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September 9, 1991

APPROVED
BY THE CITY COUNCIL

SEP 17 1991

OFFICE OF THE
CITY CLERK

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: FINANCIAL MITIGATION PLAN FOR ELK GROVE COMMUNITY SERVICES DISTRICT FOR THE COSUMNES RIVER AREA ANNEXATION

LOCATION AND COUNCIL DISTRICT

Adding 400 acres to Council District 7 (see maps pages 4, 5 & 6).

SUMMARY

This report recommends that the City Council approve the proposed financial mitigation plan for the Elk Grove Community Services District as part of the Cosumnes River Area Annexation.

STAFF RECOMMENDATION

Approve the proposed financial mitigation plan for the Elk Grove Community Services District as part of the Cosumnes River Area Annexation.

BACKGROUND

At the July 16, 1991 City Council meeting, two items related to the 400 acre Cosumnes River Area Annexation were approved:

1. The City Council approved a pre-annexation agreement with Live Oak Associates covering 43 acres.
2. The City Council authorized City staff to negotiate and develop a long term financial mitigation plan for the Elk Grove Community Services District.

At the July 11, 1991 meeting of the Local Agency Formation Commission (LAFCo), Commissioners approved LAFCo staff recommendations relative to the Cosumnes River Area Annexation. However, final vote on the Annexation and Sphere of Influence Amendment was continued to October 10, 1991. During this period, the following action was to take place:

1. City staff to work with Elk Grove Community Services District in an effort to develop a long term financial mitigation plan to help off-set loss in property tax revenue accruing to the District.

Current Status: See attached financial mitigation plan outline prepared by City Finance Department staff.

2. In response to concerns expressed by some property owners, City staff were requested to organize a joint City/County community meeting to discuss City services and related issues.

Current Status: A joint community meeting has been scheduled for Wednesday, September 25. The meeting will involve residents involved in the annexation and will be attended by Council Member Terry Kastanis and County Supervisor Toby Johnson.

3. County Public Works staff was asked to work with LAFCo staff and City Public Works staff in developing appropriate language for a condition to require property owners who are part of the County's Laguna Community Facilities District to continue to pay assessments when they annex into the City of Sacramento. Other property in the area not currently developed would be required to participate in the Laguna Community Facilities District when it develops.

Current Status: Discussions have been ongoing between City and County staff since shortly after the July 11 LAFCo meeting. It is expected that by the October 10 LAFCo meeting acceptable language covering this issue will have been finalized.

Attached is the rationale and outline for the Sphere of Influence Amendment and Annexation.

FINANCIAL CONSIDERATIONS

A financial mitigation plan has been negotiated by representatives of the City's Finance Department and City Manager's Office along with representatives of the Elk Grove Community Services District. The mitigation plan is linked to the amount of development which takes place in the area to be annexed.

The attached three charts provide an outline for the mitigation plan. It would run for a minimum period of 15 years and a maximum of 18 years. Total property tax revenues for the area could range from \$250,000 to 1,040,000 to the Community Services District over 18 years based on how fast development occurs and \$530,000 to \$4,200,000 to the City of Sacramento over 18 years.

This proposal assumes City property tax revenue will cover public safety expenditures.

The proposed financial mitigation plan developed by City staff and the Elk Grove Community Services District staff is being presented simultaneously to the City Council and Directors of the Elk Grove Community Services District on September 17, 1991.

POLICY CONSIDERATIONS

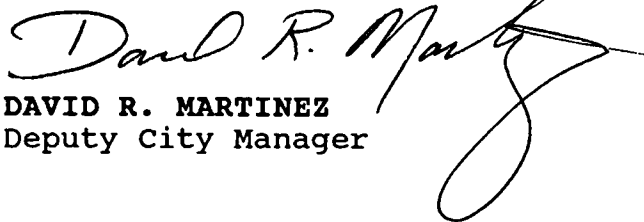
The City of Sacramento has provided some limited and short term financial relief to special districts involved in prior annexations.

