

AMENDED IN SENATE JUNE 15, 2015

AMENDED IN ASSEMBLY MAY 7, 2015

AMENDED IN ASSEMBLY APRIL 13, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 851**

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**Introduced by Assembly Member Mayes**  
**(Coauthor: Assembly Member Cooley)**  
*(Coauthors: Senators Beall, Huff, and Moorlach)*

February 26, 2015

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An act to amend Sections 50077, 56658, 56885.5, 56886, and 57405 of, to add Sections 56653.1, 56770, 56804, 56813, 56814, 56816, and 57426 to, and to repeal Sections 57401, 57402, 57404, 57409, 57410, 57416, 57423, and 57424 of, the Government Code, and to amend Section 99 of the Revenue and Taxation Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 851, as amended, Mayes. Local government: organization: disincorporations.

*(1) Existing law specifies a procedure for the legislative body of a city, county, or district to propose to the voters an ordinance or resolution to adopt a special tax pursuant to constitutional requirements. Existing law authorizes a local agency which is conducting proceedings for the incorporation of a city, formation of a district, change of organization, a reorganization, a change of organization of a city, or a municipal reorganization to propose the adoption of a special tax on behalf of the affected city or district in accordance with this procedure.*

*This bill would additionally authorize a local agency conducting proceedings for the disincorporation of a city to propose the adoption of a special tax on behalf of an affected city in accordance with the above-described procedure.*

(1)

(2) Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the authority and procedures for the initiation, conduct, and completion of changes of organization and reorganization of cities and districts. The act requires a local agency or school district that initiates proceedings for a change of local government organization or reorganization, by submitting a resolution of application to a local agency formation commission, to also submit a plan for providing services within the affected territory, as specified.

This bill would, in the case of a disincorporation or reorganization that includes a disincorporation, require the plan for services to include specific provisions, including, among others, an enumeration and description of the services currently provided by the city proposed for disincorporation.

(2)

(3) The act requires a petitioner or legislative body desiring to initiate proceedings to submit an application to the executive officer of the local agency formation commission, and requires the local agency formation commission, with regard to an application that includes an incorporation, to immediately notify all affected local agencies and any applicable state agency, as specified.

This bill would extend that requirement to an application that includes a disincorporation.

(3)

(4) Existing law prohibits the commission from approving or conditionally approving a proposal for an incorporation unless the commission finds, among other things, that the proposal is consistent with the intent of the act, the incorporation is consistent with the spheres of influence of affected local agencies, and the proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the 3 fiscal years following incorporation.

This bill would additionally prohibit the commission from approving or conditionally approving a proposal that includes a disincorporation unless the commission finds, among other things, that the disincorporation is consistent with the intent of the act, the

disincorporation will address necessary changes to spheres of influence of affected agencies, and the service responsibilities of the city proposed for disincorporation have been assigned, as specified.

(4)

(5) Existing law requires the executive officer of the commission to prepare a comprehensive fiscal analysis for any proposal that includes an incorporation, as specified.

This bill would additionally require the executive officer to prepare a comprehensive fiscal analysis for any proposal that includes a disincorporation, as specified.

(5)

(6) Existing law requires the commission to determine the amount of property tax revenue to be exchanged by the affected local agency for a proposal that includes the incorporation of a city, and sets forth the procedures to be followed in making that determination.

This bill would additionally require the commission to determine the amount of property tax revenue to be exchanged by the affected city and any successor or affected local agency for a proposal that includes a disincorporation of a city, and would set forth the procedures to be followed in making that determination.

The bill would additionally require the commission to determine, where the proposal includes the disincorporation of a city with the assignment of property tax revenues to a successor, the increase of the appropriations limit for a successor, if the successor is an existing entity, or the appropriations limit for a new special district, as specified.

The bill would state the intent of the Legislature that a proposal that includes a disincorporation of a city result in a determination that the debt or contractual obligations and responsibilities of the city being disincorporated be the responsibility of the same territory for repayment. The bill would require the city being disincorporated to provide a written statement prior to issuance of a certificate for filing for a proposal that includes a disincorporation that includes specified information relating to its debts and contractual obligations.

(6)

(7) Existing law authorizes the commission, in approving a disincorporation of a city, the dissolution of a district, or the reorganization or consolidation of agencies that result in the dissolution of one or more districts or disincorporation of one or more cities, to make the approval conditional upon the agency being dissolved not approving any increase in compensation or benefits for specified officers

of the agency, or appropriating, encumbering, expending, or otherwise obligating any revenue of the agency beyond that provided in the current budget at the time the dissolution is approved by the commission, unless it first finds that an emergency exists.

This bill would modify this provision to authorize the commission to make the approval conditional upon prohibiting the district that is being dissolved or the city that is being disincorporated from approving any increase in compensation or benefits for specified officers of the agency, or appropriating, encumbering, expending, or otherwise obligating any revenue of the agency beyond that provided in the current budget at the time the dissolution is approved by the commission, unless it first finds that an emergency exists.

The act also authorizes the commission to require a single question appearing on the ballot upon issues of annexation and reorganization in any election at which the questions of annexation and district reorganization or incorporation and district reorganization are to be considered at the same time.

This bill would additionally apply these provisions to a disincorporation and district reorganization.

*(8) Existing law provides that an organization or reorganization may provide for, or be made subject to, specified terms and conditions, including the levying of assessments, including certain fees, or the approval by the voters of general or special taxes. Under existing law, these terms and conditions may not directly regulate land use, property development, or subdivision requirements, and the imposition of such a fee as a condition of the issuance of a building permit does not constitute a direct regulation of land use, property development, or subdivision requirements.*

*This bill would expand the scope of terms and conditions that may be provided for or required as a condition of an organization or reorganization to include the levying of fees generally. The bill would also make technical, nonsubstantive changes to this provision.*

~~(7)~~

(9) Existing law requires every public officer of a city being disincorporated, prior to the effective date of the disincorporation, to turn the public property in his or her possession over to the board of supervisors.

This bill would repeal this provision.

~~(8)~~

(10) The act requires the commission, after ascertaining that the disincorporation has carried, to determine and certify in a written statement to the board of supervisors the indebtedness of the city, the amount of money in its treasury, and the amount of any tax levy or other obligation due the city that is unpaid or has not been collected.

This bill would repeal this provision.

~~(9)~~

(11) Existing law requires the board of supervisors to make specified determinations if the commission does not provide the board with a statement of those determinations.

