

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458

April 18, 2002

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **PROPOSED INCORPORATION OF RANCHO CORDOVA**
(12-97) [CEQA: Environmental Impact Report]
Executive Officer's Final Report and Recommended
Terms and Conditions

RECOMMENDATIONS:

- 1. Tentatively approve the proposed incorporation of Rancho Cordova subject to terms and conditions recommended, approve the amended boundary for the proposed incorporation of Rancho Cordova, and adopt the Sphere of Influence for the proposed city of Rancho Cordova as shown on Exhibit A.**
- 2. Review Comprehensive Fiscal Analysis, Update (Mitigation Payment)**
- 3. Review Environmental Impact Report, Review and Analysis (Mitigation Measures)**
- 4. Direct Staff to prepare final resolutions and terms and conditions for the proposed incorporation of Rancho Cordova, California.**
 - a. Resolution Certifying the Final Environmental Impact Report for the Incorporation of Rancho Cordova. Determine the Final Environmental Impact Report is adequate and complete and acknowledge that the incorporation of Rancho Cordova would result in significant unavoidable environmental impacts to Land Use, Agricultural and Open Space Resources, Water**

Resources, Air Quality, Biological Resources and Cultural Resources.

- b. Resolution Making Determinations for the Approval of the Incorporation of Rancho Cordova.**
Direct staff to prepare a resolution finding the proposed City of Rancho Cordova economically viable, with the boundaries illustrated on Exhibit A, and subject to those terms and conditions recommended by your Executive Officer, as approved by your Commission.
- c. Resolution Adopting Findings of Fact and Statement of Overriding Consideration for the Incorporation of Rancho Cordova.**
Direct staff to prepare the appropriate Findings of Fact and Statement of Overriding Considerations.
- d. Resolution Adopting a Mitigation Monitoring and Reporting Program for the Incorporation of Rancho Cordova.**
Direct staff to prepare a Mitigation Monitoring and Reporting Program for the proposed incorporation of Rancho Cordova consistent with the mitigation measures outlined in the environmental document.

PURPOSE OF THIS REPORT

The objective of this staff report is to provide the Commission with a summary and analysis of the terms and conditions for the proposed incorporation of Rancho Cordova. The draft terms and conditions and attached draft Resolutions are based on studies, comments and negotiations between the proponents, the County of Sacramento, and comments received during public testimony process before the Commission, as well as the Commission's past experience in creating terms and conditions of incorporation with the City of Citrus Heights and the City of Elk Grove.

Applicant: Rancho Cordova Incorporation Committee

Location: Located in east central Sacramento County, the proposed incorporation area is approximately 17,792 acres, or 27.8 square miles, located in the Rancho Cordova Community. (Note: Does not include addition of portion of Aerojet property recently requested to be included.) The new area adds

approximately 4.3 square miles to the proposed city. The proposal territory is roughly bounded by the American River on the north, a line east of Sunrise Boulevard south to Douglas Road, then northerly to a point east on Grant Line Road; south to Jackson Highway; east to Sunrise Boulevard; north to a point on the Folsom South Canal and easterly through Mather Field to Bradshaw Road and north to Folsom Boulevard. [See Attachment]

Project Description: Proposed incorporation of Rancho Cordova to create a general law city with a City Manager form of government. A five member City Council elected at large from throughout the incorporated area would govern the new city. The City Manager, City Clerk, City Treasurer and City Attorney would be appointed and removed at the pleasure of the City Council.

The County of Sacramento shall continue to furnish, without additional charge, all services furnished prior to incorporation for not less than the remainder of the fiscal year in which the incorporation becomes effective or until the City Council requests discontinuance of a service or services, in accordance with Government Code Section 57384.

Proposal/ Application

On October 1, 1999, the proponents of the proposed Rancho Cordova incorporation submitted a petition containing 6,981 signatures requesting the Sacramento Local Agency Formation Commission to process an application for the incorporation of approximately 66.3 square miles of the Rancho Cordova community.

The Registrar of Voters verified the signatures submitted to meet the Government Code requirement of at least twenty-five percent of the registered voters within the petition boundary. The Registrar of Voters determined that there were 24,483 registered voters within the petition boundary [January 5, 1998].

The applicants submitted the following purpose for the proposed incorporation of their community:

- A. To enhance the character and identity of Rancho Cordova by establishing the community as a municipality.
- B. To increase local control over and accountability for decisions affecting Rancho Cordova by having an elected city council made of Rancho Cordova residents who serve as the community's primary local government representatives.

- C. To ensure that the planning, zoning, and other regulatory land use decisions affecting Rancho Cordova are made in Rancho Cordova.
- D. To increase the accessibility of local government officials and staff members to the residents of Rancho Cordova.
- E. To improve and enhance our level of local police protection by capturing revenues generated in Rancho Cordova.
- F. To increase the allocation of Federal and State revenues to Rancho Cordova to support local services and programs.
- G. To increase local responsibility for determining services, service levels, and capital improvements in Rancho Cordova.
- H. To promote more citizen participation and involvement in the local civic affairs of Rancho Cordova.

Proposed Form of Government for New City

1. The name of the proposed new city shall be “The City of Rancho Cordova.”
2. Subject to the limitations of Government Code Section 57202, the effective date of the incorporation shall be July 1, 2003.
3. The City of Rancho Cordova shall have a Council-City Manager form of government.
4. The governing body of the City of Rancho Cordova shall be a five member City Council. The first City Council shall be elected at large from throughout the incorporated territory. The terms of office for the members of the City Council shall be in accordance with Government Code Sections 57377 and 57379.
5. Subject to the limitations of Government Code Section 57150(b), the election of the first City Council shall be held on November 5, 2002. The cost for the election of the first City Council election shall be borne by the City of Rancho Cordova.
6. Upon and after the effective date of incorporation, the City Manager, City Clerk, and City Treasurer shall be appointed by the City Council pursuant to Government Code Section 36511; 56723.

EXECUTIVE OFFICER’S PROPOSED TERMS AND CONDITIONS

Your Executive Officer’s recommendations are based upon the following considerations:

1. The proposal to incorporate the community of Rancho Cordova is consistent with the intent of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; the policies of Government Code Sections 56001, 56300, and 56301; and the policies, procedures and standards of the Sacramento Local Agency Formation Commission.
2. As the Lead Agency, the Sacramento Local Agency Formation Commission has prepared an Environmental Impact Report that fully complies with the California Environmental Quality Act (CEQA) and addresses the environmental effects of the proposed incorporation upon service recipients, local agencies and County of Sacramento.
3. All relevant factors set forth in Government Code Section 56668 were considered during the review and analysis of the incorporation proposal.
4. The proposed incorporation is consistent with the Sacramento County General Plan, area Specific Plans and the Spheres of Influence of local agencies affected by the proposal.
5. The determination that the incorporation of Rancho Cordova does not result in the conversion of prime agricultural land in open space use to other uses and leads to the planned, orderly, efficient development of the subject territory, required pursuant to Government Code Section 56377, can be made in the affirmative.
6. A Comprehensive Fiscal Analysis (CFA), required pursuant to Government Code 56800, has been prepared, circulated for public review and comment and presented at public hearings.
7. The determination that the incorporation of Rancho Cordova would receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation (i.e., fiscal viable), required pursuant to Government Code Section 56720 and Sacramento Local Agency Formation Commission policy, can be made in the affirmative.
8. The determination that the incorporation of Rancho Cordova is revenue neutral, required pursuant to Government Code Section 56815 and Sacramento Local Agency Formation Commission policy, can be made in the affirmative.

9. Consistent with Sacramento Local Agency Formation Commission policy, the applicants have demonstrated a significant unmet need for services, and a need for improved services within the territory for which the incorporation is proposed. Incorporation will result in an entity with the capability to provide the most efficient forms of urban services to the affected population.
10. The proposed incorporation of Rancho Cordova does not have significant adverse social and economic impacts upon any particular community or group within the incorporating territory or upon any affected unincorporated territory.

BACKGROUND

Incorporation in California

A city is a political subdivision of the State. The power and authority of a city is derived from the State Constitution and State Law. Generally, cities have incorporated to provide their residents with a variety of municipal services. The actual process for the formation of a city, as well as governmental reorganizations, is described in the Sections of the California Government Code commonly referred to as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The Act defines incorporation as the formation, creation, and establishment of a city with corporate powers. Any area proposed for incorporation shall have at least 500 registered voters residing within the affected area at the time Commission proceedings are initiated.

The formation of a city has become an increasingly complex process that involves a number of statutory steps and LAFCo procedural requirements. The burden of proceeding through these steps and demonstrating that cityhood should be considered lays with the proponents, who must demonstrate to LAFCo that cityhood positively influences service delivery, land use and other aspects regarding the quality of life within the community.

In addition, to State law, the formation of a city must meet several more strict local criteria established by the Sacramento Local Agency Formation Commission. These standards include assurances that the incorporation will not have harmful effects on any other local agency, that a significant unmet need for services exists within the proposal area, and that urbanization of the area has either occurred or is planned within the short-term.

Since the passage of Proposition 13 in 1978, the number of incorporations in California has been limited. However, the increase in incorporation proposals is

partially a response to the fiscal pressures that the proposition has placed upon counties and non-enterprise special districts. Under current State law, incorporation allows cities greater flexibility in raising revenues and delivering services than those available to counties or special districts. While recent changes in State law have slightly increased the revenue raising flexibility of counties, there are still financial advantages to incorporation that make it an attractive option.

Recent changes in State law have made achieving cityhood more difficult while, at the same time, the changes have made the financial result of incorporation more equitable for counties. In fact, the most recent changes in State law may slow the incorporation trend by reducing the financial incentive for cityhood. The passage of AB 3027 by the legislature in 1992, the “revenue neutrality law,” mandates that an incorporation cannot result in negative financial impacts on other affected governmental agencies.

Typically, urban development occurs within cities. The Cortese-Knox-Hertzberg legislation promotes this pattern. However, LAFCo has the power to deny incorporations if they are not economically viable or not in the best interest of the entire community. The petitioners are not entitled by law to an electoral process unless the Commission can make certain findings to authorize an election.

Approximately 82 percent of the state’s population resides within cities. However, many counties have allowed urban and rural development in the unincorporated area for a number of reasons. Sacramento County, together with special districts, has been highly effective in providing the municipal services needed for urban development in the unincorporated area. Consequently, incorporations in counties that have already developed as unincorporated urbanized areas pose particular and unique issues. Basically, the county functions as a city. There is nothing wrong with this type of governmental land-use and service delivery model. However, it creates a conflict when a community believes it would be in its best interest to incorporate. Where service provision is already available, it appears that incorporation simply replaces one governing body with another. Nevertheless, LAFCo must analyze service delivery, revenue neutrality, and city viability issues to determine whether or not the proposal meets the necessary requirements of the Government Code.

Arguments can be made to support either model, regional government, such as San Francisco (combined city/county) or a number of separate local jurisdictions, such as Orange, Los Angeles, or Sacramento County.

History of Incorporations

The table below summarizes the incorporation history of California since November 6, 1990.

California Incorporation Effective Dates

City	Election	Effective Incorporation Date
Goleta	November 6, 2001	February 1, 2002
Aliso Viejo	March 6, 2001	July 1, 2001
Elk Grove	March 7, 2000	July 1, 2000
Rancho Santa Margarita	November 2, 1999	January 1, 2000
Laguna Woods	March 2, 1999	March 24, 1999
Citrus Heights	November 5, 1996	January 1, 1997
Truckee	March 2, 1993	March 23, 1993
Windsor	November 5, 1991	July 1, 1992
Buellton	November 5, 1991	February 1, 1992
Chino Hills	November 5, 1991	December 1, 1991
Murrieta	November 6, 1990	July 1, 1991

There have been eleven incorporations during the past eleven years, or about one incorporation per year.

Pros and Cons of Incorporation

Some of the typical arguments put forward in favor of incorporation include:

1. Allows an identified community the ability to have home rule/local control. Thus, a community can determine its own fate through control over land use issues, service availability/provision and taxing authority.
2. Enables a community the ability to plan its short- and long-term future.
3. Provides greater control over the level and mix of local governmental services.
4. Allows greater control over the growth and development of the community.
5. To a certain degree, tax money generated within the incorporated area can be retained in that area.

6. Strengthens local identity, culture, and values that can be more easily maintained and nurtured.
7. Enables greater representation. Elected officials are easier to reach and area “closer” to their constituents.

While cityhood may have several attractive attributes, it is not universally viewed as positive. In fact, opponents to incorporation argue that:

1. Incorporation can fragment the delivery of services and result in inefficiencies, including: duplication of administration, difficult coordination, and a diminished service capability.
2. Breaking down land use planning into smaller decision-making bodies inhibits regional planning.
3. As many revenue sources are transferred to the new city upon incorporation, it is possible that more revenue than service responsibility is transferred, thus reducing county monies and consequent service delivery capability.
4. Incorporation places parochial concerns ahead of regional ones; local control does not inevitably mean better government.
5. There is no guarantee that a new city will be a better service provider than the status quo.

