

Overview of Terms & Conditions: Recent California Incorporations

City	Wildomar	Rancho Cordova	Goleta	Aliso Viejo	Elk Grove	Rancho Santa Margarita	Citrus Heights
County	Riverside	Sacramento	Santa Barbara	Orange	Sacramento	Orange	Sacramento
Reorganization Type	Incorporation with detachment from street lighting CSAs	Incorporation	Incorporation with detachment from street lighting and library CSA	Incorporation with dissolution of park CSA	Incorporation	Incorporation	Incorporation
Environmental	Negative declaration	Mitigation measures included in terms and conditions.	Negative declaration	Negative declaration	Mitigation measures included in terms and conditions.	Negative declaration	Statement of over-riding consideration; mitigation measures included in terms and conditions.
Election Date	February 5, 2008	November 5, 2002	November 6, 2001	March 6, 2001	March 7, 2000	November 2, 1999	November 5, 1996
Effective Date	July 1, 2008	July 1, 2003	February 1, 2002	July 1, 2001	July 1, 2000	January 1, 2000	January 1, 1997
Transition Service							
Length of Period	Remainder of first fiscal year	Remainder of first fiscal year	<i>Remainder of first fiscal year</i>	<i>Remainder of first fiscal year</i>	Remainder of first fiscal year	<i>Remainder of first fiscal year, with an additional year for law enforcement services.</i>	Remainder of first fiscal year
Payment Amount	Net cost of service	Net cost of service	<i>Up to \$4 million in costs waived</i>	<i>Specific amount</i>	Net cost of service	<i>Most costs waived</i>	Resolution: Net cost <i>Settlement: \$4.5 million for remainder of first fiscal year.</i>
Reimbursement	Reimbursement for transition year costs to be repaid over 5-year period	Payment made directly from property taxes and first quarter sales tax retained by county. New city pre-pays \$3.5 million in transition year, and repays remainder over a 5-year period with interest.	<i>Reimbursement for transition year costs waived up to maximum of \$2.5 million for general costs and \$1.5 million for road expenditures. \$1.5 million interest-free loan for transition year to be repaid in 11th year.</i>	<i>Payment over 7-year period through sales tax increment over baseline or, if inadequate, direct payment.</i>	Payment made directly from property taxes and first quarter sales tax retained by county, with city owing any additional net cost to be repaid over a 5-year period with interest.	<i>County waived reimbursement for transition year service costs except road maintenance. Road maintenance reimbursement at end of first fiscal year.</i>	Resolution: Reimbursement over a 5-year period in quarterly installments, with interest. <i>Settlement: Reimbursement in quarterly installments beginning 2 years after incorporation.</i>
Start-Up Loan			<i>\$100,000 start-up loan to be repaid during transition year with interest</i>				
Contractual coverage		Rancho Cordova should consider contracting with the County for animal control, law enforcement, planning, building inspection, street lighting, road maintenance services. City County Library JPA will provide library service.	<i>Transition period extension or service extension by mutually agreed contract for five-year term</i>		Elk Grove should consider contracting with the county for animal control, building inspection, street lighting, road maintenance services. City County Library JPA will provide library service.		Citrus Heights should consider contracting with the county for animal control, building inspection, street lighting, road maintenance services.

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Transition Service, cont.							
Escape clause	New city may discontinue services prior to end of first fiscal year.	New city may discontinue services prior to end of first fiscal year.	<i>by agreement of parties</i>		New city may discontinue services prior to end of first fiscal year. Solid waste collection service may not end until termination of county agreements with private service providers.		
Service levels		at current levels of service	<i>at or above the current level of service</i>	<i>at current levels of service at no additional cost to City, and/or enhanced levels of service on terms mutually agreed</i>	at current levels of service	<i>law enforcement at current service levels</i>	at current levels of service
Mitigation payment							
Term	<i>10 years</i>	<i>31 years</i>	<i>10 years / Perpetuity</i>	<i>7 years</i>	<i>25 years</i>	<i>9 years</i>	<i>25.5 years</i>
Agreement form	County Board of Supervisors resolution	Separate Tax Sharing Agreement shall be executed by new city's mayor	Separate Revenue Neutrality Agreement	Separate Revenue Neutrality Agreement	Separate Revenue Neutrality Agreement	Separate Revenue Neutrality Agreement	Terms and conditions; settlement agreement following litigation
Limited	<i>County pays the new city the County's net savings from incorporation, i.e., on average \$0.27 million annually for 10 years, including 3% annual inflation adjustment. If City sales tax revenues exceed CFA projections, the County payment is reduced dollar-for-dollar.</i>	<i>Property tax revenue share remitted to county starts at 97.5%, is reduced incrementally to 82.5% in year 10, 70% in year 20, 57.5% in year 30, and phased out in year 32.</i>	<i>Time-limited agreement for 40% of TOT, 50% of sales tax allocated to county for transition year and mitigation period. Ongoing agreement for 50% of property tax and 30% of sales tax to be allocated to county.</i>	<i>\$1.2 million annually for mitigation period, with incentives structured for new city to annex adjacent areas.</i>	<i>Quarterly remittance of transient occupancy tax revenues, in addition to a declining share of property tax revenues. Property tax revenue share remitted to county starts at 90%, is reduced slightly through the first 18 years of the term and then phased out at the rate of 10% annually.</i>	<i>Lump sum of \$12 million to be repaid from general revenues in first 2 years, and thereafter from a combination of general revenues and sales tax increments.</i>	<i>Resolution: \$5.6 million annually in quarterly installments with inflation adjustment. Settlement: all property taxes (approx. \$2.2 million annually)</i>
Default provisions		<i>If triggering factors occur, the tax sharing agreement may be reopened with dispute resolution procedures outlined by LAFCO.</i>	<i>In the event of default by the new city, the County Auditor may set up an escrow account to divert city property taxes to the county.</i>	<i>Resolution requires parties to effect a direct transfer from the Board of Equalization or the County Auditor. Prior to that, City Council appropriation required on annual basis. In the event of default by the new city, the County Auditor may set up an escrow account to divert city property taxes to the county.</i>	<i>If triggering factors occur, the tax sharing agreement may be reopened with dispute resolution procedures outlined by LAFCO.</i>	<i>Resolution requires parties to effect a direct transfer from the Board of Equalization or the County Auditor. Prior to that, City Council appropriation required on annual basis. In the event of default by the new city, the County Auditor may set up an escrow account to divert city property taxes to the county.</i>	