The long term financial mitigation plan included in this item should be considered as appropriate for this annexation only. Long term financial mitigation should not be considered as the City's new response to all future annexations. However, given the circumstances related to this annexation, long term mitigation is being recommended.

MBE/WBE EFFORTS


None.

Respectfully submitted,



DAVID R. MARTINEZ
Deputy City Manager

RECOMMENDATION APPROVED:



WALTER J. SLIPE
City Manager

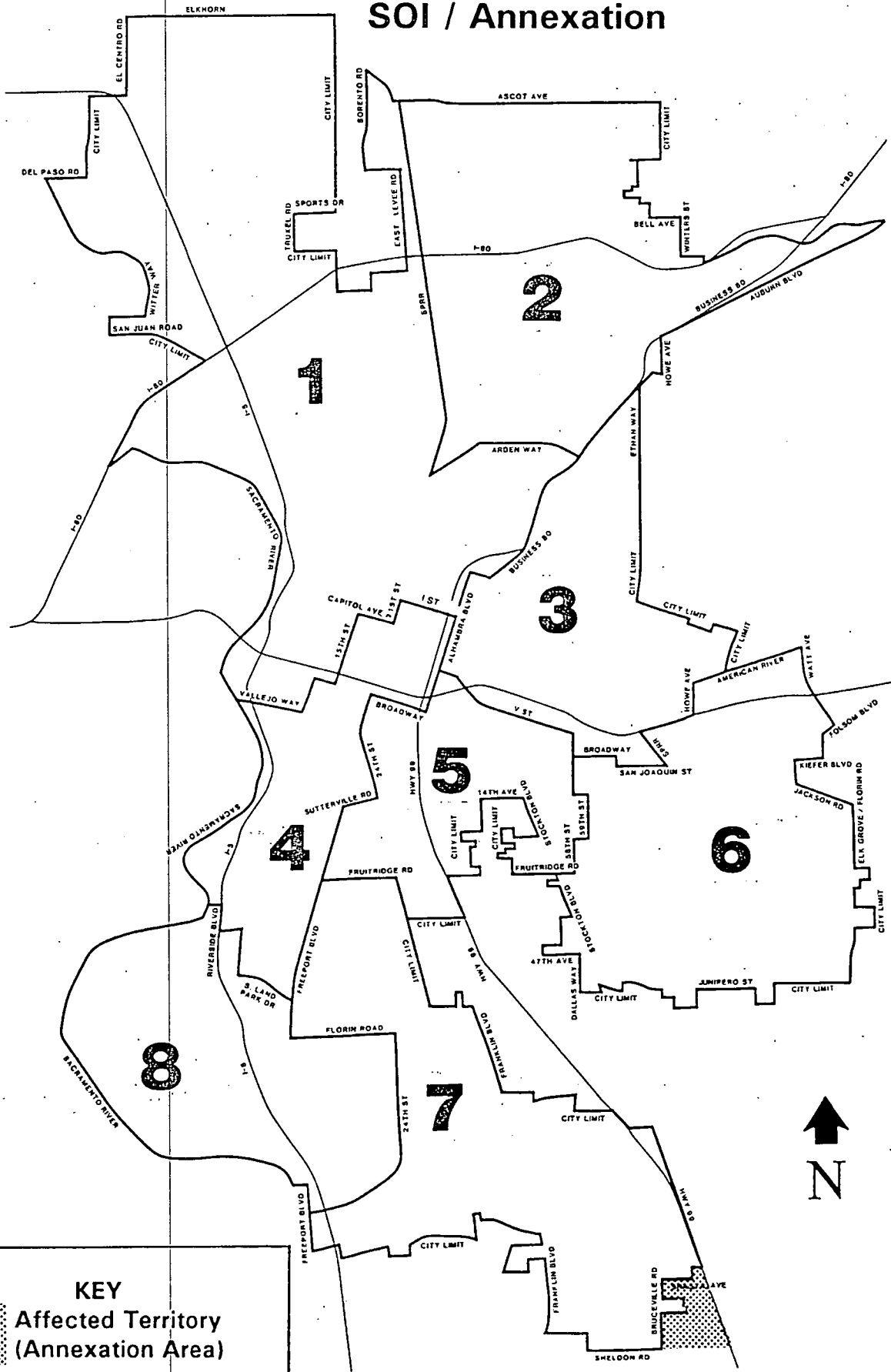
For More Information Contact:
David R. Martinez
Deputy City Manager
449-5704