Sacramento LAFCo and Incorporations

Incorporations within Sacramento County have been rare. The County currently contains six incorporated cities: Sacramento (1850), Isleton (1923), Folsom (1946), Galt (1946), Citrus Heights (1997), Elk Grove (2000). While few incorporations have occurred in Sacramento County, the recent incorporations of Citrus Heights and Elk Grove are the most visible and precedent-setting incorporation events that have occurred in the State in the post-Proposition 13 era. Because of the contentious and litigious nature of incorporation proposals, Sacramento LAFCo and the County of Sacramento have been in the forefront of establishing new standards by which post-Proposition 13 era proposals are evaluated.

The Incorporation Process

Incorporation in California essentially involves a five-step process.

- (1) The initiation of the process through a petition of registered voters from within the territory proposed to be incorporated, or by a resolution of initiation submitted by an affected agency, i.e., special district. The proponents of the proposed Rancho Cordova incorporation completed the initiation process when the County Registrar of Voters verified that the petition contained the requisite number of registered voter signatures and the Executive Officer issued a Certificate of Sufficiency.
- (2) Staff's collection, creation, and analysis of materials relevant to the incorporation. This includes analysis of the environmental impacts, preparation of a Comprehensive Fiscal Analysis and the preparation of a comprehensive staff report supporting recommendations to the Commission.
- (3) Commission hearings that include public testimony, staff reports and Commission action on the proposal.
- (4) Reconsideration process.
- (5) If approved, the Commission calls an election, at which time the citizens within the territory proposed for incorporation can ratify the proposed city, or reject its creation.

LAFCo Reconsideration Process

- (1) The Sacramento Local Agency Formation Commission will accept written requests for reconsideration of Commission decisions from any person or affected agency **within 30 days** of the Commission's adoption of a resolution making determinations and prior to the completion of the conducting authority's proceedings, so long as such person or agency exhausts its administrative remedies by fully participating in LAFCo's proceedings, including, but not limited to, commenting in writing on the application during public hearings.
- (2) The written request for reconsideration should precisely and specifically describe the basis for the request. The request must be accompanied by a check for \$250. The only requests for reconsideration that the Sacramento Local Agency Formation will approve are as follows:
 - (a) Compelling new evidence exists, including significant and previously unavailable evidence that might alter the Commission's decision;

- (b) There are elements which were previously overlooked, or have changed, such as the repeal of an applicable federal, state or local law that might alter the Commission's decision; and
 - (c) Item(s) of procedure are challenged.
- (3) If the written request is timely, the Executive Officer will schedule the matter for the next regularly scheduled Commission meeting for which notice can be given, at which time staff will present the request.
 - (4) The Commission will consider the request and approve or deny the request for reconsideration without further notice or hearing, or continue the matter.
 - (5) The Commission's determination upon these matters is final.

LAFCo's Power and Authority

Incorporation means the incorporation, formation, creation and establishment of a city with corporate powers. Any area proposed for incorporation as a new city shall have at least 500 registered voters residing within the affected area at the time Commission proceedings are initiated. LAFCo's have been created by the State Legislature to implement State policies at the local government level. The Cortese-Knox-Hertzberg Act establishes procedures for governmental changes of organization, including the incorporation of cities.

Legislative Findings

The Legislature finds and declares that it is the policy of the state to encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the State. The Legislature recognizes that the logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing State interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services. The Legislature also recognizes that providing housing for persons and families of all incomes is an important factor in promoting orderly development. Therefore, the Legislature further finds and declares that this policy should be effected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can

best accommodate and provide necessary governmental services and housing for persons and families of all incomes in the most efficient manner feasible.

The Legislature recognizes that urban population densities and intensive residential, commercial, and industrial development necessitate a broad spectrum and high level of community services and controls. The Legislature also recognizes that when areas become urbanized to the extent that they need the full range of community services, priorities are required to be established regarding the type and levels of services that the residents of an urban community need and desire; that community service priorities be established by weighing the total community service needs against the total financial resources available for securing community services; and that those community service priorities are required to reflect local circumstances, conditions, and limited financial resources. The Legislature finds and declares that a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas. Nonetheless, the Legislature recognizes the critical role of many limited purpose agencies, especially in rural communities. The Legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.¹

The Sacramento Local Agency Formation Commission has the power and authority to:

- (1) Approve, modify or deny the proposed Rancho Cordova incorporation with or without amendments or conditions.
- (2) Determine the boundaries of the proposed city.
- (3) Approve a reorganization plan for special districts over which LAFCo has authority that provide service to the territory within the proposed incorporation.
- (4) Determine base and future property tax exchanges between affected entities.
- (5) Determine the terms and conditions of approval, including the effective date of incorporation, the mitigation payment and its term, and the

¹ Government Code Section 56001, amended by Stats. 2000, Ch. 761.

manner by which the election process of city council members shall occur (district or at large).

- (6) Determine the appropriations limit for the proposed new city.
- (7) Consider in its deliberations any relevant information that pertains to the proposed incorporation of the community of Rancho Cordova.

General Factors Required by Law
To be Considered in the Review of a Proposal²

Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following:

- (a) Population, population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next ten years.
- (b) Need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

“Services,” as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.
- (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- (d) The conformity of both the proposal and its anticipated effects with both the adopted Commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities set forth in Section 56377.

² Government Code Section 56668.

- (e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.
- (f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- (g) Consistency with city or county general and specific plans.
- (h) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.
- (i) The comments of any affected local agency.
- (j) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.
- (k) Timely availability of water supplies adequate for projected needs as specified in Section 65352.5.
- (l) The extent to which the proposal will assist the receiving entity in achieving its fair share of the regional housing needs as determined by the appropriate council of governments.
- (m) Any information or comments from the landowner or owners.
- (n) Any information relating to existing land use designations.

In addition, relative to incorporation, the Commission must also find:³

The Commission shall not approve or conditionally approve any proposal that includes an incorporation, unless the Commission finds, based on the entire record, that:

- (a) The proposed incorporation is consistent with the intent of this division, including, but not limited to, the policies of Sections 56001, 56300, 56301, and 56377.

³ Government Code Section 56720. Added by Stats. 2000, Ch. 761.

- (b) It has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence.
- (c) It has reviewed the Comprehensive Fiscal Analysis prepared pursuant to Section 56800 and the Controller's report prepared pursuant to Section 56801.
- (d) It has reviewed the executive officer's report and recommendation prepared pursuant to Section 56665, and the testimony presented at its public hearing.
- (e) The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.

ANALYSIS – LEGAL REQUIREMENTS

LAFCo Policies, Standards & Procedures for Incorporation

In addition to the legislative policies and procedures contained in the Local Government Reorganization Act of 2000, the Sacramento Local Agency Formation Commission has established its own policies, standards and procedures as part of its authority to carry out its responsibilities and duties. Following is a listing of selected policies of the Commission pertaining to the review of applications for incorporation. Additional policies that apply to the analysis of the proposed incorporation may not be listed here; however, may be discussed in other sections of this report.

Incorporations and Disincorporations

- (1) LAFCo will approve an incorporation or disincorporation only if it finds that the proposal complies with the general policies and standards applicable to all changes of organization or reorganization.
- (2) LAFCo will approve a proposal for incorporation only if the Commission finds that the applicant has demonstrated a significant unmet need for services or need for improved services within the territory for which incorporation is proposed. In determining whether or not an unmet need for services or improved services exists, the Commission will base its determination on:
 - (a) Current levels of service in the area to be incorporated;

- (b) Existing and projected growth rate and density patterns in the area to be annexed; and
 - (c) The Sphere of Influence plans for the jurisdictions currently providing services to the area.
- (3) The Commission shall approve a proposal for incorporation only if it finds that incorporation will result in an entity with the capability to provide the most efficient forms of urban services to the affected population.
- (4) The Commission will not approve a proposal for an incorporation unless the incorporation proponents can demonstrate that the proposed city will be able to fund municipal services and remain financially solvent.
- (5) The Commission requires that an applicant for incorporation prepare a financial feasibility study. The applicant shall provide the required information and evaluation that will be reviewed by the LAFCo staff for accuracy and content.
- (6) An applicant for incorporation may request a review of the financial feasibility studies pursuant to the provisions of state law.
- (7) The proposed incorporation must not have significant adverse social and economic impacts upon any particular communities or groups in the incorporating area or affected unincorporated area.
- (8) Incorporation proposals which split special districts will not be approved unless the resulting service providers can be shown to be the most logical, efficient and cost-effective organizational structure for service delivery, without sever financial impacts on the special district.
- (9) The Commission will not approve an incorporation unless:
 - (a) Applicable general plans, specific plans or area plans based on realistic population and growth projections demonstrate the need for urbanization of the affected area; and
 - (b) The areas proposed for incorporation should be urbanized or should be planned for urbanization within the next five years.

California Projected Population Growth

Cities

California has a population of 34 million residents, or about 12.5 percent of the United States population. Sacramento County has about 1.3 million residents or about 4 percent of the State's population. The State's population is expected to grow by sixteen percent, or reach 40 million residents, by 2010. Sacramento County is projected to grow by about 486,000 by 2025, or 40 percent. As of June 2001, Approximately 82 percent of the State's population, or 28.4 million people, live in cities. Currently, there are 477 cities in California. Cities range in size from relatively small to very large. The following table shows the number of cities by population range:

<u>Population</u>	<u>Number of Cities</u>
100,000+	58
50,000-100,000	86
25,000-50,000	107
Less than 25,000	<u>224</u>
Total Cities	477

Sacramento Area Region Population by County

Jurisdiction	2000 Population
El Dorado	129,900
Placer	234,400
Sutter	77,900
Yolo	162,900
Yuba	60,700
Sacramento	<u>1,209,500</u>
Total	1,875,300

Sacramento Cities/County Projected Population Growth

As of January 2000, the County of Sacramento contains six cities with a combined population of 639,485, or 53 percent of the population residing within the corporate boundary of a city. Approximately 570,015 people currently live in unincorporated territory. The population in the unincorporated area of

Sacramento County makes it one of the largest counties functioning as a city in the State of California.

<u>Jurisdiction</u>	<u>2000 Population</u>	<u>2025 Population</u>	<u>Sq. Mi</u>
County-Unincorporated	570,015	795,545	1,015
City of Sacramento	406,000	528,880	99
City of Folsom	52,700	76,333	30
City of Citrus Heights	89,200	91,125	15
City of Elk Grove	72,685	168,465	39
City of Galt	18,050	33,790	5
City of Isleton	850	1,360	<1
Total	1,209,500	1,695,498	

The average rate of growth for the Sacramento region is estimated to be 1.35 percent, or about 19,110 people per year. This rate of growth will result in an increase of 486,000 people during the next 25 years (2000-2025). The existing six cities and the unincorporated area are expected to grow at differing rates, based on information from current general plans and by how much undeveloped property is available within each community. For example, growth in Citrus Heights is estimated to average only .11 of a percent while Elk Grove is projected to average 3.42 percent per year.

Housing Units

The annual growth in housing for the Sacramento Region is estimated to be 1.37 percent, or an annual average increase of 7,580 units per year. The total number of units is estimated to be 50,345 for 2000 to 2025. The number of persons per household is based on an average of 2.55 persons per dwelling unit.

Rancho Cordova Community Characteristics

Population Projections

Population growth in a region is created by a number of interrelated factors. Key variables include economic trends, market demand for residential and non-residential uses, land availability, cost of land and utilities, availability of transportation and other utilities, proximity to employment centers and availability of labor.

The proposed incorporation would create a new city within Sacramento County; however, the majority of the project area is already designated and/or approved

for urban development. Substantial urban growth is already anticipated to occur with or without incorporation based on the existing Sacramento County General Plan.

The community of Rancho Cordova and the surrounding area has continued to grow since the 1950's. Significant growth is likely to occur in the next 10 to 20 years in the area located east of Sunrise Boulevard. It appears the projected growth will occur whether or not Rancho Cordova incorporates. Basically, there is a large demand for new housing based on increasing population within both cities and the unincorporated areas of Sacramento County. The area east of Sunrise has been designated as a growth area for the unincorporated territory of Sacramento County.