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Assets							
Liquid assets		County transfers impact fees intended for use in new city	<i>County shall provide accounting for distribution of funds set aside for use in the area</i>		County transfers impact fees intended for use in new city	Local park trust funds transfer.	County transfers impact fees intended for use in new city
Local service-related	Local parks transfer		<i>All real property exc. Fire stations and flood control district property. Park property and equipment transfer.</i>	Local parks, street lights, storm drainage facilities, roads transfer. Conditions explicitly state that sheriff and library facilities do not transfer.		Local parks, street lights, storm drainage facilities, roads transfer. All county-owned real property except a regional park transfers.	
Data and Records				The parties shall expeditiously prepare and record evidence for real property transfers following incorporation.			
Easements						Transfer if related to an asset that transfers, as specified in Revenue Neutrality Agreement.	
Stormwater				Local storm drain facilities transfer		Local storm drain facilities transfer	
Wastewater							
Redevelopment		County retains control of Mather AFB project partly in new city	<i>Redevelopment assets and liabilities transfer</i>				
Liabilities	Taxes for bonded debt of County and other agencies left intact continue. Lighting maintenance assessments and responsibilities transfer.		<i>Redevelopment assets and liabilities transfer</i>	City assumes liabilities of county park CSA	County continues special tax levy for community facilities district consistent with bond covenants.		
Dispute Resolution		Mutual agreement or mediation required to amend tax sharing agreement.	<i>Mutual agreement required to amend revenue neutrality agreement, or legal action.</i>	<i>Mutual agreement required to amend revenue neutrality agreement, or legal action filed in Superior Court.</i>	Mutual agreement or mediation required to amend revenue neutrality agreement, or legal action filed in Superior Court.	<i>Mutual agreement required to amend revenue neutrality agreement, or legal action filed in Superior Court.</i>	
Employee Protection							
Revenues							
Grants			<i>City shall participate in county's CDBG program through completion of current contracts.</i>				

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Expenditures							
Reorganization election					Election costs borne by the City.		Costs for Council election borne by the city
Incorporation study costs				Map and legal description production costs covered by applicant or new city.		The new city shall reimburse LAFCO for unbudgeted costs for consultants and counsel incurred in incorporation process, as well as map and legal description production costs.	
Accounting			<i>County collects and distributes TOT at no charge to city.</i>	Property tax revenue administration costs to be shared by the city and the county.	<i>Property tax revenue administration costs to be shared by the city and the county.</i>		
Standard provisions							
Governance	City governed by five-member council elected at large.	City governed by five-member council elected at large.	City governed by five-member council elected at large.	Ballot includes question on future council representation by district or at large (57101)	Terms of office for City Council (57377-57379). Initial district boundaries to be adopted by the first City Council.	Terms of office for City Council (57377-57378)	Terms of office for City Council (57377-57379)
Appointive positions	City Manager, City Clerk and Treasurer appointive rather than elective	City Manager, City Clerk and Treasurer appointive rather than elective	City Manager, City Clerk and Treasurer appointive rather than elective	City Manager, City Attorney, City Clerk and Treasurer appointive rather than elective	City Manager, City Clerk and Treasurer appointive rather than elective	City Manager, City Attorney, City Clerk and Treasurer appointive rather than elective	City Manager, City Clerk and Treasurer appointive rather than elective
Ordinances	Adopt applicable county ordinances	Adopt all county ordinances and general plan		Adopt applicable county ordinances	Adopt applicable county ordinances and general plan	Adopt applicable county ordinances	Adopt applicable county ordinances and general plan
Appropriations limit	\$13,266,694	\$34,250,000	\$24,100,000	\$9,700,000	\$22,040,000	\$10,000,000	\$21,000,000
Property tax	Property tax transfer via formula	Property tax transfer with 4 separate options	<i>Property tax transfer with 2 separate options</i>	Property tax transfer via formula	Property tax transfer	Property tax transfer via formula	Property tax transfer
Tax continuation	Taxes and assessments continue in effect	General taxes continue in effect	Taxes and assessments continue in effect	Taxes and transportation fee programs continue	General taxes continue in effect	New city has authority to continue all taxes and assessments.	General taxes continue in effect
Streets	Transfer on effective date	Transfer on effective date		Transfer on effective date	Transfer on effective date	Transfer on effective date	Transfer on effective date
Development agreements		Development agreements made prior to effective date remain valid (§65865.3)		Development agreements made prior to effective date remain valid (65865.3)	Development agreements made prior to effective date remain valid (65865.3)	Development agreements made prior to effective date remain valid (65865.3)	Development agreements made prior to effective date remain valid (65865.3)

Sources: incorporation resolutions and agreements

Note: Italicized text indicates items included in written agreement between the parties and/or Board of Supervisors resolution.