For Council Meeting of September 17, 1991

FINANCIAL MITIGATION PLAN

for EGCSO re: CRC area

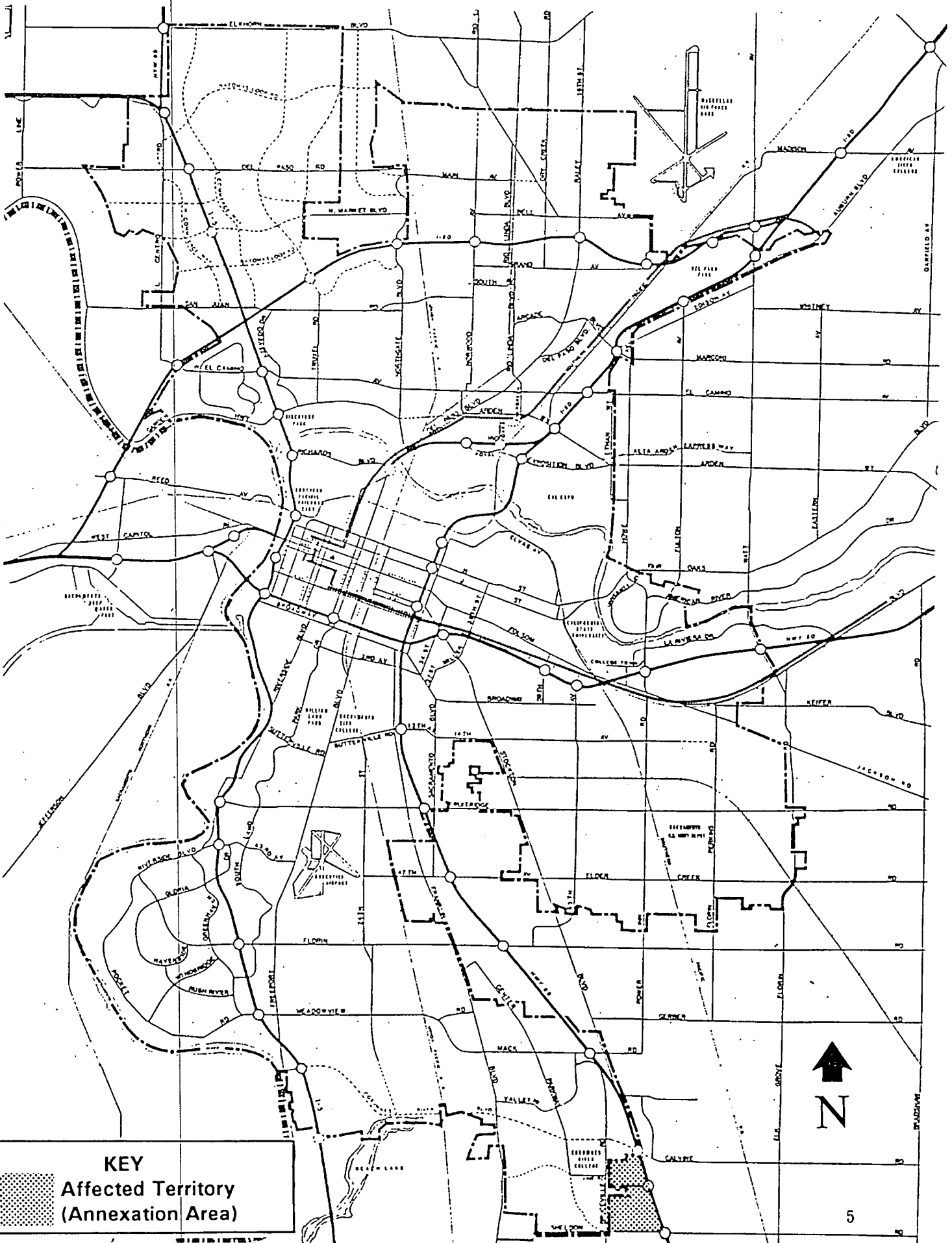