Rancho Cordova Growth Projections

	<u>2000</u>	<u>2010</u>	<u>Change</u>
(a) Population:	54,800	70,700	15,900
(b) Employees:	77,300	95,700	18,400
(c) Number of Housing Units:			6,100
(d) New Non-Residential Development:		11.1 m sq ft	
(e) Population Growth Rate (Avg):		2.9% per year	
(f) Employee Growth Rate (Avg):		2.4% per year	

History of Rancho Cordova Community

The original community of Rancho Cordova was established in the mid-1800's as a supply route from Sacramento to the Sierra Nevada foothills for miners in search of gold. The route, which is Folsom Boulevard, was also used as the Pony Express route. A small business community was established to serve these needs. In addition, the primary use was agricultural (vineyards and orchards). In the early 1900's much of the Rancho Cordova area was used for gold dredging operations particularly near the American River.

In 1918, Mather Air Force Base was established as a pilot training school and was later used to train both pilots and navigators until 1988. Mather Air Force Base comprises approximately 2,900 acres. During 1995, this facility was transitioned over to the County of Sacramento and was reopened as a civilian airport for cargo and general aviation uses. In addition, approximately 800 acres of the base is under transition to business parks and residential housing.

GenCorp, parent company of Aerojet, is the region's largest corporate landowner with approximately 13,500 acres. Aerojet worked on a number of different

projects related to defense and space exploration. During the 1950's employment grew to approximately 33,000. However, with defense cutbacks and other reductions, employment today is significantly less (approximately 2,000 employees).

Historically, the Aerojet property has been part of the Cordova Community Plan since it was established in 1978. The Cordova Community Plan includes most but not all of the area within the Rancho Cordova Incorporation Petition boundary and additional areas.

Cordova Community Plan

In 1978, the Sacramento County Planning Department adopted the Cordova Community Plan. Its purpose is to provide guidance to developers, service providers, planners, and decision-makers in planning for both new development and the redevelopment of existing uses within the planning area. The Cordova Community Plan is an extension of the Sacramento County General Plan, but is more specific in terms of policies, objectives, and implementation strategies. The Cordova Community Plan contains several elements (land use, circulation and housing elements) found in the County General Plan.

The Cordova Community Plan comprises approximately 37,650 acres, or 59 square miles. The attached map illustrates the community boundary. The Cordova Community is near the geographic center of Sacramento County, about approximately 9 miles east of the central business district of the City of Sacramento. *The boundary of the Cordova Community Planning Area is not coterminous with either the petition boundary or staff's recommended boundary.*

There are currently approximately 96,260 residents living within the Cordova Community planning area. The Cordova Community boundary has several different local neighborhoods within the community plan area. The Rosemont, Gold River, Lincoln Village, Sunriver, Mills Ranch, La Riviera/Butterfield, Larchmont, Countryside, and Independence at Mather are small neighborhoods within the Cordova Community Planning Area.

The boundaries of the Cordova Community Planning Area consist of: the American River Parkway is the northern boundary while Mather Field, Jackson Road and Douglas Boulevard comprise the southern boundary. The eastern boundary is Grant Line Road and Prairie City Road. The eastern boundary is Watt Avenue.

The Cordova Community Planning Area is problematic by design. It comprises a linear community divided by a major freeway. Most of the housing is located

on the north side of the freeway, while most of the employment is located on the south side. Folsom Boulevard, with the Light Rail tracks, is a major commercial corridor that runs somewhat parallel with Highway 50.

Problematic issues are the result of jurisdictional, social, community identity and economic boundaries. The Sacramento City limits adjoin the western community plan boundary area, while the Folsom City limits are adjacent to the eastern community boundary line. The Cordova Community Planning boundary is larger than the proponents' proposed incorporation boundaries. Historically, the Cordova Community Planning Area included both Mather and Aerojet territories. However, the Sunrise-Douglas area has historically been included in the Cosumnes Community Planning Area.

Current Rancho Cordova Sphere of Influence

The LAFCo intent of the Rancho Cordova Sphere of Influence approved in 1980 was to:

1. Protect the integrity of the Community Plan.
2. Attempt to resolve possible future interagency conflicts regarding service areas; to diminish or help to resolve "territorial imperative" problems by preserving and protecting unincorporated identifiable communities.
3. Promote coordinated and cooperative planning among all agencies within the community Sphere of Influence.
4. Promote a realignment of district boundaries within a community that conform with the community's Sphere of Influence where practical and feasible.
5. Illustrate an alternative to the extant (existing) service structure in the community.

The primary goal of the Rancho Cordova Sphere of Influence was to promote cooperative planning and communication between community groups, planning officials, and LAFCo staff and the Commission. In essence, the Cordova Community Plan is also a "de facto" Sphere of Influence boundary established by the County of Sacramento.

In 1975, the Sacramento Local Agency Formation Commission stated: *"The Commission recognizes the fact that there are more than a dozen identifiable urban, unincorporated places in Sacramento County whose residents will strive to preserve and*

protect the integrity of their community plans, fight to protect their perceived community boundaries, and at some future point, seek alternatives to their current governmental structure. For this reason, this Commission acknowledges that these communities, even though they do not have legal standing, should have Spheres of Influence developed for them.”

School Districts

Four school districts serve the community planning area: the Folsom Cordova Unified School District, Sacramento City Unified School District, San Juan Unified School District and the Elk Grove Unified School District. The school district boundaries may contribute to some neighborhoods aligning more closely with local jurisdictions other than Rancho Cordova or with the City of Sacramento or the City of Folsom.

Special Districts

A number of special districts provide water, sewer, fire, and park services to the Rancho Cordova Community. The proponents proposal provides that these special districts will continue to provide services after incorporation. Basically, there will be no change in either the service provider or level of service provision within the incorporation boundary to be adopted by LAFCo.

The boundaries of the Special Districts were created by previous district formations and annexations and are not contiguous with one another. No changes in special district boundaries will result from the proposed incorporation. Services will continue to be provided based on current district boundaries and service delivery will not be changed as a result of this incorporation.

Sacramento County General Plan

Local land use planning and regulation is currently performed by the Sacramento County Planning and Community Development Department. Land use planning and zoning is a major regulatory power of local government. Under State law, land use and zoning power shifts to the new city upon incorporation. However, the County General Plan and all entitlements remain in place for 120 days after which time the City Council may adopt its own General Plan or it may adopt the County’s General Plan. Ultimately, the new City Council will be responsible for all land use and zoning decisions within its corporate boundary.

Sacramento County Urban Services Boundary Line **Urban Services Policy Area**

The Urban Services Boundary line of the Sacramento County General Plan is defined as the ultimate boundary of the urban area of the unincorporated area of Sacramento County. It is similar to a sphere of influence for the unincorporated area of the county. It is specifically defined as: *“the ultimate boundary of the urban area in the unincorporated county. This boundary, which is based upon natural and environmental constraints to urban growth, is intended to be a permanent boundary not subject to modification except under extraordinary circumstances. The USB should be used by urban infrastructure providers for developing very long range master plans which can be implemented over time as the urbanized area expands”*.

The Urban Services Policy Area is defined in the Sacramento County General Plan is defined as the: *“area expected to receive urban levels of public infrastructure and services within the 20-year planning period. Defining the Urban Policy Area is of key importance in the provision of urban services and infrastructure to the unincorporated county, as it provides the geographic basis for infrastructure master plans, particularly for water and sewerage, which require large capital investment and relatively long lead time for the installation of capital improvements”*.

Most of the areas included in the original petition boundaries for the proposed incorporation are within the County Urban Services Boundary line as well as the Urban Service Policy Area. The County USB was established by adoption of a comprehensive General Plan by the County of Sacramento in 1993. Only two small areas are not located within the County USB. One area not included in the USB is the Prairie City Off-Highway Vehicle Park. The other area is part of the buffer area for the Sacramento County Landfill located near Grant Line Road. Based on staff’s proposed boundary, the buffer area for the County Landfill will be part of the city.

This area does not represent a significant number of acres. It is not likely that the current land uses will change in the near or intermediate term. Further, any change in land use would require an appropriate environmental document. Therefore, inclusion of this area within the boundary of Rancho Cordova is not likely to be considered growth inducing.

Inclusion of this area will not have a significant impact on the incorporation proposal. However, these facilities are likely to impact surrounding or proposed land uses that may be permitted within the USB and Urban Services Policy Area. It is likely that new land uses would not be compatible with the existing operations of the County Landfill, i.e., development adjacent to these facilities

should create an appropriate buffer in order to mitigate current uses. This situation is similar to issues related to the rendering plant located near Sunrise Boulevard.

Aerojet Property Existing Uses and Pending Development Proposals

Existing Land Use

Aerojet is an extensive industrial zone with historical production of defense and aerospace manufacturing as well as a developer and producer of chemicals. On May 3, 1995, the Board of Supervisors approved a Special Planning Area overlay ordinance that permitted a variety of acceptable uses recognizing the changes in the aerospace and defense industries that were occurring.

Aerojet property covers approximately 13,500 acres. Approximately 3,500 acres have been carved out along the Highway 50 corridor. Potentially, this area is likely to be developed into mixed uses. It is currently located in a Special Planning Area (SPA). The SPA allows for the construction of up to 4.6 million square feet of office space without further zoning changes. Additional development would require zoning changes. To date, no development plans have yet been submitted to Sacramento County Planning Department that would intensify or change the existing SPA ordinance.

Aerojet Special Planning Area (SPA)

A significant portion of Aerojet is located within a Special Planning Area established by a Sacramento County Ordinance. This ordinance allows MP uses subject to a number of terms and conditions:

“ . . . office uses may from time to time be located on the property within the Special Planning Area not to exceed approximately 4.6 million square feet. Any reactivated or relocated office use shall be (c) located within the administrative area of the subject property, which is more particularly described in Section 508-313, Exhibit ‘D’ of the Special Planning Area Ordinance, or (d) if located outside said administrative area, the total net office uses outside said administrative area shall not exceed 250,000 square feet and shall be located within areas of the subject property that have been historically used for office purposes. If such office use exceeds said 4.6 million square feet in said administrative area or exceeds said 250,000 square feet outside said administrative area, it is considered a new use and is subject to a conditional use permit.”

The administrative area is primarily located along the Highway 50 corridor.

The type of commercial/business uses permitted under the Sacramento Planning Code include but are not limited: to automotive sales, service and repairs, wholesale, printing shop, radio, television, recording studios, drafting, computer services, health services, laboratory, research, medical or dental offices, child care center, dance studio, wedding chapel, laundry-mat, dry cleaning, storage facilities, warehousing, appliance repair, restaurant, food, drug and liquor sales, home accessories, furniture stores, light manufacturing, machine shop, cabinet shops, offices, government offices, and schools.

M-2 uses are also permitted. Examples include: Auto and truck- painting, repair, overhauling, reconditioning, tire shop, service station, bus and freight depot, shooting ranges, driving ranges, firewood/fuel sales, truck terminal yard, contractor's storage yard, heavy equipment storage, sales, rental or repair, building materials sales yard, recycling center, manufacturing and fabrication, concrete, cement, paint manufacture, machine shops, welding shops, cabinet shop, aircraft testing, boat building, etc.

At the present time, it appears that the SPA ordinance is not consistent with the County's Urban Service Policy Area. As a result, development within the SPA may require an expansion of the Urban Service Policy Area.

Rio Del Oro Project (Pending Proposal)

In addition to obtaining the SPA ordinance, Aerojet has submitted a development proposal to the Sacramento County Planning Department for about 3,850 acres known as Rio Del Oro. This project is located west of Sunrise Boulevard between Douglas Boulevard and White Rock Road. The proposed project is primarily residential with an estimated 15,000 dwelling units. It is the early stages of planning. Water availability and supply is a primary issue. The project is located east of Sunrise Boulevard, south of White Rock Road, north of Douglas Road, and east of Prairie City and Grant Line Roads. The conceptual drawings indicate that this project will be developed in low density residential housing units. Currently, Rancho Cordova area has adequate commercial and retail land use zoning. Therefore, it is likely that new growth areas will be zoned for housing, some employment, business and professional and minimal retail/commercial.

Aerojet appears to be in a transition from extensive industrial uses to a number of different uses ranging from residential to commercial and other uses that are more typical of urban development. In addition, it appears that approximately 6,500 acres will remain industrial in character. The following table summarizes the major land use changes that could occur in the near future:

Aerojet Land Uses

Land located near Highway 50	3,500 acres	26%
Rio Del Oro Proposal	3,500 acres	26%
Existing Industrial Area	<u>6,500 acres</u>	<u>48%</u>
Total	13,500 acres	100%

The existing developed industrial area still requires a large buffer zone for its current operational needs.

Sunrise-Douglas Community and SunRidge Specific Plan

Actual Land Use

The area south of Douglas Road, east of Sunrise Boulevard, north of Jackson Highway, and west of Grant Line Road is currently used for agricultural purposes.