This bill would repeal this provision.

~~(10)~~

(12) Existing law requires the tax collector to collect any tax that has been levied by a disincorporated city that remains uncollected when due and pay it into the county treasury.

This bill would provide that the tax collected and paid into the county treasury is on behalf of the designated successor or county to wind up affairs of the disincorporated city.

~~(11)~~

(13) Existing law requires the board of supervisors of a county to cause taxes to be levied and collected from within the territory formerly included within a disincorporated city, if there is not sufficient money in the treasury of a disincorporated city to the credit of the special fund to pay any city indebtedness as it becomes due. Existing law provides that any taxes levied pursuant to this provision are to be assessed, levied, and collected in the same manner and at the same time as other county taxes, and are additional taxes upon the property included within the territory of the disincorporated city.

This bill would repeal these provisions.

~~(12)~~

(14) Existing law requires the board of supervisors to levy a special tax upon all property within the disincorporated city if the revenues from specified public utilities are not sufficient for the administration, conduct, or improvement of the public utility.

This bill would repeal this provision.

~~(13)~~

(15) Existing law requires the board of supervisors to annually, at the time other county taxes are levied and collected, to levy and collect a special tax on the remainder of the territory of a disincorporated city sufficient to pay the balance of the debt, and pay that sum to the city

treasurer. Existing law requires the city treasurer to pay the bonded indebtedness as it becomes due with the proceeds of those taxes.

This bill would repeal these provisions.

(14)

(16) Existing law provides that on and after the effective date of a disincorporation, the territory of the disincorporated city, all inhabitants within the territory, and all persons formerly entitled to vote by reason of residing within the territory cease to be subject to the jurisdiction of the disincorporated city and have none of the rights or duties of inhabitants or voters of a city.

This bill would additionally provide that as of the effective date of a disincorporation, the general plan of the disincorporated city that was in effect immediately prior to the effective date of the disincorporation constitutes the community plan of the county for the territory of the disincorporated city, the zoning ordinances of the disincorporated city that were in effect immediately prior to the effective date of the disincorporation constitute the zoning ordinances of the county for that territory, and any conditional use permit or legal nonconforming use that was in place immediately prior to the effective date of the disincorporation remains in force pursuant to the community plan and zoning ordinances. The bill would provide that any use of land that was authorized under the general plan and zoning ordinances immediately prior to the effective date of the disincorporation continues to be authorized for as long a period as may be required by the California Constitution or the United States Constitution.

(15)

(17) 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 specified jurisdictional changes. *Existing law establishes procedures for determining the exchange of property tax revenues between a city and a county in the case of a jurisdictional change that consists of a city's qualified annexation of unincorporated territory, defined to mean an annexation of unincorporated territory for which an application or resolution was filed on or after January 1, 1998, and on or before January 1, 2015.*

This bill would include a city disincorporation and dissolved district in those jurisdictional changes. ~~By~~ *The bill would also expand the above-described definition of a qualified annexation of unincorporated territory to include an annexation for which an application or resolution was filed on or before January 1, 2021.*

By increasing the duties of the county auditor, this bill would impose a state-mandated local program.

(16)

(18) 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.

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 50077 of the Government Code is  
2 amended to read:

3 50077. (a) Except as provided in Section 7282 of the Revenue  
4 and Taxation Code, the legislative body of any city, county, or  
5 district may, following notice and public hearing, propose by  
6 ordinance or resolution the adoption of a special tax. The ordinance  
7 or resolution shall include the type of tax and rate of tax to be  
8 levied, the method of collection, and the date upon which an  
9 election shall be held to approve the levy of the tax. The  
10 proposition shall be submitted to the voters of the city, county, or  
11 district, or a portion thereof, and, upon the approval of two-thirds  
12 of the votes cast by voters voting upon the proposition, the city,  
13 county, or district may levy the tax.

14 (b) The legislative body of a city, or district, may provide for  
15 the collection of the special tax in the same manner and subject to  
16 the same penalty as, or with, other charges and taxes fixed and  
17 collected by the city, or district, or, by agreement with the county,  
18 by the county on behalf of the city, or district. If the special taxes  
19 are collected by the county on behalf of the city, or district, the  
20 county may deduct its reasonable costs incurred for the service  
21 before remittal of the balance to the city.

22 (c) The legislative body of a local agency which is conducting  
23 proceedings for the incorporation of a city, the formation of a  
24 district, a change of organization, a reorganization, a change of  
25 organization of a city, ~~or~~ a municipal reorganization, *or the*

1 *disincorporation of a city* may propose by ordinance or resolution  
2 the adoption of a special tax in accordance with the provisions of  
3 subdivision (a) on behalf of an affected city or district.

4 (d) As used in this section “district” means an agency of the  
5 state, formed pursuant to general law or special act, for the local  
6 performance of governmental or proprietary functions within  
7 limited boundaries.

8 **SECTION 1.**

9 *SEC. 2.* Section 56653.1 is added to the Government Code, to  
10 read:

11 56653.1. In the case of a disincorporation or reorganization  
12 that includes a disincorporation, the plan for services required by  
13 subdivision (a) of Section 56653 shall include the following:

14 (a) An enumeration and description of the services currently  
15 provided by the city proposed for disincorporation and an  
16 identification of the entity or entities proposed to assume  
17 responsibility for the services following completion of  
18 disincorporation.

19 (b) An enumeration and description of each service proposed  
20 to be discontinued or transferred, the current financing of the  
21 service or services, and any method of financing proposed by the  
22 successor.

23 (c) A delineation of any existing financing of services currently  
24 provided to include, but not be limited to, bonds, assessments,  
25 community facility district governance, general taxes, special taxes,  
26 other charges, and joint powers authorities or agreements.

27 (d) An indication of any current bankruptcy proceeding,  
28 including, but not limited to, status and exit plan.

29 (e) An indication of any current order relating to services  
30 provided by the city proposed for disincorporation by any agency,  
31 department, office, or other division of the state, including, but  
32 not limited to, a cease and desist order or water prohibition order.

33 (f) A written statement from each entity identified pursuant to  
34 subdivision (a) that it has received a copy of the plan for services  
35 submitted pursuant to this section.

36 (g) Any other information that the executive officer may deem  
37 necessary to evaluate the plan for services submitted.

38 ~~SEC. 2.~~

39 *SEC. 3.* Section 56658 of the Government Code is amended  
40 to read:



1 56658. (a) Any petitioner or legislative body desiring to initiate  
2 proceedings shall submit an application to the executive officer of  
3 the principal county.

