rejects the recommended offer, it
39 shall do so during a public hearing, and shall, at the conclusion of

1 that hearing, make written findings of fact as to why the
2 recommended offer was not accepted.

3 (2) Proceedings under this subdivision shall be concluded no
4 more than 150 days after the auditor provides the notification
5 pursuant to paragraph (3) of subdivision (b), unless one of the
6 periods specified in this subdivision is extended by the mutual
7 agreement of the city and the county. Notwithstanding any other
8 provision of law, except for those conditions that are necessary to
9 implement an exchange of property tax revenues determined
10 pursuant to this subdivision, the local agency formation
11 commission shall not impose any fiscal conditions upon a city's
12 qualified annexation of unincorporated territory that is subject to
13 this subdivision.

14 (f) Except as otherwise provided in subdivision (g), for the
15 purpose of determining the amount of property tax to be allocated
16 in the 1979–80 fiscal year and each fiscal year thereafter for those
17 local agencies that were affected by a jurisdictional change which
18 was filed with the State Board of Equalization after January 1,
19 1978, but on or before January 1, 1979. The local agencies shall
20 determine by resolution the amount of property tax revenues to be
21 exchanged between and among the affected agencies and notify
22 the auditor of the determination.

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

1 The provisions of this subdivision shall also apply to the
2 allocation of property taxes for the 1980–81 fiscal year and each
3 fiscal year thereafter for incorporations approved by the voters in
4 June 1979.

5 (h) For the purpose of the computations made pursuant to this
6 section, in the case of a district formation that was filed pursuant
7 to Sections 54900 to 54904, inclusive, of the Government Code
8 after January 1, 1978, but before January 1, 1979, the amount of
9 property tax to be allocated to the district for the 1979–80 fiscal
10 year and each fiscal year thereafter shall be determined pursuant
11 to Section 54790.3 of the Government Code.

12 (i) For the purposes of the computations required by this chapter,
13 in the case of a jurisdictional change, other than a change requiring
14 an adjustment by the auditor pursuant to subdivision (a), the auditor
15 shall adjust the allocation of property tax revenue determined
16 pursuant to Section 96 or 96.1 or its predecessor section, or the
17 annual tax increment determined pursuant to Section 96.5 or its
18 predecessor section, for each local school district, community
19 college district, or county superintendent of schools whose service
20 area or service responsibility would be altered by the jurisdictional
21 change, as determined as follows:

22 (1) The governing body of each district, county superintendent
23 of schools, or county whose service areas or service responsibilities
24 would be altered by the change shall determine the amount of
25 property tax revenues to be exchanged between and among the
26 affected jurisdictions. This determination shall be adopted by each
27 affected jurisdiction by resolution. For the purpose of negotiation,
28 the county auditor shall furnish the parties and the county board
29 of education with an estimate of the property tax revenue subject
30 to negotiation.

31 (2) In the event that the affected jurisdictions are unable to agree,
32 within 60 days after the effective date of the jurisdictional change,
33 and if all the jurisdictions are wholly within one county, the county
34 board of education shall, by resolution, determine the amount of
35 property tax revenue to be exchanged. If the jurisdictions are in
36 more than one county, the State Board of Education shall, by
37 resolution, within 60 days after the effective date of the
38 jurisdictional change, determine the amount of property tax to be
39 exchanged.

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

5 (j) For purposes of subdivision (i), the annexation by a
6 community college district of territory within a county not
7 previously served by a community college district is an alteration
8 of service area. The community college district and the county
9 shall negotiate the amount, if any, of property tax revenues to be
10 exchanged. In these negotiations, there shall be taken into
11 consideration the amount of revenue received from the timber
12 yield tax and forest reserve receipts by the community college
13 district in the area not previously served. In no event shall the
14 property tax revenue to be exchanged exceed the amount of
15 property tax revenue collected prior to the annexation for the
16 purposes of paying tuition expenses of residents enrolled in the
17 community college district, adjusted each year by the percentage
18 change in population and the percentage change in the cost of
19 living, or per capita personal income, whichever is lower, less the
20 amount of revenue received by the community college district in
21 the annexed area from the timber yield tax and forest reserve
22 receipts.

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