Land Use Designations per Sacramento County General Plan

The Sacramento County General Plan identifies this area as Urban Development/Reserve. The Sacramento County General Plan (1993) designates this area as an urban growth area. The 1993 County General Plan identifies this area as a new Urban Growth Policy Area based on the following factors:

- Need for additional land to meet the demand for housing and employment uses and provide a reasonable oversupply to maintain market flexibility.
- Ability to provide adequate services and facilities.
- Potential for public transit
- Preservation and conservation of natural and environmental features.

All of this area is within the Urban Services Boundary area and most of it is also within the Urban Policy Area.

Proposed Land Use Designations

The Sunrise Douglas Community Plan and SunRidge Specific Plan project consists of an overall conceptual framework and policy direction for ultimate

urbanization of about 6,042 acres know as the Sunrise Douglas Community Plan area. The entire Sunrise Douglas Planning area could ultimately result in the development of approximately 22,503 dwelling units, 479 acres commercial, 177 acres park, and 148 acres for schools. The SunRidge Specific Plan is a subset of the Community Plan and contains about 2,632 acres or 43 percent of the Community Plan area.

The Community Plan does not grant land use entitlements. Entitlements to develop sub-areas within the community plan area will be granted through the adoption of Specific Plans, use permits, subdivision maps, parcel maps and other appropriate processes that are currently used by the County of Sacramento. The Community Plan and subsequent Specific Plans form a tiered process for planning and approving development proposals. The Community Plan provides the bridge between the General Plan and subsequent Specific Plans.

The Specific Plan process implements the guiding principles and policies established in the Community Plan by providing a detailed framework for the development of the Plan area. The Plan incorporates the land use, circulation, resource management, and public facilities, and infrastructure plans.

The SunRidge Specific Plan is expected to play a significant role in providing a location for new housing to meet the demand generated by job development existing, approved, or planned nearby the Highway 50 corridor. Since 1980, the communities of Folsom and Rancho Cordova have experienced intense housing demand, rapid employment growth due to expansion of high technology, electronics, and other new service industries. Additional job development is planned for Mather Business Park and surrounding areas.⁴

SunRidge Specific Plan

The SunRidge Specific Plan is the first specific plan that may implement a portion of the Sunrise Douglas Community Plan of the Sacramento County General Plan. The specific plan provides a detailed framework that if approved could implement the guiding principles and policies established under the Sunrise Douglas Community Plan. The SunRidge Specific plan encompasses approximately 2,632 acres, or about 43 percent, of the Sunrise Douglas Community Plan Area.

⁴ Volume 1 Environmental Impact Report for Sunrise Douglas Community Plan/SunRidge Specific Plan, November 16, 2001.

If approved, the SunRidge Specific Plan could provide housing to meet demand generated by job development along the Highway 50 corridor. SACOG projects employment in Rancho Cordova will reach 126,000 jobs by 2020.

The SunRidge Specific Plan proposes 10,020 dwelling units. The SunRidge Specific Plan area is predominantly residential in character. The low-density residential land use will provide a mix of housing types and intensities ranging from single family residential to multi-family garden apartments, townhouses and condominiums.

The proposed development is likely to include small areas of office, retail and neighborhood work centers.

The SunRidge Specific Plan and applicable Environmental Impact Report identify proposed zoning and land use designations, densities, general development standards, circulation and transportation, infrastructure needs, water, sewer, parks, open space and schools.

The following land use designations have been proposed for the Sunridge specific plan area:

<u>Land Use Designation</u>	<u>Acres</u>	<u>Dwelling Units</u>	<u>Percent</u>
RD-4	382.5	1,452	14.5%
RD-5	1,122.8	5,440	54.3%
RD-7	183.9	1,187	12.0%
RD-10	66.3	606	6.0%
RD-20	40.9	737	7.4%
Employment Center	119.1		
Commercial	52.1		
Local Parks	99.5		
Wetland Preserve	485.2		
Drainage	25.7		
K-6 School	44.5		
Public-Quasi Public	9.5		
Other Units		598	
Total	2,632.0	10,020	100.0%

Average density: 5.5 units per acre.

Sacramento County Planning Process for SunRidge Specific Plan

The Sacramento County Board of Supervisors initiated the planning process on July 28, 1993 by Resolution 93-1034 for the Sunrise Douglas Community Plan area. In 1994, the Citizen's Advisory Committee (CAC) for the Sunrise Douglas area considered an application for the preparation of a Specific Plan for the entire Sunrise Douglas Community Plan area. The CAC concluded deliberations in December 1994, supporting land use concepts and adoption of guiding principles.

On September 22, 1999, the Sacramento County Policy Planning Commission recommended approval of the project with conditions and forwarded this project to prepare the Final Environmental Impact Report for consideration by the Board of Supervisors. A final decision or approval by the Board of Supervisors is not expected until the spring/summer of 2002.

Environmental/ Urbanization Issues

To date, there have been a number of public hearings on the proposed SunRidge project. The significant issues raised by the Environmental Impact Report relate to traffic, water, noise and safety issues related to Mather Air Field, and the existing rendering plant. Traffic appears to be the most significant unavoidable impact that cannot be mitigated through new improvements to existing roads such as Sunrise Boulevard.

Water Availability

Sacramento County Water Agency (Zone 40) has developed a plan to serve the SunRidge project through the development of off-site wells to provide water because of ground water contamination related to the Aerojet property. Eventually, a portion of the water supply will be derived from surface water from the Sacramento River. This proposed solution is relatively simple, however, the issues continue to be relatively complex because the proposed solution impacts other ground water basins and may result in overdraft of those areas.⁵ Mitigation Measures have been proposed to address the negative impacts to the aquifer overdraft until surface water is available.

The proposed water plan is controversial and no final decisions have been made. Currently, the County of Sacramento Board of Supervisors is conducting public hearings on the SunRidge Specific Plan based on the proposed land uses discussed above.

⁵ See Sacramento Bee article dated January 6, 2002.

Sacramento County Water Agency (Zone 40) will continue to be the water purveyor for most of the area east of Sunrise Boulevard after the incorporation. Sacramento County Water Agency Zone 40 is currently developing a master water plan for all of Zone 40 and for developing areas within its district.

Analysis of Staff Recommended Incorporation Boundary

Provisions of the Cortese-Knox Local Government Reorganization Act of 1985 require the Commission to exercise its powers in a manner that provides planned, well-ordered, efficient urban development patterns. In addition, the actions of the Commission should contribute to the logical and reasonable development of local agencies and shape the development of local agencies to advantageously provide for the present and future needs of each county and its communities.

In exercising its powers, the Commission may effect the logical formation and modification of boundaries of local agencies, determine community service needs based on financial resources and establish community service priorities. In its review of an incorporation proposal, the Commission shall consider and judge: the fiscal viability of a new city and ensure that the incorporation results in a similar exchange of both revenue and service delivery responsibility between the County, the proposed city, and other subject agencies. The Government Code also specifies that the Commission is the appropriate authority to set the form of government for a new city, determine the election schedule for elected officials and determine how service responsibilities are established.

Sacramento LAFCo Policies Regarding Boundaries

Sacramento LAFCo policies state the Commission will make exceptions to its requirements of boundary standards only if the exception:

- (a) Is rendered necessary due to unique circumstances;
- (b) Results in improved quality or lower cost of service available to the affected parties; and
- (c) There exists no feasible and logical alternative.⁶

⁶ Sacramento Local Agency Formation Commission, Policies, Standards and Procedures for LAFCo, adopted September 5, 1990, amended May 5, 1993, p. IV-4.

Rancho Cordova Petition Boundaries

General

The petition boundary as proposed by the incorporation proponents, contains about 66 square miles. Numerous boundary alternatives have been analyzed from both a financial and environmental perspective. The proposed city of Rancho Cordova is comprised of two distinct areas. One area located west of Sunrise Boulevard and the other located east of Sunrise Boulevard.

Area West of Sunrise Boulevard

The area west of Sunrise Boulevard is almost built out. The primary uses are residential, commercial and business parks. With the exception of the Villages of Zinfandel, there are no large parcels available for development that are not part of Mather Business Center. The Villages of Zinfandel is primarily a residential development that is located near Mather Business Center.

Area East of Sunrise Boulevard

Currently, most of the area east of Sunrise Boulevard is undeveloped except for property owned by Aerojet. Aerojet property is classified as an extensive industrial zone. The Aerojet property north of White Rock Road has a very extensive and intricate private road system and building complexes. The Aerojet property south of White Rock Road is proposed for urban development. The extent of the present utilization of this developed industrial area is not known. In addition, the Sunrise-Douglas area (south of Douglas Road, east of Sunrise, north and west of Grant Line Road) is currently undeveloped and used for grazing and pasture. Both the Aerojet and the Sunrise Douglas area are transitioning to more intense urban uses and have been included in the County Urban Services Boundary and Urban Services Policy Area by adoption of the Sacramento County General Plan in 1993.

Summary of LAFCO Boundary Modifications in Comparison to Proposal Submitted by Proponents

LAFCo staff and its consultants have examined a number of boundary changes to the original petition submitted by the proponents. The boundary adjustments have been made for a number of reasons. These changes have resulted in a very irregular boundary for the proposed city. I have summarized these Commission adjustments for your brief review.

Territory Excluded from the Original Petition

Sunrise Boulevard and Folsom Boulevard Corridor

This exclusion was necessary to achieve a mitigation payment that can be secured by property taxes. The County of Sacramento believes that this is the only means to secure payment. This area is urbanized and recommended to be within the City Sphere of Influence.

Mather Air Field

This area, along with the former McClellan AFB, is currently in a joint Mather-McClellan Redevelopment Area. There are many highly complex issues involved in Mather's status as a Redevelopment Area. The area is undergoing a lengthy military base conversion, negotiated with the federal government by the County of Sacramento, and is operated by the County of Sacramento. County officials believe very strongly that Mather should be excluded from the proposed city because of future plans for a regional park and the development of County owned and operated property.

Portion of Aerojet Properties

This territory was excluded based on a request from Aerojet and from the City of Folsom. The territory is used for Aerojet plant operations. Irregular boundaries have been created for the future city of Rancho Cordova because the boundary follows a "carve-out" area of property that can be urbanized. Much of the remainder of Aerojet properties is not yet contamination free and future land use issues are dependent upon future solutions to contamination at ground level.

Gold River

These neighborhoods were excluded at the request of residents regarding community identity.

Territory South of Folsom Boulevard, East of Mayhew, North of Highway 50 and West of Bradshaw

Staff recommended exclusion of this peninsula in order to create a more logical boundary.

Territory Carved out by LAFCo and Replaced in Boundary

Mobile Home Park at Sunrise and Highway 50

At the request of a petition submitted by the residents, the Mobile Home Park was included in the proposed city. This area was originally excluded by staff from the proposed city to create a more identifiable boundary for the city and because it could be identified as part of Gold River.

Proposed Boundary Addition to Include Remaining Rio Del Oro Project Area

On March 27, 2002, staff received letters from GenCorp (Aerojet) and Elliott Homes requesting that an additional 2,700 acres (4.3 square miles) be included into the boundary of the proposed city of Rancho Cordova.

The area proposed for inclusion is generally bounded by White Rock Road on the north, Douglas Road on the south, Aerojet's east property line and the Elliott parcel on the west. This area is known as the Rio Del Oro project. It is the stated request that Elliott Homes would prefer to develop a comprehensive plan for this proposed community. Therefore, they desire inclusion of the remaining 2,700 acres into the boundary of the proposed city. Elliott believes that a single jurisdiction would best promote a comprehensive master plan for this development.

Inclusion of this area will have minor fiscal impacts and no new environmental impacts to the overall boundary for the proposed city. The total area for the proposed city contains approximately 20,492 acres, or 32 square miles.

Staff recommends that this area be included within the boundary of the proposed city of Rancho Cordova. From a long range planning perspective for the new city, as well as the request from Elliott Homes for the ability to create a better comprehensive Master Plan for the Rio Del Oro Project, inclusion of this territory is appropriate.

Boundary Issues Related to Service Providers

There are many different service boundaries that overlap the Rancho Cordova community. The water, fire, park, petition boundaries, community plan boundaries, school district boundaries, and the Sphere of Influence generally cover the area historically known and described as Rancho Cordova. The adopted Commission boundary would technically create the official boundary of Rancho Cordova if the voters approve the incorporation. This boundary is based in part on a compromise to achieve revenue neutrality. However, there are still

many different governance structures that will exist after incorporation. Voters will need to continue to vote for fire and park boards, city council members, board of supervisor, water district board members, school district directors, etc.

The non-contiguous boundary lines were created in many different past actions over a long period of time for a number of valid reasons. Ideally, it is appropriate to merge the boundaries and clean up the many differences that have been created but that endeavor would be a very controversial and difficult process. Creation of a new city will not simplify the existing structure. The long term goal and challenge is to consolidate and/or realign boundaries to minimize these jurisdictional differences if it is in the best interest of service delivery and the residents. These changes usually are not easy to accomplish and should be left for future review.