SOI / Annexation




FINANCIAL MITIGATION PLAN

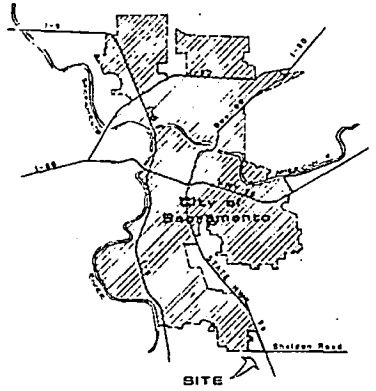
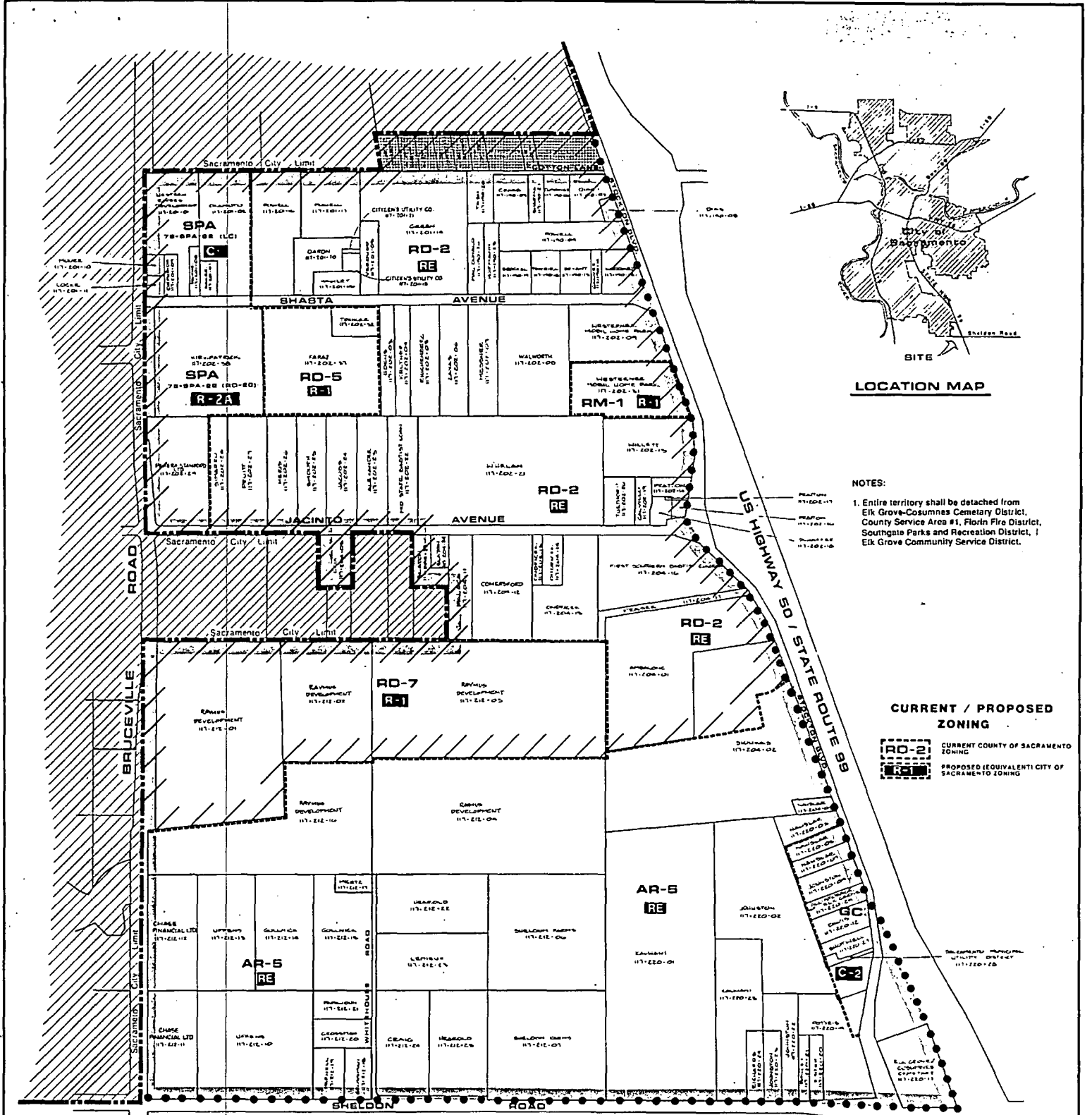
for EGCSd re: CRC area