4 (b) (1) Immediately after receiving an application and before  
5 issuing a certificate of filing, the executive officer shall give mailed  
6 notice that the application has been received to each affected  
7 agency, the county committee on school district organization, and  
8 each school superintendent whose school district overlies the  
9 affected territory. The notice shall generally describe the proposal  
10 and the affected territory. The executive officer shall not be  
11 required to give notice pursuant to this subdivision if a local agency  
12 has already given notice pursuant to subdivision (c) of Section  
13 56654.

14 (2) It is the intent of the Legislature that a proposal for  
15 incorporation or disincorporation shall be processed in a timely  
16 manner. With regard to an application that includes an  
17 incorporation or disincorporation, the executive officer shall  
18 immediately notify all affected local agencies and any applicable  
19 state agencies by mail and request the affected agencies to submit  
20 the required data to the commission within a reasonable timeframe  
21 established by the executive officer. Each affected agency shall  
22 respond to the executive officer within 15 days acknowledging  
23 receipt of the request. Each affected local agency and the officers  
24 and departments thereof shall submit the required data to the  
25 executive officer within the timelines established by the executive  
26 officer. Each affected state agency and the officers and departments  
27 thereof shall submit the required data to the executive officer within  
28 the timelines agreed upon by the executive officer and the affected  
29 state departments.

30 (3) If a special district is, or as a result of a proposal will be,  
31 located in more than one county, the executive officer of the  
32 principal county shall immediately give the executive officer of  
33 each other affected county mailed notice that the application has  
34 been received. The notice shall generally describe the proposal  
35 and the affected territory.

36 (c) Except when a commission is the lead agency pursuant to  
37 Section 21067 of the Public Resources Code, the executive officer  
38 shall determine within 30 days of receiving an application whether  
39 the application is complete and acceptable for filing or whether  
40 the application is incomplete.

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

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

14 (f) When an application is accepted for filing, the executive  
15 officer shall immediately issue a certificate of filing to the  
16 applicant. A certificate of filing shall be in the form prescribed by  
17 the executive officer and shall specify the date upon which the  
18 proposal shall be heard by the commission. From the date of  
19 issuance of a certificate of filing, or the date upon which an  
20 application is deemed to have been accepted, whichever is earlier,  
21 an application shall be deemed filed pursuant to this division.

22 (g) If an application is determined not to be complete, the  
23 executive officer shall immediately transmit that determination to  
24 the applicant specifying those parts of the application which are  
25 incomplete and the manner in which they can be made complete.

26 (h) Following the issuance of the certificate of filing, the  
27 executive officer shall proceed to set the proposal for hearing and  
28 give published notice thereof as provided in this part. The date of  
29 the hearing shall be not more than 90 days after issuance of the  
30 certificate of filing or after the application is deemed to have been  
31 accepted, whichever is earlier. Notwithstanding Section 56106,  
32 the date for conducting the hearing, as determined pursuant to this  
33 subdivision, is mandatory.

34 ~~SEC. 3.~~

35 *SEC. 4.* Section 56770 is added to the Government Code, to  
36 read:

37 56770. The commission shall not approve or conditionally  
38 approve any proposal that includes a disincorporation, unless,  
39 based on the entire record, the commission makes all of the  
40 following determinations:

1 (a) The proposed disincorporation is consistent with the intent  
2 of this division to provide for a sustainable system for the delivery  
3 of services.

4 (b) The commission has considered the service reviews of  
5 municipal services and spheres of influence of the affected local  
6 agencies, and the disincorporation will address the necessary  
7 changes to those spheres of influence, if any.

8 (c) It has reviewed the comprehensive fiscal analysis prepared  
9 pursuant to Section 56804.

10 (d) It has reviewed the executive officer's report and  
11 recommendation prepared pursuant to Section 56665, and the oral  
12 or written testimony presented at its public hearing.

13 (e) The service responsibilities of the city proposed for  
14 disincorporation have been assigned through terms and conditions  
15 authorized by Sections 56885.5, 56886, and 57302, and Chapter  
16 5 (commencing with Section 57400) of Part 5.

17 ~~SEC. 4.~~

18 *SEC. 5.* Section 56804 is added to the Government Code, to  
19 read:

20 56804. For any proposal that includes a disincorporation, the  
21 executive officer shall prepare, or cause to be prepared by contract,  
22 a comprehensive fiscal analysis. This analysis shall become part  
23 of the report required pursuant to Section 56665. Data used for the  
24 analysis shall be from the most recent fiscal year for which data  
25 is available, preceding the issuances of the certificate of filing.  
26 When data requested by the executive officer in the notice to  
27 affected agencies, pursuant to paragraph (2) of subdivision (b) of  
28 Section 56658, is unavailable, the analysis shall document the  
29 source and methodology of the data used. The analysis shall review  
30 and document each of the following:

31 (a) The direct and indirect costs incurred by the city proposed  
32 for disincorporation for providing public services and facilities  
33 during the three fiscal years immediately preceding the submittal  
34 of the proposal for disincorporation.

35 (b) The sources of funding, if any, available to the entities  
36 proposed to assume the obligations of the city being  
37 disincorporated and the related costs, including all actual direct  
38 and indirect costs, in provision of existing services.

1 (c) When determining costs, the executive officer shall also  
2 include all direct and indirect costs of any public services that are  
3 proposed to be transferred to state agencies for delivery.

4 (d) The revenues of the city being disincorporated during the  
5 three fiscal years immediately preceding the initiation of the  
6 disincorporation proposal.

7 (e) Any other information and analysis needed to make the  
8 findings required by Section 56770.

9 ~~SEC. 5.~~

10 *SEC. 6.* Section 56813 is added to the Government Code, to  
11 read:

12 56813. (a) If the proposal includes the disincorporation of a  
13 city, as defined in Section 56034, the commission shall determine  
14 the amount of property tax revenue to be exchanged by the affected  
15 city and any successor or affected local agency pursuant to this  
16 section.

17 (b) The commission shall notify the county auditor of the  
18 proposal, the affected local agencies to be extinguished, and the  
19 services proposed to be transferred to new jurisdictions, and  
20 identify for the auditor the changes to occur.