The current service delivery system functions relatively well. I believe that the delivery of services to the average citizen is relatively transparent. However, because there are a multitude of different municipal service providers within the same community, it may be in the best interest of the future city to realign special district boundaries and adjust city and unincorporated boundaries where it is appropriate to do so. This is a tremendous challenge that should be analyzed. However, the County, special districts and cities need to cooperate and work together to create efficient and cost-effective municipal service systems.

Agricultural Land and Open Space

The undeveloped areas within the proposed boundaries do not include any land that is considered to be prime agriculture. Most of the undeveloped area is classified as grazing land, and a small percentage is designated as unique farmland and farmland of local importance. Farmlands of Local Importance are lands, which do not qualify as Prime, Statewide, or Unique Importance, but are currently irrigated crops or pasture or non-irrigated crops. Grazing Land is land on which the existing vegetation, whether grown naturally or through management, is suitable for grazing or browsing of livestock.

This entire area east of Sunrise Boulevard within the recommended incorporation boundary is not considered Prime Agriculture land; however, there are areas that contain wetlands and vernal pools. For example, the SunRidge Specific Plan excludes almost 500 acres as a wetland preserve. It appears that mitigation will be determined on a case by case basis.

Williamson Act Contracts

Relatively few parcels within the recommended boundary are under a Williamson Act Contract. A Williamson Act Contract provides beneficial property tax treatment for agricultural properties. Parcels subject to this contract must maintain an agricultural zoning classification until the contract expires. These parcels can be included in a city boundary with the appropriate agricultural zoning designation. The minimum parcel size permitted by State law is AG-20 acres.

Summary of Boundary Issues

The shape of the boundary for the proposed city of Rancho Cordova----which has resulted from a great deal of boundary tweaking and many inclusion/exclusion discussions. The proposal boundary contains an area west of Sunrise Boulevard that is already urbanized and contains an area east of Sunrise Boulevard which the new city can use for potential future growth. Currently, a significant portion of the Sunrise-Douglas area is in the process of obtaining development entitlements for new residential development.

Staff's recommended boundary is a compromise solution, which attempts to address major concerns raised by the County of Sacramento primarily related to fiscal issues; security of the future mitigation payments. The original petition boundaries represent a significant portion of the historical community and existing Cordova Community Planning area that has previously been established in the County Planning Process.

Without a negotiated agreement with the County of Sacramento, it would be difficult to find that the proposed city of Rancho Cordova [based on the original petition boundaries] to be economically viable and the projected shortfall to the County to be adequately mitigated. This is the only reason staff recommends a boundary modification from the original petition boundary.

Sphere of Influence

In addition to the recommended city boundary, the Sunrise Boulevard corridor and Folsom Boulevard corridor shown on the attached map is recommended to be designated as the Sphere Of Influence for the proposed city of Rancho Cordova.

This area is already urbanized or designated for development. This area was excluded from the recommended boundary to reduce the required mitigation payment to the County of Sacramento.

In order for any area defined as a Sphere of Influence to be annexed, the new city and the County of Sacramento will need to negotiate a property tax exchange agreement and the city will be required to submit an application for annexation to your Commission. LAFCo will need to process this application in accordance with its existing policies.

City Government – Provision of Municipal Services

Contract City versus Non-Contract City

The new city, in its initial stages, will typically supply a limited number of key services, while many city services will be supplied through contract. A “Non-Contract,” or full service city, provides all municipal services to its residents by city staff, or with employees of the city. A “Contract” city provides full service to its residents and businesses through a combination of city staff and through contracts for the provision of services with other governmental or private entities. In both cases, the residents and businesses within the “Non-Contract” and “Contract” city receive municipal services.

“Contract” and “Non-Contract” cities are not unusual in post-Proposition 13 California where many new cities provide only limited services and/or contract with other public or private service providers. In fact, many Southern California cities contract for service with their underlying counties or other cities. These contracts for service are patterned after the first city to function in this manner, Lakewood, California. If, in the future, a new city desires additional service responsibilities, it can initiate such action through the city council, or, if necessary, request the service transfer and funding shift through the traditional Cortese-Knox-Hertzberg / LAFCo process.

General Government: General government administration and municipal services for the area proposed for incorporation is currently provided by Sacramento County and many special districts. General government administration includes all of the support functions necessary for the delivery of municipal services to the new city. Upon incorporation, the new city will be responsible for providing general government services.

The proponents of the incorporation of Rancho Cordova propose that the new city maintain a General Law, Council/ City Manager form of government. This form of city government includes a five member city council, typically elected at-large (i.e., from all registered voters within the incorporated territory). A hired professional city manager performs the day-to-day administration of the city. The establishment of city departments, including finance, planning, public works, police and city attorney, will be undertaken by the new city council. It is

likely that functions relating to personnel will also need to be addressed by the new city council. A typical organization of city services and administration for the proposed city of Rancho Cordova is attached.

The city manager form of government has a long and successful history in the State as well as in the County of Sacramento. It is time proven and particularly effective in cities the size of the proposed city of Rancho Cordova.

Executive Officer Recommendations

I concur with the proponents and strongly recommend a city manager form of government, should your Commission approve the proposed incorporation. Decisions regarding the management of the city---whether services are contracted or otherwise provided---should be the decisions of the future city council, after the election, and upon completion of new city formation.

Your Executive Officer recommends that the city council should be comprised of five members. The first city council should be elected “at-large” from all those registered voters within the incorporated territory of the city of Rancho Cordova. I also recommend that the election for members to the first city council should be concurrent with the election question of whether or not the city shall be created by the electorate.

I recommend that future elections of membership to the city council, whether by at-large elections, or through the formation of districts, be left to the new city council to decide. I believe this matter is best left to the new city council, and the decision-making process of those whom it will affect.

I recommend that the effective date for the incorporation coincide with the start of the new 2003-04 fiscal year, or July 1, 2003.

Proposed City Government and Public Service Delivery Requirements

Certain services must, by law, be assumed by the new city upon incorporation; therefore, they must be transferred from County government, and other agencies, to the new city. A new city must also create a “general government” to administer the services that it will undertake. Those services that must statutorily be transferred include:

- (1) Law Enforcement (including traffic control and accident investigation currently supplied by the California Highway Patrol);

- (2) Planning and Land Use Regulation;
- (3) Building Inspection; and,
- (4) Maintenance, Engineering and Construction of streets and highways currently maintained by the County of Sacramento.

In addition, there are several other services that may be transferred to the new city, although none of these is required, by law, to be shifted. These services include:

- (1) Animal Care and Regulation;
- (2) Park and Recreation;
- (3) Fire Protection;
- (4) Libraries;
- (5) Flood Control;
- (6) Water;
- (7) Solid Waste;
- (8) Sanitation and Sewer Services;
- (9) Landscape Maintenance; and
- (10) Street lighting.

Upon incorporation, the proposed city of Rancho Cordova made contract with either the County, a third party, or directly provide any or all of these services. The County of Sacramento is required to provide services during the transition period.

Conversely, responsibility and jurisdiction for the provision of the following services will not change with approval of the proposed incorporation by your Commission:

- (1) Water Quality: Sacramento Regional County Sanitation District and County Sanitation District No. 1;
- (2) Water Supply: Sacramento County Water Maintenance District and Sacramento County Water Agency, Zones 13 and 40, Citizens Utilities Company of California, and Arden-Cordova Water Service;

- (3) **Street Lighting:** County Service Area No. 1;
- (4) **Drainage and Flood Control:** Sacramento County Stormwater Utility, Sacramento Area Flood Control Agency;
- (5) **Schools:** Elk Grove Unified School District; Folsom Cordova Unified School District;
- (6) **Park and Recreation:** Cordova Recreation and Park District;
- (7) **Fire:** Sacramento Metropolitan Fire Protection District;
- (8) **Transit:** Sacramento Regional Transit District;
- (9) **Library:** Sacramento City/County Library;
- (10) **Electric Service:** Sacramento Municipal Utility District;
- (11) **Natural Gas:** Pacific Gas & Electric Company;
- (12) **Telephone/Communications:** Pacific Bell and Citizens Utilities Company of California;
- (13) **Cable Television:** AT & T Broadband
- (14) **Cemetery:** Elk Grove-Cosumnes Cemetery District, Fair Oaks Cemetery District;
- (15) **Mosquito Abatement:** Sacramento-Yolo Mosquito Abatement and Vector Control District;
- (16) **Air Pollution Control:** Sacramento Metropolitan Air Quality Management District;
- (17) **Resource Conservation:** Sloughhouse Resource Conservation District;
- (18) **Refuse Collection:** Sacramento County Waste Management and Recycling.

In addition to the services listed above, the County of Sacramento will continue to provide certain countywide services to residents within the proposed new city. The provision of countywide services is financed primarily by the County General Fund. Countywide services include: Agricultural Commissioner, Coroner, Courts, District Attorney, Public Defender, Probation, Jail, Human Assistance, Health and Human Services, Elections, Recordation, Assessments, Tax Collection, and Regional Parks.

General Government and Administration Analysis

General government reflects management, administration and support operations that will be provided by the new city of Rancho Cordova. General government departments typically include the City Council, City Manager, City Clerk, City Attorney, Finance Department, Administration, and Non-Departmental Areas.

For the purpose of analyzing the costs associated with general government and administration, the following items have been included:

- (a) Staff salary, materials and supply cost;
- (b) Operating service costs, including legal, financial, and accounting services associated with running the new city;
- (c) Municipal liability insurance;
- (d) Municipal office rent;
- (e) Office furnishings, computers, and office supplies;
- (f) General Plan preparation and code development;
- (g) Contingency for emergencies, typically a 5% contingency in the city's General Fund expenses;

Police Protection

The new city of Rancho Cordova will have various options as it relates to the provision of police protection services. The proposed city has the ability to create its own city police department or contract with an existing law enforcement entity. The service provider could be the Sacramento County Sheriff's Department or another city police department.

Animal Control

The new city of Rancho Cordova will assume the responsibility of providing animal control services, as currently provided by the Sacramento County Animal Care and Regulation Unit. The new city will have the option of providing the

services directly by creating a city department to perform that function or by contracting with either the County of Sacramento or some other entity.

Public Works Administration and Maintenance

The new city of Rancho Cordova can provide these services by a new city department, through contract with the County of Sacramento, or through contract with private entities. The provision of these services will require the new city to be responsible for the following costs associated with staff salaries and/or contracts, materials, supplies and equipment.

Basic road maintenance activity is funded through revenue sources such as gas taxes, road fund property tax, and any Measure A funds that are available. The city may contract with private companies and/or other public agencies for major maintenance and construction projects.

Planning, Building and Engineering Services

The city of Rancho Cordova, may provide these services through the creation of a city department, through contract with the County of Sacramento, or through contract with private entities. The provision of these services will require the new city to be responsible for costs associated with staff salaries and/or contracts, materials, supplies and equipment. Certain costs attributable to these services will be paid for through processing fees charged to future developers.

Provision of Services During and After Transition Period

- (1) **Law Enforcement:** Law enforcement is provided by the Sacramento Sheriff's Department. In addition, the California Highway Patrol (CHP) provides traffic patrol services within the area and all other unincorporated areas throughout the State. After incorporation, the City will assume the burden of all law enforcement activity, including traffic enforcement. The requirement to offer police service can be met either through the existing provider, (The County Sheriff), the Sacramento City Police Department, or some other public or private agency.

Following incorporation, the CHP will continue to patrol the State highways (Highway 50) within the incorporation boundary. In addition, the CHP will provide traffic enforcement for all roads in Rancho Cordova free of charge for the first fiscal year during which the city is incorporated. (Note: CHP traffic enforcement services will terminate after the transition period. In order to continue to provide the current level of service, the new city will likely have to reallocate existing resources to fund it.)

Issue: None. Recommendation: None.

- (2) Planning and Land Use Regulation: The Sacramento County Board of Supervisors has control over land use and planning activities within the proposed area of incorporation. Implementation of planning services is through the County's Planning and Community Development Department. In addition, the Sacramento Council of Governments, comprised of cities and counties of Sacramento, Placer (portion), Sutter, Yolo and Yuba assists in regional planning and coordinates transportation improvements in member jurisdictions.

Local Land Use Planning: Land use planning and regulation is performed by the Sacramento County Planning and Community Development Department. Land use planning and zoning is a major regulatory power of local government. Under state law, land use and zoning power shifts to the new City Council upon incorporation. However, the County General Plan and all entitlements remain in place for 120 days after which time the City Council may adopt its own General Plan or it may adopt the County's General Plan. Ultimately, the new City Council will be responsible for all land use and zoning decisions within its corporate boundary.