SOI / Annexation



KEY

 **Affected Territory (Annexation Area)**



LOCATION MAP

NOTES:
 1. Entire territory shall be detached from Elk Grove-Cosumnes Cemetery District, County Service Area #1, Florin Fire District, Southgate Parks and Recreation District, I Elk Grove Community Service District.

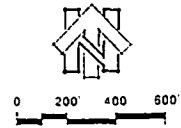
CURRENT / PROPOSED ZONING

- RD-2 CURRENT COUNTY OF SACRAMENTO ZONING
- R-1 PROPOSED (EQUIVALENT) CITY OF SACRAMENTO ZONING

LEGEND

- Proposed Sphere of Influence/City Limits Boundary
- ////// Proposed Sacramento Regional County Sanitation District and County Sanitation District No.1 Boundary
- ▨ Existing Florin Fire District, Southgate Parks and Rec. District (Territory to be detached)(See Note 1)
- ▩ Existing Elk Grove CSD (Fire and Parks)(Territory to be detached)(See Note 1)

COSUMNES RIVER COLLEGE AREA
 SPHERE OF INFLUENCE / ANNEXATION PROPOSAL



COSUMNES ANNEXATION - NO MITIGATION FOR CSD

Property Tax Sharing - Percentage of 1990 Dollars

	Pre- Annexation	After Annexation
City	0%	32%
County	43%	32%
CSD	21%	0%
Others	36%	36%
TOTAL	100%	100%

Property Tax Sharing - Revenue

City	\$0	\$43,000
County	58,000	44,000
CSD*	29,000	0
Others	49,000	49,000
TOTAL	\$136,000	\$136,000

* Negotiations have addressed mitigation of impact on CSD

Possible Scenarios under CSD Alternative -Revenue to each Entity

Development Clock Starts Year 1 - Year 4

CSD	\$1,000,000 -	\$1,040,000
City	\$4,200,000 -	\$3,200,000

Development Clock Starts Year 5 - Year 10

CSD	\$950,000 -	\$618,000
City	\$2,400,000 -	\$1,340,000

Development Clock Starts Year 11 - Year 18

CSD	\$618,000 -	\$244,000
City	\$1,340,000 -	\$531,000

Alternatives to Mitigate Elk Grove CSD Revenue Loss

LAFCO Staff Proposal

Property Tax Phased-out over 5 years
Total Revenue of \$50,000 to Elk Grove CSD
Total Revenue of \$750,000-\$5,200,000 to City