21 (c) If the proposal would not transfer all of the service  
22 responsibilities of the disincorporating city to the affected county  
23 or to a single affected agency, the commission and the county  
24 auditor shall do all of the following:

25 (1) The county auditor shall determine the proportion that the  
26 amount of property tax revenue derived by the city being  
27 disincorporated pursuant to subdivision (b) of Section 93 of the  
28 Revenue and Taxation Code bears to the total amount of revenue  
29 from all sources, available for general purposes, received by the  
30 city being disincorporated in the prior fiscal year and provide their  
31 response within 15 days of receiving notification from the  
32 commission pursuant to subdivision (b). For purposes of making  
33 this determination and the determination required by paragraph  
34 (3), “total amount of revenue from all sources available for general  
35 purposes” means the total amount of revenue which the city being  
36 disincorporated may use on a discretionary basis for any purpose  
37 and does not include any of the following:

38 (A) Revenue that, by statute or ordinance, is required to be used  
39 for a specific purpose.

1 (B) Revenue from fees, charges, or assessments that are levied  
2 to specifically offset the cost of particular services and that do not  
3 exceed the cost reasonably borne in providing these services.

4 (C) Revenue received from the federal government that is  
5 required to be used for a specific purpose.

6 (2) The commission shall determine, based on information  
7 submitted by the city being disincorporated, an amount equal to  
8 the total net cost to that city during the prior fiscal year of providing  
9 those services that an affected agency will assume within the area  
10 subject to the proposal. For purposes of this paragraph, “total net  
11 cost” means the total direct and indirect costs that were funded by  
12 general purpose revenues of the city being disincorporated and  
13 excludes any portion of the total cost that was funded by any  
14 revenues of that agency that are specified in subparagraphs (A),  
15 (B), and (C) of paragraph (1).

16 (3) For the services to be transferred to each affected local  
17 agency, the commission shall multiply the amount determined  
18 pursuant to paragraph (2) by the proportion determined pursuant  
19 to paragraph (1) to derive the amount of property tax revenue used  
20 to provide services by the city being disincorporated during the  
21 prior fiscal year within the area subject to the proposal. The county  
22 auditor shall adjust the amount so determined by the annual tax  
23 increment pursuant to the procedures set forth in Chapter 6  
24 (commencing with Section 95) of Part 0.5 of Division 1 of the  
25 Revenue and Taxation Code, to the fiscal year in which the affected  
26 agency receives its next allocation of property taxes.

27 (d) If the proposal for disincorporation would transfer all of the  
28 service responsibilities of the city proposed for disincorporation,  
29 other than those that are proposed to be discontinued, to a single  
30 successor, the commission shall request the auditor to determine  
31 the property tax revenue allocated to the city being disincorporated  
32 by tax rate area, or portion thereof, and transmit that information  
33 to the commission.

34 (e) The executive officer shall notify the auditor of the amount  
35 determined pursuant to subdivision (c) or (d), as the case may be,  
36 and, where applicable, the period of time within which and the  
37 procedure by which the transfer of property tax revenues will be  
38 effected pursuant to this section, at the time the executive officer  
39 records a certificate of completion pursuant to Section 57203 for  
40 any proposal described in subdivision (a), and the auditor shall

1 transfer that amount to the affected agency or agencies that will  
2 assume the services as determined by the commission. Any  
3 property tax not transferred to an affected agency pursuant to  
4 subdivision (c) shall be transferred to the affected county.

5 (f) For purposes of this section, “prior fiscal year” means the  
6 most recent fiscal year preceding the issuance of the certificate of  
7 filing for which data is available on actual direct and indirect costs  
8 and revenues needed to perform the calculations required by this  
9 section.

10 (g) Any action brought by a city or district to contest any of the  
11 determinations of the county auditor or the commission with regard  
12 to the amount of property tax revenue to be exchanged by the  
13 affected local agencies pursuant to this section shall be commenced  
14 within three years of the effective date of the disincorporation.

15 ~~SEC. 6.~~

16 *SEC. 7.* Section 56814 is added to the Government Code, to  
17 read:

18 56814. If the proposal includes the disincorporation of a city,  
19 as defined in Section 56034, with the assignment of property tax  
20 revenues to a successor the commission shall make the following  
21 determinations, as appropriate:

22 (a) The increase of the appropriations limit for the successor if  
23 the successor is an existing entity.

24 (b) The appropriations limit for a new special district through  
25 a formation process as defined by Section 56810.

26 ~~SEC. 7.~~

27 *SEC. 8.* Section 56816 is added to the Government Code, to  
28 read:

29 56816. (a) It is the intent of the Legislature that any proposal  
30 that includes the disincorporation of a city result in a determination  
31 that the debt or contractual obligations and responsibilities of the  
32 city being disincorporated shall be the responsibility of that same  
33 territory for repayment. To ascertain this information, the city shall  
34 provide a written statement that determines and certifies all of the  
35 following to the commission prior to the issuance of a certificate  
36 of filing for a disincorporation proposal, pursuant to Sections 56651  
37 and 56658:

38 (1) The indebtedness of the city.

39 (2) The amount of money in the city’s treasury.

1 (3) The amount of any tax levy or other obligation due the city  
2 that is unpaid or has not been collected.

3 (4) The amount of current and future liabilities, both internal  
4 debt owed to other special or restricted funds or enterprise funds  
5 within the agency and external debt owed to other public agencies  
6 or outside lenders or that results from contractual obligations,  
7 which may include contracts for goods or services, retirement  
8 obligations, actuarially determined unfunded pension liability of  
9 all classes in a public retirement system, including any  
10 documentation related to the termination of public retirement  
11 contract provisions, and the liability for other postemployment  
12 benefits. The information required by this paragraph shall include  
13 any associated revenue stream for financing that may be or has  
14 been committed to that liability, including employee contributions.

15 (b) The city shall provide a written statement identifying the  
16 successor agency to the city's former redevelopment agency, if  
17 any, pursuant to Section 34173 of the Health and Safety Code.

18 ~~SEC. 8.~~

19 *SEC. 9.* Section 56885.5 of the Government Code is amended  
20 to read:

21 56885.5. (a) In any commission order giving approval to any  
22 change of organization or reorganization, the commission may  
23 make that approval conditional upon any of the following factors:

24 (1) Any of the conditions set forth in Section 56886.

25 (2) The initiation, conduct, or completion of proceedings for  
26 another change of organization or a reorganization.

27 (3) The approval or disapproval, with or without election, as  
28 may be provided by this division, of any resolution or ordinance  
29 ordering that change of organization or reorganization.