Currently, Rancho Cordova is undergoing a great deal of development. In addition, the County's General Plan proposes that growth and development within the area will continue well into the future. Many land use entitlements are in the process of consideration for approval within the area proposed for incorporation. Moreover, many environmental mitigation measures have been approved to mitigate the impacts associated with development.

Issue: The development industry is interested in what protections it may have for projects that are underway, or for those approved by the Board of Supervisors. Incorporation law does not provide protection for zoning applications and subdivision maps in which entitlements have not been approved. The new City Council will have the authority to adopt, modify or deny the proposed project based on City planning policy, standards and regulations.

Statutory law does provide several protections for those developers who have projects that have been approved by the Board of Supervisors. **State law ensures that any development agreement entered into between the County and any development project applicant, and any condition of**

project approval imposed by the Board of Supervisors on a discretionary project, adopted or approved prior to the effective date of incorporation shall remain valid and enforceable. In addition, any environmental mitigation measure approved by the Board of Supervisors prior to incorporation must be honored by the new city. Furthermore, projects in which permits have already been drawn from the County must also be honored.

Your Executive Officer recommends that current granted entitlements with all terms, conditions, and mitigation that were placed on the entitlement be maintained if the Commission approves the incorporation.

It should be noted that the two Community Planning Advisory Councils, (i.e., Cordova Community Planning Advisory Council and the Cosumnes Community Planning Advisory Council) within the proposed incorporation territory will need to be restructured if your Commission approves the proposal and the election is successful. However, it is likely that the City Council would appoint a new planning advisory group sometime after the effective date of incorporation.

- (3) Regional Planning: The Sacramento Council of Governments (SACOG) consists of the counties and associated cities of Sacramento, Placer (portion), Sutter, Yolo and Yuba. SACOG coordinates regional transportation planning activities of member jurisdictions.

Issue: Sacramento County and the SACOG have expressed concerns that the new city should participate in regional planning activities, such as regional transportation and air quality issues. Since the new city would share the same air basin and roadway system utilized by other neighboring jurisdictions, potential conflicts with regional planning efforts may occur if the city is not willing to participate.

Recommendation: (1) Any and all development agreements entered into between the County of Sacramento and any development project applicant, and any conditions of approval (including mitigation measures adopted pursuant to the California Environmental Quality Act) imposed by the County Board of Supervisors on any and all discretionary projects adopted and approved prior to the effective date of incorporation shall remain valid and enforceable between the applicant and the new City of Rancho Cordova, subject to Government Code Section 65865.3(a) and (b). (2) The City of Rancho Cordova shall petition SACOG for inclusion in its Joint Powers Agreement as a member city and participate in SACOG's regional planning activities as a non-member prior to membership.

- (4) Animal Care and Regulation: Currently, the County Department of Animal Care and Regulation provides for animal control in the proposed incorporation area. Animal care and regulation is a service that the new city will likely provide by contract. The city of Rancho Cordova may contract with the County of Sacramento, as do the Cities of Folsom, Galt, Isleton and Citrus Heights. State law does not require the city to deliver the service, but neither does State law require the County to provide the service in incorporated areas.

Issues: None.

Recommendation: The City of Rancho Cordova, in addition to providing those services required by law, shall ensure provision of Animal Care and Regulation Services at a level at least equal to that which is currently provided by the County of Sacramento.

- (5) Building Inspection and Site Development Services: State law requires a new city to provide building inspection and site development services. Currently, the Sacramento County Department of Public Works Building Inspection Division provides these services to the territory within the proposed incorporation.

Issues: None.

Recommendation: Pursuant to the requirements of State law, the new city shall establish a building inspection and site development function.

- (6) Street and Highway Maintenance: The Sacramento County Department of Public Works provides street and highway maintenance. Upon incorporation, State law requires that this service become a responsibility of the new city. Street and highway maintenance includes routine maintenance (i.e., pothole repair); special maintenance (i.e., chip sealing), reconstruction of roads damaged by wear and tear; safety maintenance (i.e., road stripping and maintenance of signs); storm maintenance (i.e., removal of debris after storms); and traffic signal maintenance. Street maintenance is largely funded through the State Gas Tax (Street and Highway Code Section 2104 to 2107.5) and Measure A resources.

Issues: None.

Recommendation: (1) Pursuant to Government Code Section 57385, all roads and highways or portions of road(s) and highway(s), which had

been accepted into the County road system pursuant to Section 941 of the Street and Highway Code, shall become City streets on the effective date of the incorporation. (2) The City of Rancho Cordova shall enter into a joint maintenance agreement with the County of Sacramento for the maintenance of public streets that define common boundaries.

- (7) Services Not Transferred to the New City: This section describes those services that will not be provided by the new city. The description is not all inclusive. Rather, the services that are described are those that are most closely associated with the operation of the new city.

Fire and Emergency Medical Services: Fire protection and emergency medical services (including 911 ambulance transport), within the proposed incorporation boundaries are provided entirely by Sacramento Metropolitan Fire District. SMFD encompasses not only the proposed incorporation boundaries, but additional territory mainly to the south. Funding for the SMFD comes from a dedicated share of the property tax and some fees associated with fire and ambulance services, which is the case for most fire districts. SMFD is an independent special district with an elected Board of Directors.

To exclude fire and emergency medical services from an incorporation proposal is not unique and certainly not unprecedented. In none of the incorporations which the Commission has considered, and ultimately approved over the last two decades, has the Commission required as a condition of incorporation that the new city assume fire and emergency responsibilities from the special district providing those services.

Recommendation: None.

Park and Recreation Services: The Cordova Recreation and Park District will continue to provide park services after incorporation. This independent special district has an elected Board of Directors. Funding for the Cordova Recreation and Park District comes from a dedicated share of the property tax and some fees associated with park services.

Water Supply: Water is currently provided by a number of public and private purveyors in the subject area. As nearly everywhere in California, the provision of water is critical for both present and future growth development, financing and delivery. Both the project proponents and the County of Sacramento suggest that the new city not become involved in the provision of water services. The development and/or acquisition of public water districts or private concerns is not only very costly, but

highly political. For the short term, the current providers should maintain operations. Water purveyors include Sacramento County Water Agency, Arden Cordova Water Service (a private company), Citizens Utilities Company of California (a private company), and the City of Folsom.

Issues: None.

Recommendation: None.

Flood Control and Drainage: Some flood control and drainage services are provided by the Sacramento County Water Agency. The agency as one assessment district (Zone 13), a drainage impact fee zone (Zone 11), and a stormwater drainage district (Zone 12 - Sacramento County Stormwater Utility). The Water Resources Division of the Sacramento County Public Works Agency manages each of these entities. Each entity managed by the Water Resources Division has a specific task in the control of flood, storm water runoff, or other urban drainage, and each maintains its own funding source, which allows it to provide its own unique or geographically based services.

The entities managed by the Water Resources Division that will provide services to the territory within the proposed incorporation include:

Sacramento County Stormwater Utility – This utility funds all drainage maintenance efforts along with the capital improvement program, stormwater quality program, flood response efforts, and portions of the National Flood Insurance Program (NFIP) and drainage master planning programs. The Stormwater Utility Service Fee and an allocation of property taxes are the primary revenue sources for these activities.

Sacramento County Water Agency – Zone 11. This zone primarily funds construction of new trunk drainage improvements (facilities that drain over 30 acres). These activities are funded by a drainage development fee.

Sacramento County Water Agency – Zone 13. This zone funds long-range planning efforts, drainage master plans, and some NFIP programs. These activities are funded by a special benefit assessment. The Transfer of land use control to the new city and the development that occurs will impact flooding and storm water drainage within the proposed city and outside the boundaries of the proposed city. The development and its consequences will occur with or without incorporation. However, if the new city dramatically alters land use patterns, it is hoped that a dialogue will develop between the new city and the Sacramento County Water

Agency and an agreement be formed which would ensure the new city's land use policies take into account certain critical policies that the Agency employs to control runoff and flooding.

In addition to services provided by the Sacramento County Water Agency, other services related to flood control and drainage may be provided by other entities such as the Sacramento Area Flood Control Agency.

Issue: The County of Sacramento holds a National Pollution Discharge Elimination System permit, approved by the Regional Water Quality Control Board. The County of Sacramento is currently a co-permittee with the Cities of Sacramento, Folsom, Galt and Citrus Heights under this permit. All new municipalities formed within the County of Sacramento are required to become co-permittees under the Regional Board's NPDES permit. As a result, the proposed city of Rancho Cordova shall become a co-permittee with the aforementioned cities should incorporation occur.

Recommendation: (1) The city of Rancho Cordova shall become a co-permittee under the terms associated with the existing Countywide National Pollution Discharge Elimination System Permit.

Water Quality (Sewage): Sacramento County Regional Sanitation District (SCRCSD) and County Sanitation District No. 1 (CSD No. 1) provide sewage collection and treatment service to the proposal territory. The new city will be eligible for representation on the respective District boards.

Issue: None.

Recommendation: None.

Street Lighting: County Service Area No. 1 (CSA No. 1) currently provides street lighting to the proposal territory. CSA No. 1 is a special district that provides street lighting services to the entire unincorporated area of Sacramento County. Funding for CSA No. 1 is derived from a very small share of the property tax and an assessment on real property. There are two components to street lighting: highway safety lighting and street lighting.

Issue: The County (CSA No. 1) will continue to provide services (with reimbursement) after the effective date of the incorporation. The County will continue to collect the assessments and provide street lighting

services unless the city of Rancho Cordova chooses to detach from the district and provide the service independently.

Recommendation: None.

Public Transit and Paratransit Services: Transit and paratransit services are provided by Sacramento Regional Transit District (RT). The County of Sacramento currently contributes to RT in order to provide for transit services; although, there is no legal requirement to either fund RT exclusively or to provide any transit services.

LAFCo staff has concluded that it would be difficult for the new city to provide an “equivalent level” of transit service accessibility as that currently enjoyed by the residents within the proposed incorporation area without duplicating RT bus and Light-rail routes from within the new city to points throughout the RT District.

LAFCo staff has conducted meetings with Regional Transit staff and the project proponents regarding the funding and service impacts of the proposed incorporation on transit service. Staff recommends, and the project proponents agree and support, obtaining transit service from Sacramento Regional Transit District.

Recommendation: The City of Rancho Cordova shall maintain existing public transit service including applicable paratransit service required under the Americans with Disabilities Act. This shall be accomplished by requiring annexation into the Sacramento Regional Transit District and activation of transit service within the city, in accordance with the procedures set forth in Sections 102052.5 and 102055 of the District’s enabling legislation (Part 14 of Division 10 of the California Public Utilities Code).

Solid Waste: Currently, Sacramento County Solid Waste provides refuse collection services. Issue: Upon incorporation, the new City Council may alter service provisions. This may consist of selecting a new private company, or the creation of a city department to provide collection and disposal services. Since the proponents are not proposing to change the current provision of service, LAFCo staff recommends that the new city contract with the County of Sacramento for the provision of solid waste collection service.

Recommendation: The city of Rancho Cordova shall contract with the County of Sacramento to provide solid waste collection services.

Schools: The provision of schools will be unaffected by the incorporation. Grammar, middle and high schools will continue to be the responsibility of the Folsom-Cordova Unified School District. LAFCo has no purview regarding the provision of school services or the reorganization of school district boundaries. These matters are the prerogative of the State and local school boards. Issue: None. Recommendation: None.

Library: The provision of library services will be unaffected by the incorporation. The City of Sacramento/County of Sacramento Library Authority will continue to provide library services within the new city's boundary. Issues: None. Recommendation: None.

Utilities: The incorporation will have no impact on the provision of telephone, electric, gas, or cable television services. The only difference in incorporated and unincorporated territory regarding the provision of these services is that by law, utilities must pay a franchise fee to operate. The ability to impose the franchise fee(s) would transfer to the new city upon incorporation. The ability to collect utility users tax will also be transferred to the new city upon incorporation. Issue: None.

Redevelopment Area: A portion of the proposed city of Rancho Cordova lies within the combined Mather-McClellan Redevelopment Project Area. This area will remain under the joint jurisdiction of Sacramento County and Sacramento Housing and Redevelopment Agency. LAFCo recommends that the proposed city benefit from this redevelopment to the extent permitted by law.

Recommendation: The Commission has determined that to the fullest extent permitted by law, the low-moderate income housing funds set aside funds (20% of total tax increments) accruing on account of tax increment funds allocated from real property located within the Mather Redevelopment Project area shall be utilized solely for use within the boundaries of: (1) the City of Rancho Cordova; (2) the Mather Project Area; and/or (3) the Cordova Community Plan boundary adopted on or about December 1, 1975, and amended, by the Sacramento County Board of Supervisors. The Sacramento Housing and Community Redevelopment Agency has agreed to this condition and shall meet with the city, or its designee, to effectuate its purpose upon incorporation.