Current Elk Grove CSD Alternative

CSD will Share in Property Tax Revenue for a minimum period of 15 years and a maximum period of 18 years

Total of \$250,000 - \$1,040,000 to CSD over 18 years based on how fast development occurs

Total of \$530,000 - \$4,200,000 to City over 18 years

CSD shares 10% of all revenue at start - Year 1

When Development starts, 10 year clock starts on extending 10%

After 10 year clock expires, Share steps down to 5% for 5 more years

Maximum time limit 18 years under any scenario

Assumed that City Property Tax Revenue will cover Public Safety Expenditures

Assumed that property will be developed as zoned - primarily residential

**SUMMARY OF THE CITY OF SACRAMENTO
COSUMNES RIVER COLLEGE AREA SPHERE OF INFLUENCE
AMENDMENT AND ANNEXATION PROPOSAL**

Consistency with City Goals and Policies

This proposal implements several adopted goals and policies of the City. Among these are:

- The City should initiate annexations which ensure the provision of adequate municipal services to the affected area.
 - Improved fire protection
 - Reliable and plentiful surface water supply
 - A single local government structure to coordinate land use decisions with municipal service delivery (consolidation of 5 Special District providers)
- Eliminate an isolated county peninsula which poses an irregular service boundary.
 - Square off the southerly City boundary.
 - Implement LAFCo staff recommendations of 1981 Sphere of Influence Update.
 - The Elk Grove incorporation proposal stops at the areas southerly boundary.
- Assist landowners of the area that need municipal services as a pre-requisite to fully develop their property.
 - Enable landowners to generate sufficient revenue to meet existing assessments of the Laguna Community Facilities District.
 - 46% of affected landowners, have signed petitions of support.
- Coordinate and improve land use planning decisions within the South Sacramento Community Plan area.
 - Implement the 1986 Special Study Area.
 - Maximize potential of proximity to proposed light rail alignment, proposed alignment of Cosumnes River Boulevard, and Highway 99.

Consistency with LAFCo Policies

This annexation proposal is consistent with the Cortese/Knox Act of 1985, and all of the applicable standards of the recently adopted Policies, Standards, and Procedures of the Sacramento LAFCo.

- Initiated by City Council Resolution
- Territory is substantially surrounded by the city and is suitable for development.
- It is not prime agricultural land.
- It is designated for urban growth by the City General Plan.
- It is not within the Sphere of Influence of another city.
- The City and County have an existing Property Tax Exchange Agreement.
- The City has the demonstrated ability and capacity to provide all necessary municipal services, needed for future development in the area.
- The proposal does not address only revenue producing property.
- The proposal is consistent with both the City and County General Plans.
- The City as conducting authority shall prezone the territory prior to annexation.
- The landowners through signed petitions of support have demonstrated a need for municipal services in order to develop.
- The City of Sacramento is a government agency which is:
 - Already in existence
 - Capable to coordinate service delivery over a relatively large area.
 - Able to provide more than one type of service to the affected territory

Conclusions

The City of Sacramento feels that this annexation is in the best interest of the citizens of the affected area, and stands ready and willing to serve the area upon annexation. City staff is present to answer any questions the Commission may have.

David Martinez - Deputy City Manager
 Betty Masuoka - Director, Department of Finance
 Erling Lingi - Assistant Director - Parks and Community Services Department
 Fire Chief Costamagna - Fire Department
 Fire Marshall Jack Shepler - Fire Department
 Captain Jerry Ledbetter - Police Department
 Fran Halbakken - Senior Engineer - Development Services - Public Works Department
 Don Jacobs - Supervising Engineer - Water Division - Public Works Department
 Steve Peterson - Senior Planner - Department of Planning & Development
 Don Lockhart - Planner - Department of Planning & Development

Thank you for the opportunity to comment, and for your thoughtful consideration of this matter.

DL:ob
 6/5/91
 summary.crc