30 (4) With respect to any commission determination to approve  
31 the disincorporation of a city, the dissolution of a district, or the  
32 reorganization or consolidation of agencies that results in the  
33 dissolution of one or more districts or the disincorporation of one  
34 or more cities, a condition that prohibits a district that is being  
35 dissolved or a city that is being disincorporated from taking any  
36 of the following actions, unless it first finds that either an  
37 emergency situation exists as defined in Section 54956.5, or the  
38 legislative body of the successor, as designated by the commission  
39 has taken action approving one or more of the following actions:

1 (A) Approving any increase in compensation or benefits for  
2 members of the governing board, its officers, or the executive  
3 officer of the agency.

4 (B) Appropriating, encumbering, expending, or otherwise  
5 obligating, any revenue of the agency beyond that provided in the  
6 current budget at the time the commission approves the dissolution  
7 or disincorporation.

8 (b) If the commission so conditions its approval, the commission  
9 may order that any further action pursuant to this division be  
10 continued and held in abeyance for the period of time designated  
11 by the commission, not to exceed six months from the date of that  
12 conditional approval.

13 (c) The commission order may also provide that any election  
14 called upon any change of organization or reorganization shall be  
15 called, held, and conducted before, upon the same date as, or after  
16 the date of any election to be called, held, and conducted upon any  
17 other change of organization or reorganization.

18 (d) The commission order may also provide that in any election  
19 at which the questions of annexation and district reorganization  
20 or, incorporation and district reorganization, or disincorporation  
21 and district reorganization are to be considered at the same time,  
22 there shall be a single question appearing on the ballot upon the  
23 issues of annexation and district reorganization or incorporation  
24 and district reorganization.

25 *SEC. 10. Section 56886 of the Government Code is amended*  
26 *to read:*

27 56886. Any change of organization or reorganization may  
28 provide for, or be made subject to one or more of, the following  
29 terms and conditions. If a change of organization or reorganization  
30 is made subject to one or more of the following terms and  
31 conditions in the commission's resolution making determinations,  
32 the terms and conditions imposed shall prevail in the event of a  
33 conflict between a specific term and condition authorized pursuant  
34 to this section and any of the general provisions of Part 5  
35 (commencing with Section 57300). However, none of the following  
36 terms and conditions shall directly regulate land use, property  
37 development, or subdivision requirements:

38 (a) The payment of a fixed or determinable amount of money,  
39 either as a lump sum or in installments, for the acquisition, transfer,



1 use, or right of use of all or any part of the existing property, real  
2 or personal, of any city, county, or district.

3 (b) The levying or fixing and the collection of any of the  
4 following, for the purpose of providing for any payment required  
5 pursuant to subdivision (a):

6 (1) Special, extraordinary, or additional taxes or assessments.

7 (2) Special, extraordinary, or additional service charges, rentals,  
8 or rates.

9 (3) Both taxes or assessments and service charges, rentals, or  
10 rates.

11 (c) The imposition, exemption, transfer, division, or  
12 apportionment, as among any affected cities, affected counties,  
13 affected districts, and affected territory of liability for payment of  
14 all or any part of principal, interest, and any other amounts which  
15 shall become due on account of all or any part of any outstanding  
16 or then authorized but thereafter issued bonds, including revenue  
17 bonds, or other contracts or obligations of any city, county, district,  
18 or any improvement district within a local agency, and the levying  
19 or fixing and the collection of any (1) taxes or assessments, or (2)  
20 service charges, rentals, or rates, or (3) both taxes or assessments  
21 and service charges, rentals, or rates, in the same manner as  
22 provided in the original authorization of the bonds and in the  
23 amount necessary to provide for that payment.

24 (d) If, as a result of any term or condition made pursuant to  
25 subdivision (c), the liability of any affected city, affected county,  
26 or affected district for payment of the principal of any bonded  
27 indebtedness is increased or decreased, the term and condition  
28 may specify the amount, if any, of that increase or decrease which  
29 shall be included in, or excluded from, the outstanding bonded  
30 indebtedness of that entity for the purpose of the application of  
31 any statute or charter provision imposing a limitation upon the  
32 principal amount of outstanding bonded indebtedness of the entity.

33 (e) The formation of a new improvement district or districts or  
34 the annexation or detachment of territory to, or from, any existing  
35 improvement district or districts.

36 (f) The incurring of new indebtedness or liability by, or on behalf  
37 of, all or any part of any local agency, including territory being  
38 annexed to any local agency, or of any existing or proposed new  
39 improvement district within that local agency. The new  
40 indebtedness may be the obligation solely of territory to be annexed

1 if the local agency has the authority to establish zones for incurring  
2 indebtedness. The indebtedness or liability shall be incurred  
3 substantially in accordance with the laws otherwise applicable to  
4 the local agency.

5 (g) The issuance and sale of any bonds, including authorized  
6 but unissued bonds of a local agency, either by that local agency  
7 or by a local agency designated as the successor to any local agency  
8 which is extinguished as a result of any change of organization or  
9 reorganization.

10 (h) The acquisition, improvement, disposition, sale, transfer, or  
11 division of any property, real or personal.

12 (i) The disposition, transfer, or division of any moneys or funds,  
13 including cash on hand and moneys due but uncollected, and any  
14 other obligations.

15 (j) The fixing and establishment of priorities of use, or right of  
16 use, of water, or capacity rights in any public improvements or  
17 facilities or any other property, real or personal. However, none  
18 of the terms and conditions ordered pursuant to this subdivision  
19 shall modify priorities of use, or right of use, to water, or capacity  
20 rights in any public improvements or facilities that have been fixed  
21 and established by a court or an order of the State Water Resources  
22 Control Board.

23 (k) The establishment, continuation, or termination of any office,  
24 department, or board, or the transfer, combining, consolidation,  
25 or separation of any offices, departments, or boards, or any of the  
26 functions of those offices, departments, or boards, if, and to the  
27 extent that, any of those matters is authorized by the principal act.

28 (l) The employment, transfer, or discharge of employees, the  
29 continuation, modification, or termination of existing employment  
30 contracts, civil service rights, seniority rights, retirement rights,  
31 and other employee benefits and rights.

32 (m) The designation of a city, county, or district, as the successor  
33 to any local agency that is extinguished as a result of any change  
34 of organization or reorganization, for the purpose of succeeding  
35 to all of the rights, duties, and obligations of the extinguished local  
36 agency with respect to enforcement, performance, or payment of  
37 any outstanding bonds, including revenue bonds, or other contracts  
38 and obligations of the extinguished local agency.