Summary of Service Delivery

Most newly incorporated cities in the 1980's and the 1990's have been "limited service" cities rather than "full service cities, where often a number of key services are provided by contract with other public or private service providers. In fact, many southern California cities have contracted for service with their underlying counties or other cities well beyond their initial years of incorporation.

These contracts for service are patterned after the first city to function in this manner, Lakewood, California. If, in the future, the new city desires additional service responsibilities, it could initiate such actions through the City Council or, if necessary, request the service transfer and funding shift through the traditional Cortese-Knox-Hertzberg LAFCo process.

With respect to the proposed services provided, the Rancho Cordova petition represents the incorporation of a "limited service" city. The only service to be provided beyond those required by law will be Animal Control, and this service will be provided through a contract with Sacramento County. The new city would not provide services such as water, sewer and library services that many older cities provide. It is likely the new city will also rely on contracts to provide required services such as law enforcement and planning, which is commonly done by other newly incorporated cities.

Estimated Costs for the Proposed City of Rancho Cordova

In addition to continuing services that will be transferred or assumed by a new city, there are additional costs related to forming a new government entity. The following discussion highlights the estimated expenditures of the proposed city. (Detailed calculations and estimates can be found in the CFA.)

**General Government
Services and Expenditures (2004)**

City Council	\$ 74,000
City Manager	266,830
City Clerk	187,359
City Attorney	510,000
Finance Department	332,557
Administrative Services	194,294
Property Tax Administration	132,784
Non-Departmental	1,127,970
Office Rent/ Supplies	
Insurance, etc.	
Contingency	851,974
County Loan Repayment	<u>1,120,179</u>
Sub-Total	\$4,797,947
Cost of Services Transferred	
Law Enforcement	\$ 13,315,505
Planning	629,938
Animal Control	91,517
Public Works Administration	<u>176,731</u>
	\$14,213,691
Total Estimated Expenditure	\$ 19,011,638

The cost and staffing of general government services have been estimated on a review of other cities' general government staffing and service costs. The CFA paid particular attention to a review of other new cities that have incorporated since 1987, having a population of between 50,000 and 90,000 people. Many of the cities reviewed were limited service cities generally not providing fire protection, water, sewer, and typically not parks and recreation services. The general government costs used in this analysis fall within the mid-range of the other limited service cities—some having a lower cost per capita and others having a higher cost per capita.

Two items of general government require additional focus. The first is the contingency. The CFA calculated the contingency as five percent of the total annual General Fund expenditures. This contingency is built into the revenue and expenditure analysis to ensure a conservative assessment of the potential fiscal viability of the proposed city.

The second category of general government worth noting is the County loan repayment. This payment repays the County of Sacramento for services, which it continues to provide to the new city for the remainder of the first fiscal year following incorporation. For example, if the effective date of incorporation is July 1, 2003, the County of Sacramento would continue providing services to the new city until June 30, 2004. For this year of service provided by the County, the new city has five years to pay for the borrowed service costs. This analysis assumes incorporation would take place on or shortly after July 1, 2003, thus providing the city a full year's worth of County provided services during the transition. Under this assumption, the County loan repayment is anticipated to be completed by the 2008-09 fiscal year.

City Council

The City Council will be the governing body of the proposed city and will include five council members in accordance with the incorporation petition. The City Council will hire the City Manager and City Attorney, make service and budget decisions, enter into agreements with other governmental entities, and regulate land use within Rancho Cordova.

The CFA assumes that council members will be paid a minimal monthly stipend, and other travel and membership costs will be incurred. The actual stipend will be decided as part of the city's formal budgetary process. The membership expenses include membership in organizations such as the League of California Cities and other professional organizations. The travel/meeting expenses include costs related to conference and meeting attendance.

City Administration and Finance

The city will be administered by a City Manager and a professional staff, including a Finance Director. Administrative and service decisions will be focused on the City Manager, who will carry out the policy directives of the City Council. Specific activities of Administration and Finance will include City Clerk and elections, budget preparation and administration, personnel, and contract administration.

City Manager's Office

The City Manager's Office, responsible for overseeing city operations, will include a City Manager, an Assistant City Manager, a secretary, and an administrative assistant. The Assistant City Manager position will be introduced

in the second year of city operations, and the administrative assistant position will become full-time in the third year of operations.

Finance Department

The Finance Department, responsible for financial oversight and budgeting, will include a Finance Manager, two accountant/ budget analysts, three accounting technicians, and one secretarial/ clerical position.

Administrative Services

Administrative Services includes human resources functions and information services. The latter is assumed to be provided by contract initially. Start-up costs include computer hardware and software systems.

City Attorney

The city will initially contract with an attorney to provide legal expertise. The cost of this expertise, set to \$550,000 annually beginning the initial year, is assumed to increase at two percent per annum, in real terms. This amount should provide adequate amounts to deal with city start-up costs and potential lawsuits.

City Clerk's Office

The City Clerk's Office, responsible for a number of city administrative duties, will include a City Clerk and assistant. There will be one full-time and one part-time employee in the first year, with two full-time positions by the third year. Other costs include the cost of legal notices as well as supplies and materials.

Revenue Analysis

This section of this report is divided into the following parts: General Fund Revenues, which can be spent for any purpose; Road Fund Revenues, which are restricted to road maintenance; and, Other Restricted Revenues, such as building inspection and site development fees.

The General Fund, Road Fund, and Other Restricted Use Funds have different limitations on use by the new city. Restricted revenues must be spent for specific purposes and cannot be spent on activities such as roads or parks. Further, when the issue of revenue neutrality is analyzed later, the separation of limited use funds will become very important.

A summary of the project revenues by source for the proposed city of Rancho Cordova for each fiscal year from 2002-03 to 2010-11 is provided.⁷

General Fund Revenues

The most important category of revenue for most new cities is General Fund revenue. Monies contained in this fund are totally discretionary and finance such essential services as general government, law enforcement, and planning. General Fund revenue comes from the following sources:

- Property tax
- Sales tax
- Utility Users tax
- Property Transfer tax
- Transient Occupancy tax
- Franchise fees
- Business License tax
- Planning fees
- Fines
- Jail booking reimbursement
- Motor Vehicle in lieu taxes (MVIL)
- Investment earnings

Of these sources of revenues, property tax, sales tax, utility user tax, transient occupancy tax, and MVIL revenues are the five major sources of revenue. These revenues account for approximately 95 percent of the new city's General Fund revenues.

The following shows the 2004 year estimated revenue transfer amount. Revenue transfer is the revenue the County will lose and the proposed city will gain as a result of the transfer of revenue upon incorporation.

⁷ Figure 10, Rancho Cordova Incorporation Comprehensive Fiscal Analysis, Public Review Draft, July 27, 2001. See CFA for notes and calculation methodologies on revenue projections in Appendix of Rancho Cordova Incorporation Comprehensive Fiscal Analysis, Public Review Draft, July 27, 2001.

Base Year 1999-2000 Revenue Transfer Amount
From Sacramento County to the proposed City of Rancho Cordova
Petition Boundary Alternative

<u>Revenue Transferred</u>	<u>Fiscal Year 2004-05</u>
Property Tax	\$4,348,231
Sales Tax	10,021,297
Real Property Transfer Tax	209,876
Utility User Tax	2,393,659
Transient Occupancy Tax	1,917,178
Vehicle License Fees	3,666,975
Franchise Fees	170,873
Business License Tax	96,480
Fines	54,115
Investment Earnings	500,000
Jail Booking Reimbursement	259,834
Planning Fees	314,969
Builder Permit Fees	<u>136,238</u>
Total Revenues Transferred	\$24,089,724

In addition to revenues gained from the County, the new city will collect State shared revenues, some of which are available for general purposes. State shared revenues available to the new city following incorporation are MVIL revenues and gas taxes. MVIL revenues are available for general purposes and go into the city's General Fund. State shared gas taxes are dedicated funds available for road maintenance and construction purposes only.

MVIL revenues accrue to the new city based on the city's "official population." State law outlining the determination of the city's official population benefits the new city for the first seven years following incorporation. As a result of incorporation, the County experiences no loss of MVIL revenues and only a very small loss of gas tax revenues.

Sales Tax

The amount of sales tax (1999-2000 situs generation) that would accrue to the new city in the base year FY 1999-2000 would be \$9,786,433. The CFA based the amount on FY 1999-2000 information supplied by the State Board of Equalization (SBE) in December 2000. In addition to the SBE estimate, the FY 1999-2000 total includes 12 percent for an estimate of unallocated sales tax.

Rancho Cordova taxable sales in FY 1999-2000 were approximately \$28,300 per capita based on sales tax information provided by the State Board of Equalization. This figure is significantly above the calendar year 1999 average per capita taxable sales for Sacramento County at approximately \$12,400 and State of California average of approximately \$11,600.

The CFA used a conservative methodology to estimate sales tax revenues through fiscal year 2010-2011. Such a methodology was used to account for the uncertainty inherent in the sales tax as a revenue source, since it is the municipal revenue source most sensitive to negative economic conditions.

The CFA estimates that taxable sales per capita will decrease over time to about \$23,900 per capita. The decrease is due to use of conservative sales per square foot and development assumptions and an increasing population over time. The CFA estimates approximately 750,000 square feet of new retail square footage and 11.1 million square feet of other non-residential development between 2000 and 2010.⁸

Sales tax revenues in the City could be lower than estimated in the CFA. The CFA conducted a sensitivity analysis to show the impact of a 5 percent reduction in sales tax revenues. Under this scenario, the annual fiscal surpluses would decrease by approximately \$775,000 per year by 2011.

Property Transfer Tax

The property transfer tax is a countywide tax imposed by the County on the sale of real property at the rate of \$1.10/\$1000 in value. After incorporation, Rancho Cordova will be entitled to receive one-half of the transfer tax collected within its boundary. In 1999-2000, it is estimated the County will lose \$197,941 in property transfer tax generated within the Rancho Cordova area. Estimates of future property transfer tax are based on the percentage growth in assessed value in the new city.

Utility User's Tax

Currently, the County levies a 2.5 percent tax on utility bills on both residential and commercial customers in the unincorporated area. The tax is not levied across the board and has several unique characteristics. For example, a baseline usage amount is exempted for residential users to help alleviate the pressures on

⁸ CFA Appendix figure A-6 shows detailed forecasts of retail and other non-residential square footage anticipated in the incorporation area.

low-income users. Further, there are rate differentials for different categories of consumers. The CFA estimates a base year loss of approximately \$2.3 million in utility user's tax to the County of Sacramento.

The utility user's tax will not automatically transfer to the new city upon incorporation. The utility user's tax is a discretionary tax that the County Board of Supervisors has chosen to impose on unincorporated area utility consumers. The CFA has assumed the issue of the utility user's tax will be included on the ballot with the incorporation issue as a condition of incorporation.

Transient Occupancy Tax

The transient occupancy tax (TOT) is charged to all hotels located within a particular jurisdiction's boundaries. Transient occupancy tax is collected at the rate of 12 percent of the total room rate revenues of a hotel. There are several hotels within the proposed boundary of the new city, making the transient occupancy tax a significant source of revenue accruing to the city. EPS estimated the base year transient occupancy tax loss to the County at approximately \$1.9 million. To be conservative, the CFA does not assume any new hotels will be constructed that would provide additional transient occupancy tax revenue.

Franchise Fees

Currently, the utility companies pay a fee for having the ability to operate in the County. There are two sources of franchise fees within the proposed incorporation area boundary—cable television and gas and electric utilities. These fees are paid to the County. Upon incorporation, the ability to impose a franchise fee is the prerogative of the new city as monies derived from franchise fees would go to the city. (\$125,103)

Planning Fees

The new city will collect planning fees to offset the cost of providing planning services. Although Sacramento County receives revenues equal to approximately 70 percent of its total costs in this area, the CFA estimates that planning fees will equal approximately 50 percent of the cost of providing planning services for the new city. This estimate is more conservative to account for the increased amount of advance planning that will be required within the new city.

Fines

Sacramento County did not identify any General Fund fine revenues that would transfer to the new city. However, most cities typically receive some amount of fine and penalty revenue related to their operation. Fine revenue is primarily associated with fines for minor infractions. The CFA has conservatively estimated the city would receive \$1.00/year per capita in fine revenue.

Jail Booking Reimbursement

The CFA assumes the new city will be eligible for 100 percent reimbursement of jail booking costs per Assembly Bill 1662, which was adopted in 1999. Jail booking reimbursement revenue in this CFA utilizes current County booking fee rates and a number of bookings based on the incorporation boundary area's share of Sheriff's Department calls for service.