39 (n) The designation of (1) the method for the selection of  
40 members of the legislative body of a district or (2) the number of

1 those members, or (3) both, where the proceedings are for a  
2 consolidation, or a reorganization providing for a consolidation or  
3 formation of a new district and the principal act provides for  
4 alternative methods of that selection or for varying numbers of  
5 those members, or both.

6 (o) The initiation, conduct, or completion of proceedings on a  
7 proposal made under, and pursuant to, this division.

8 (p) The fixing of the effective date or dates of any change of  
9 organization, subject to the limitations of Section 57202.

10 (q) Any terms and conditions authorized or required by the  
11 principal act with respect to any change of organization.

12 (r) The continuation or provision of any service provided at that  
13 time, or previously authorized to be provided by an official act of  
14 the local agency.

15 (s) The levying of ~~assessments~~, *either of the following*:

16 (1) *Assessments or fees*, including the imposition of a fee  
17 pursuant to Section 50029 or ~~66484.3 or the approval by the voters~~  
18 ~~of general or special taxes. 66484.3~~. For the purposes of this  
19 section, imposition of a fee as a condition of the issuance of a  
20 building permit does not constitute direct regulation of land use,  
21 property development, or subdivision requirements.

22 (2) *General or special taxes subject to approval by the voters*.

23 (t) The extension or continuation of any previously authorized  
24 charge, fee, assessment, or tax by the local agency or a successor  
25 local agency in the affected territory.

26 (u) The transfer of authority and responsibility among any  
27 affected cities, affected counties, and affected districts for the  
28 administration of special tax and special assessment districts,  
29 including, but not limited to, the levying and collecting of special  
30 taxes and special assessments, including the determination of the  
31 annual special tax rate within authorized limits; the management  
32 of redemption, reserve, special reserve, and construction funds;  
33 the issuance of bonds which are authorized but not yet issued at  
34 the time of the transfer, including not yet issued portions or phases  
35 of bonds which are authorized; supervision of construction paid  
36 for with bond or special tax or assessment proceeds; administration  
37 of agreements to acquire public facilities and reimburse advances  
38 made to the district; and all other rights and responsibilities with  
39 respect to the levies, bonds, funds, and use of proceeds that would

1 have applied to the local agency that created the special tax or  
2 special assessment district.

3 (v) Any other matters necessary or incidental to any of the terms  
4 and conditions specified in this section. If a change of organization,  
5 reorganization, or special reorganization provides for, or is made  
6 subject to one or more of, the terms and conditions specified in  
7 this section, those terms and conditions shall be deemed to be the  
8 exclusive terms and conditions for the change of organization,  
9 reorganization, or special reorganization, and shall control over  
10 any general provisions of Part 5 (commencing with Section 57300).

11 ~~SEC. 9.~~  
12 *SEC. 11.* Section 57401 of the Government Code is repealed.

13 ~~SEC. 10.~~  
14 *SEC. 12.* Section 57402 of the Government Code is repealed.

15 ~~SEC. 11.~~  
16 *SEC. 13.* Section 57404 of the Government Code is repealed.

17 ~~SEC. 12.~~  
18 *SEC. 14.* Section 57405 of the Government Code is amended

19 to read:

20 57405. If a tax has been levied by the disincorporated city and  
21 remains uncollected, the county tax collector shall collect it when  
22 due and pay it into the county treasury on behalf of the designated  
23 successor agency or county to wind up the affairs of the  
24 disincorporated city.

25 ~~SEC. 13.~~  
26 *SEC. 15.* Section 57409 of the Government Code is repealed.

27 ~~SEC. 14.~~  
28 *SEC. 16.* Section 57410 of the Government Code is repealed.

29 ~~SEC. 15.~~  
30 *SEC. 17.* Section 57416 of the Government Code is repealed.

31 ~~SEC. 16.~~  
32 *SEC. 18.* Section 57423 of the Government Code is repealed.

33 ~~SEC. 17.~~  
34 *SEC. 19.* Section 57424 of the Government Code is repealed.

35 ~~SEC. 18.~~  
36 *SEC. 20.* Section 57426 is added to the Government Code, to

37 read:

38 57426. As of the effective date of the disincorporation, all of  
39 the following apply:

1 (a) The general plan of the disincorporated city that was in effect  
2 immediately prior to the effective date of the disincorporation shall  
3 constitute the community plan of the county for the territory of  
4 the disincorporated city until the county updates the community  
5 plan, adopts a specific plan, or amends its county general plan for  
6 the unincorporated territory.

7 (b) The zoning ordinances of the disincorporated city that were  
8 in effect immediately prior to the effective date of the  
9 disincorporation shall constitute the zoning ordinances of the  
10 county for that territory, and shall be so identified in any  
11 community plan, specific plan, or general plan amendment adopted  
12 by the county, until the county updates the zoning ordinances  
13 applicable to that territory.

14 (c) Any conditional use permit or legal nonconforming use that  
15 was in place immediately prior to the effective date of the  
16 disincorporation shall remain in force pursuant to the community  
17 plan and zoning ordinances.

18 (d) Any use of land that was authorized under the general plan  
19 and zoning ordinances immediately prior to the effective date of  
20 the disincorporation shall continue to be authorized, for as long a  
21 period as may be required by the California Constitution or United  
22 States Constitution.

23 ~~SEC. 19.~~

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

26 99. (a) For the purposes of the computations required by this  
27 chapter:

28 (1) In the case of a jurisdictional change, other than a city  
29 incorporation, city disincorporation, or a formation of a district as  
30 defined in Section 2215, the auditor shall adjust the allocation of  
31 property tax revenue determined pursuant to Section 96 or 96.1,  
32 or the annual tax increment determined pursuant to Section 96.5,  
33 for local agencies whose service area or service responsibility  
34 would be altered by the jurisdictional change, as determined  
35 pursuant to subdivision (b) or (c).

36 (2) In the case of a city incorporation or disincorporation, the  
37 auditor shall assign the allocation of property tax revenues  
38 determined pursuant to Section 56810 of the Government Code  
39 and the adjustments in tax revenues that may occur pursuant to  
40 Section 56815 of the Government Code to the newly formed city

1 or district and shall make the adjustment as determined by Section  
2 56810 or 56813 in the allocation of property tax revenue  
3 determined pursuant to Section 96 or 96.1 for each local agency  
4 whose service area or service responsibilities would be altered by  
5 the incorporation.

6 (3) In the case of a formation of a district as defined in Section  
7 2215, the auditor shall assign the allocation of property tax  
8 revenues determined pursuant to Section 56810 of the Government  
9 Code to the district and shall make the adjustment as determined  
10 by Section 56810, or for the disincorporated city or dissolved  
11 district as determined by Section 56813, in the allocation of  
12 property tax revenue determined pursuant to Section 96 or 96.1  
13 for each local agency whose service area or service responsibilities  
14 would be altered by the change of organization.

15 (b) Upon the filing of an application or a resolution pursuant to  
16 the Cortese-Knox-Hertzberg Local Government Reorganization  
17 Act of 2000 (Division 3 (commencing with Section 56000) of Title  
18 5 of the Government Code), but prior to the issuance of a certificate  
19 of filing, the executive officer shall give notice of the filing to the  
20 assessor and auditor of each county within which the territory  
21 subject to the jurisdictional change is located. This notice shall  
22 specify each local agency whose service area or responsibility will  
23 be altered by the jurisdictional change.

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

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

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

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

1 (4) Upon receipt of the estimates pursuant to paragraph (3), the  
2 local agencies shall commence negotiations to determine the  
3 amount of property tax revenues to be exchanged between and  
4 among the local agencies. Except as otherwise provided, this  
5 negotiation period shall not exceed 60 days. If a local agency  
6 involved in these negotiations notifies the other local agencies, the  
7 county auditor, and the local agency formation commission in  
8 writing of its desire to extend the negotiating period, the negotiating  
9 period shall be 90 days.

10 The exchange may be limited to an exchange of property tax  
11 revenues from the annual tax increment generated in the area  
12 subject to the jurisdictional change and attributable to the local  
13 agencies whose service area or service responsibilities will be  
14 altered by the proposed jurisdictional change. The final exchange  
15 resolution shall specify how the annual tax increment shall be  
16 allocated in future years.

17 (5) In the event that a jurisdictional change would affect the  
18 service area or service responsibility of one or more special  
19 districts, the board of supervisors of the county or counties in which  
20 the districts are located shall, on behalf of the district or districts,  
21 negotiate any exchange of property tax revenues. Prior to entering  
22 into negotiation on behalf of a district for the exchange of property  
23 tax revenue, the board shall consult with the affected district. The  
24 consultation shall include, at a minimum, notification to each  
25 member and executive officer of the district board of the pending  
26 consultation and provision of adequate opportunity to comment  
27 on the negotiation.

28 (6) Notwithstanding any other provision of law, the executive  
29 officer shall not issue a certificate of filing pursuant to Section  
30 56658 of the Government Code until the local agencies included  
31 in the property tax revenue exchange negotiation, within the  
32 negotiation period, present resolutions adopted by each such county  
33 and city whereby each county and city agrees to accept the  
34 exchange of property tax revenues.

35 (7) In the event that the commission modifies the proposal or  
36 its resolution of determination, any local agency whose service  
37 area or service responsibility would be altered by the proposed  
38 jurisdictional change may request, and the executive officer shall  
39 grant, 30 days for the affected agencies, pursuant to paragraph (4),  
40 to renegotiate an exchange of property tax revenues.

1 Notwithstanding the time period specified in paragraph (4), if the  
2 resolutions required pursuant to paragraph (6) are not presented  
3 to the executive officer within the 30-day period, all proceedings  
4 of the jurisdictional change shall automatically be terminated.

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

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

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

15 For purposes of this paragraph, a qualified annexation of  
16 unincorporated territory means an annexation, as so described, for  
17 which an application or a resolution was filed on or after January  
18 1, 1998, and on or before January 1, ~~2015~~ 2021.

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

24 (c) Whenever a jurisdictional change is not required to be  
25 reviewed and approved by a local agency formation commission,  
26 the local agencies whose service area or service responsibilities  
27 would be altered by the proposed change, shall give notice to the  
28 State Board of Equalization and the assessor and auditor of each  
29 county within which the territory subject to the jurisdictional  
30 change is located. This notice shall specify each local agency  
31 whose service area or responsibility will be altered by the  
32 jurisdictional change and request the auditor and assessor to make  
33 the determinations required pursuant to paragraphs (1) and (2) of  
34 subdivision (b). Upon notification by the auditor of the amount  
35 of, and allocation factors with respect to, property tax subject to  
36 exchange, the local agencies, pursuant to the provisions of  
37 paragraphs (4) and (6) of subdivision (b), shall determine the  
38 amount of property tax revenues to be exchanged between and  
39 among the local agencies. Notwithstanding any other provision of  
40 law, no such jurisdictional change shall become effective until



1 each county and city included in these negotiations agrees, by  
2 resolution, to accept the negotiated exchange of property tax  
3 revenues. The exchange may be limited to an exchange of property  
4 tax revenue from the annual tax increment generated in the area  
5 subject to the jurisdictional change and attributable to the local  
6 agencies whose service area or service responsibilities will be  
7 altered by the proposed jurisdictional change. The final exchange  
8 resolution shall specify how the annual tax increment shall be  
9 allocated in future years. Upon the adoption of the resolutions  
10 required pursuant to this section, the adopting agencies shall notify  
11 the auditor who shall make the appropriate adjustments as provided  
12 in subdivision (a). Adjustments in property tax allocations made  
13 as the result of a city or library district withdrawing from a county  
14 free library system pursuant to Section 19116 of the Education  
15 Code shall be made pursuant to Section 19116 of the Education  
16 Code, and this subdivision shall not apply.

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

22 (e) (1) An exchange of property tax revenues that is required  
23 by paragraph (8) of subdivision (b) to be determined pursuant to  
24 this subdivision shall be determined in accordance with all of the  
25 following:

26 (A) The city and the county shall mutually select a third-party  
27 consultant to perform a comprehensive, independent fiscal analysis,  
28 funded in equal portions by the city and the county, that specifies  
29 estimates of all tax revenues that will be derived from the annexed  
30 territory and the costs of city and county services with respect to  
31 the annexed territory. The analysis shall be completed within a  
32 period not to exceed 30 days, and shall be based upon the general  
33 plan or adopted plans and policies of the annexing city and the  
34 intended uses for the annexed territory. If, upon the completion of  
35 the analysis period, no exchange of property tax revenues is agreed  
36 upon by the city and the county, subparagraph (B) shall apply.

37 (B) The city and the county shall mutually select a mediator,  
38 funded in equal portions by those agencies, to perform mediation  
39 for a period not to exceed 30 days. If, upon the completion of the

1 mediation period, no exchange of property tax revenues is agreed  
2 upon by the city and the county, subparagraph (C) shall apply.

3 (C) The city and the county shall mutually select an arbitrator,  
4 funded in equal portions by those agencies, to conduct an advisory  
5 arbitration with the city and the county for a period not to exceed  
6 30 days. At the conclusion of this arbitration period, the city and  
7 the county shall each present to the arbitrator its last and best offer  
8 with respect to the exchange of property tax revenues. The  
9 arbitrator shall select one of the offers and recommend that offer  
10 to the governing bodies of the city and the county. If the governing  
11 body of the city or the county rejects the recommended offer, it  
12 shall do so during a public hearing, and shall, at the conclusion of  
13 that hearing, make written findings of fact as to why the  
14 recommended offer was not accepted.

15 (2) Proceedings under this subdivision shall be concluded no  
16 more than 150 days after the auditor provides the notification  
17 pursuant to paragraph (3) of subdivision (b), unless one of the  
18 periods specified in this subdivision is extended by the mutual  
19 agreement of the city and the county. Notwithstanding any other  
20 provision of law, except for those conditions that are necessary to  
21 implement an exchange of property tax revenues determined  
22 pursuant to this subdivision, the local agency formation  
23 commission shall not impose any fiscal conditions upon a city's  
24 qualified annexation of unincorporated territory that is subject to  
25 this subdivision.

26 (f) Except as otherwise provided in subdivision (g), for the  
27 purpose of determining the amount of property tax to be allocated  
28 in the 1979–80 fiscal year and each fiscal year thereafter for those  
29 local agencies that were affected by a jurisdictional change which  
30 was filed with the State Board of Equalization after January 1,  
31 1978, but on or before January 1, 1979. The local agencies shall  
32 determine by resolution the amount of property tax revenues to be  
33 exchanged between and among the affected agencies and notify  
34 the auditor of the determination.

35 (g) For the purpose of determining the amount of property tax  
36 to be allocated in the 1979–80 fiscal year and each fiscal year  
37 thereafter, for a city incorporation that was filed pursuant to  
38 Sections 54900 to 54904, inclusive, of the Government Code after  
39 January 1, 1978, but on or before January 1, 1979, the amount of  
40 property tax revenue considered to have been received by the

1 jurisdiction for the 1978–79 fiscal year shall be equal to two-thirds  
2 of the amount of property tax revenue projected in the final local  
3 agency formation commission staff report pertaining to the  
4 incorporation multiplied by the proportion that the total amount  
5 of property tax revenue received by all jurisdictions within the  
6 county for the 1978–79 fiscal year bears to the total amount of  
7 property tax revenue received by all jurisdictions within the county  
8 for the 1977–78 fiscal year. Except, however, in the event that the  
9 final commission report did not specify the amount of property  
10 tax revenue projected for that incorporation, the commission shall  
11 by October 10 determine pursuant to Section 54790.3 of the  
12 Government Code the amount of property tax to be transferred to  
13 the city.

14 The provisions of this subdivision shall also apply to the  
15 allocation of property taxes for the 1980–81 fiscal year and each  
16 fiscal year thereafter for incorporations approved by the voters in  
17 June 1979.

18 (h) For the purpose of the computations made pursuant to this  
19 section, in the case of a district formation that was filed pursuant  
20 to Sections 54900 to 54904, inclusive, of the Government Code  
21 after January 1, 1978, but before January 1, 1979, the amount of  
22 property tax to be allocated to the district for the 1979–80 fiscal  
23 year and each fiscal year thereafter shall be determined pursuant  
24 to Section 54790.3 of the Government Code.

25 (i) For the purposes of the computations required by this chapter,  
26 in the case of a jurisdictional change, other than a change requiring  
27 an adjustment by the auditor pursuant to subdivision (a), the auditor  
28 shall adjust the allocation of property tax revenue determined  
29 pursuant to Section 96 or 96.1 or its predecessor section, or the  
30 annual tax increment determined pursuant to Section 96.5 or its  
31 predecessor section, for each local school district, community  
32 college district, or county superintendent of schools whose service  
33 area or service responsibility would be altered by the jurisdictional  
34 change, as determined as follows:

35 (1) The governing body of each district, county superintendent  
36 of schools, or county whose service areas or service responsibilities  
37 would be altered by the change shall determine the amount of  
38 property tax revenues to be exchanged between and among the  
39 affected jurisdictions. This determination shall be adopted by each  
40 affected jurisdiction by resolution. For the purpose of negotiation,

1 the county auditor shall furnish the parties and the county board  
2 of education with an estimate of the property tax revenue subject  
3 to negotiation.

4 (2) In the event that the affected jurisdictions are unable to agree,  
5 within 60 days after the effective date of the jurisdictional change,  
6 and if all the jurisdictions are wholly within one county, the county  
7 board of education shall, by resolution, determine the amount of  
8 property tax revenue to be exchanged. If the jurisdictions are in  
9 more than one county, the State Board of Education shall, by  
10 resolution, within 60 days after the effective date of the  
11 jurisdictional change, determine the amount of property tax to be  
12 exchanged.

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

17 (j) For purposes of subdivision (i), the annexation by a  
18 community college district of territory within a county not  
19 previously served by a community college district is an alteration  
20 of service area. The community college district and the county  
21 shall negotiate the amount, if any, of property tax revenues to be  
22 exchanged. In these negotiations, there shall be taken into  
23 consideration the amount of revenue received from the timber  
24 yield tax and forest reserve receipts by the community college  
25 district in the area not previously served. In no event shall the  
26 property tax revenue to be exchanged exceed the amount of  
27 property tax revenue collected prior to the annexation for the  
28 purposes of paying tuition expenses of residents enrolled in the  
29 community college district, adjusted each year by the percentage  
30 change in population and the percentage change in the cost of  
31 living, or per capita personal income, whichever is lower, less the  
32 amount of revenue received by the community college district in  
33 the annexed area from the timber yield tax and forest reserve  
34 receipts.

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

1     ~~SEC. 20.~~

2     *SEC. 22.* If the Commission on State Mandates determines that  
3 this act contains costs mandated by the state, reimbursement to  
4 local agencies and school districts for those costs shall be made  
5 pursuant to Part 7 (commencing with Section 17500) of Division  
6 4 of Title 2 of the Government Code.

O