Motor Vehicle in Lieu

As a State shared revenue, a large percentage of the vehicle registration fees that Californians pay is returned to cities and counties through a State subvention in the form of MVIL revenue. The State formula for local government distribution essentially splits the money into two Statewide pools.

One is a Statewide County pool for which each County receives a per capita distribution based upon the number of persons residing within its borders. The population count includes residents of both the unincorporated and incorporated parts of the County. Thus, Sacramento County would continue to receive a major portion of its share of revenue regardless of the incorporation proposal outcome.

The second pool is distributed only to cities and is also allocated per capita, based on the total population of cities within the State. The formation of new cities marginally affects the total city "pool" of MVIL revenue. As new cities incorporate, respective shares among all cities Statewide are minimally affected.

Under current State law, all State monies allocated on the basis of population allow a new city to use, for subvention purposes, either actual population count or a "proxy population" (three times the number of registered voters at the time of incorporation) to determine distribution of State subvention revenue. In this instance, the proposed city of Rancho Cordova is estimated to have 25,469 registered voters at the time of incorporation. Multiplying the number of registered voters by three (76,407) results in a favorable "official population" for the new city.

The CFA Appendix (Figure A-7) shows detailed estimates of registered voters and the proposed city’s “proxy population.” The city is allowed to collect State subvention revenue based on its proxy population for up to seven years following the incorporation. This State law, which has been in existence for many years, is designed to allow the proposed city to collect additional revenue in its early stages of development.

It is important to note the new city would receive revenue associated with the higher “proxy” population figure for its first seven years of operation. After that, official census figures will be used to determine subvention revenue. This will likely result in a drop in MVIL revenue following seven years of operation. The city of Rancho Cordova will be able to withstand the recalculation of State subvention revenue as the projected population growth in Rancho Cordova begins to approach the “proxy” population calculation after approximately the tenth year of operation.

Other General Fund Revenue

In the CFA analysis, the General Fund receives revenue from building and permit fees collected by the new city to cover General Fund overhead costs associated with the provision of these services. The new city is assumed to collect building and permit fees at 110 percent of the building inspections department’s direct cost of providing these services. The additional 10 percent fee revenue collected is used to offset the cost of General Fund departments’ overhead cost for supporting the building inspection department.

Additionally, the city will accrue investment earnings on funds retained in the General Fund throughout the year. Investment earnings are calculated using the treasury pool rate of 5.50 percent on the annual fund balance up to the maximum amount.

Road Fund Revenue

Road fund revenue includes gas taxes, the road fund property tax, and Measure A half-cent sales tax revenue available for road maintenance.

Gas Taxes

Currently, the State of California levies a gasoline tax on each gallon of gasoline sold at the pump. This money funds most road maintenance activities across the State. A large portion of the tax is distributed back to local entities in the form of State shared revenue according to a series of complex formulas, most of which

are based upon population. **These gas tax monies are restricted in that they can only be spent on projects associated with road maintenance or construction.** These monies cannot fund police, planning, libraries, or other General Fund services.

All but one of the State shared revenues accruing to the city would not reduce revenue accruing to the County. In other words, following incorporation, the County will continue to receive its full share of State shared gas tax revenue from all but one source. The Section 2106c revenue component is the only one that will be affected by incorporation. As identified in the Road Fund fiscal mitigation calculation in the CFA, Sacramento County will lose approximately \$275,000 in gas tax revenue annually as a result of the incorporation of Rancho Cordova.

Road Fund Property Tax

Property tax that will accrue to the city's road fund will come from a transfer of Road Fund Property Tax from Sacramento County. The CFA calculates the Road Fund Property Tax transfer from the County using an average of the contribution rate from all of the tax rate areas within the boundary of the proposed incorporation. The average Road Fund Property Tax collected is .083 percent of the total property tax collected within the proposed new city. The base year Road Fund Property Tax loss to the County is estimated to be approximately \$30,000.

Measure A Half-Cent Sales Tax Revenue

In Sacramento County, the citizens have elected to levy an additional one-half cent sales tax on their purchases to fund transportation improvements. This money (commonly referred to as Measure A revenue after the ballot measure), is earmarked for certain identified transportation projects, as well as to help augment road construction and maintenance activities.

Measure A did not, as drafted, directly account for the incorporation of new cities in its allocation formulas. Given this, the County Public Works Agency and LAFCo staff assume the proposed new city will be treated similarly to the manner in which Citrus Heights and Elk Grove were in that it will receive a share of Measure A funds, based on population.

The amount of measure A funds available is based on a per capita allocation using the proposed city's total population. The CFA assumes the new city will receive Measure A funds based on the following calculation: Out of 44 percent of total net revenue available for road maintenance, the proposed city of Rancho

Cordova will receive its share of these revenues based on the city's population relative to the County's remaining unincorporated population, and the populations of the Cities of Sacramento and Citrus Heights. Although not guaranteed, it is assumed that this is the methodology that will be employed to determine the new city's share of Measure A revenue.

The CFA assumption that the proposed city will receive a share of Measure A funds is not a guarantee that the proposed city will receive the funds. In fact, the City Council must complete several required steps before the city is eligible for the receipt of Measure A funds. **If this revenue does accrue to the proposed city of Rancho Cordova, as expected, it is a restricted revenue source and can only be spent on specific road maintenance and construction activities.** The estimate of Measure A revenue assumes the Measure A sales tax revenue collection, which is set to sunset in 2008, will continue in a similar manner beyond its current expiration date.

Transportation Development Act Funds

Transportation Development Act (TDA) funds are used to offset systemwide transit costs provided by RT. The funds are distributed by SACOG. There are two pots of TDA monies that will be available to the new city. The first pot is State Transit Assistance (STA). STA funds are available for mass transportation and transportation purposes only. STA funds cannot be used for road maintenance.

The second TDA pot is the Local Transportation Fund (LTF). LTF monies must first be used for transit needs within a jurisdiction, including any "unmet transit needs"; as required by law. After all transit needs have been met, the remaining funds may be used for road maintenance. Rancho Cordova will be eligible for about \$1.6 million in LTF funds. The city may choose to join RT, a Joint Powers Authority, or contract for transit services with RT. In both cases, the proposed city will assign their LTF allocation to RT for the provision of transit service within its jurisdiction. Citrus Heights has contracted for transit service and provided RT with its full LTF allocation. Cities may also choose to keep the LTF allocation and be responsible for providing transit service within its jurisdiction. Should Rancho Cordova decide to assume responsibility for providing transit service, the city will be eligible for approximately \$1.6 million in LTF funds. However, the likely cost for the city to assume the provision of transit service would be much greater than the amount of LTF funding it would receive.

For these reasons, the CFA has not assumed any road maintenance revenue from TDA funds. Thus, road maintenance revenues have been calculated based on gas taxes, the road fund property tax, and Measure A revenues.

Other Restricted Fund Revenues

Building Inspection and Site Development Fees

Building inspection and other construction related permit fees are established by the Sacramento County Board of Supervisors. These fees are set and changed by County ordinance. The fees are designed to recover the cost of providing the services, including all direct and indirect expenses.

It is assumed that the new City Council will adopt a similar fee schedule to recover costs for these services. Recovery of this cost through fees to the applicants is practiced in almost all jurisdictions and is viewed as a fair and equitable way to provide the service in that those who benefit and use the services pay for the services.

**Auditor’s Ratio and Sacramento County
Property Tax Transfer Calculation**

The amount of property tax that a new city receives as a transfer from the County is based upon a formula in the Government Code. This formula is as follows:

$$\begin{array}{l} \textit{Total Net} \\ \textit{Cost of General Fund} \\ \textit{Services Transferred} \end{array} \quad X \quad \begin{array}{l} \textit{Countywide} \\ \textit{Property Tax} \\ \textit{Countywide} \\ \textit{General Purpose} \\ \textit{Revenue} \end{array} = \begin{array}{l} \textit{Property} \\ \textit{Tax} \\ \textit{Transfer} \end{array}$$

The first part of the formula is derived by estimating the **net cost of services** that will be transferred to the new city from County General Fund revenue. Inclusion of those services funded by General Purpose Revenue in the formula is quite explicit in State law.

In the case of Rancho Cordova, these services include law enforcement, planning, public works, and animal control. State law requires use of the most recent actual fiscal year completed for calculation of the net cost of services, which for the CFA is Fiscal Year 1999-2000. **The total base year net cost of providing these services is \$12,052,470.**

The second part of the formula, the “Auditor’s Ratio,” is a ratio developed by the Sacramento County Auditor-Controller. This ratio indicates the amount of property tax revenue collected in proportion to the amount of all general

purpose revenue collected by the County. This ratio, as calculated and produced by the Auditor-Controller is 0.3188. This figure means that property tax collections represent 31.88 percent of the County's total general purpose revenue. Using the formula, the base year property tax transfer amount is:

<i>Net Cost</i>	<i>X</i>	<i>Auditor's Ratio</i>	<i>=</i>	<i>Property Tax Transfer</i>
<i>\$12,052,470</i>	<i>X</i>	<i>0.3188</i>	<i>=</i>	<i>\$3,842,373</i>

The base year property tax transfer amount is used to determine the future tax collection for the new city. The percentage of total property tax accruing to the proposed city of Rancho Cordova each year is calculated by dividing the base year property tax transfer amount (calculated above) by the total property tax collected within the incorporation area boundary. The new city's share of base year property tax collected in the area is \$3,842,373. The base property transfer amount, escalated to FY 2002-03 by assessed value growth, will be \$4,208,006. The remainder of property tax collected is split between Sacramento County (which still must provide jail, health, court, and other countywide services), schools, and other special districts.

**Base Year 1999-2000 Property Tax Transfer Amount
And Calculation of Annual Property Tax
Allocation Percentage
Petition Boundary Alternative⁹**

<u>Property Tax Transfer</u>	Totals from County
Total Expenditures Subject to Transfer	\$12,052,470
County Auditor's Ratio	31.88%
Property Tax Transferred from County of Sacramento	\$3,842,373
 Calculation of Tax Allocation Percentage	
Fiscal Year 2002-2003 Base Year Incorporation Area Assessed Value	\$2,328,980,204
Total Property Tax Collected (@ 1% of A.V.)	\$23,289,802
Fiscal Year 2002-2003 Property Tax Transferred from County of Sacramento	\$ 4,208,006
Annual Property Tax Allocation Percentage	18.07%

⁹ Source: Sacramento County. Rancho Cordova Incorporation Comprehensive Fiscal Analysis, Public Review Draft, July 27, 2001, Figure 12.

Gann Limit

The provisional appropriations limit, as required per Article XIII B of the California Constitution is estimated to be approximately \$25 million. A permanent appropriations limit will be set by the voters of the new city at the first municipal election, which will be held by the new city following the first full fiscal year of operation.¹⁰

Procedure for Final Commission Action

On September 13, 2001, the County of Sacramento provided LAFCo with a detailed memorandum regarding several concerns in the published draft CFA and its findings. Your Executive Officer reviewed and discussed the issues raised by the County with the incorporation proponents and LAFCo's financial consultant.

On October 26, 2001, staff gave 30 day notice for interested parties to request a State Controller's review of the CFA. The notice stated that any request for a State Controller's review by an interested party must specifically state in writing (by November 26, 2001) any element of the Comprehensive Fiscal Analysis the party wishes to have reviewed and the reasons for such review. No requests for a review of the CFA were received by your staff.

During this 30-day period, staff presented a boundary recommendation to your Commission for tentative approval prior to final hearings. The purpose of establishing a tentative boundary prior to final hearings was so that the EIR and CFA could be updated, if required, prior to your Commission taking final action.

On February 6, 2002, your Commission tentatively adopted a boundary for the proposed city. The CFA was updated to determine the financial impacts of the new boundary that had not been among the alternatives which were studied.

The following discussions are based on information provided in the draft CFA and supplemental information that has been provided to update the draft CFA.

The boundaries were adjusted to address issues and concerns that were raised by the County of Sacramento because *the Comprehensive Fiscal Analysis indicates that only under certain conditions is the proposed city of Rancho Cordova viable after making the required mitigation payment.*

¹⁰ Government Code Section 56812 c.

The Commission must be able to make the following findings in order to approve any incorporation proposal:

- (1) The proposed city is economically viable after making the required mitigation payment.
- (2) The revenues and expenditures transferred are substantially equal.
- (3) The mitigation payment adequately mitigates the negative fiscal impacts on the County of Sacramento. [Revenue Neutrality]

Local Government Finance

Since the adoption of Proposition 13, local governmental agencies (cities, counties and special districts), do not have direct control over property tax revenue. Local government does not have the ability to set tax rates, to raise money to fund both discretionary and mandated programs without voter approval. Local revenues are dependent on both the state and the local economy to increase revenue. Over the years since the passage of Proposition 13, this situation has led to the “fiscalization” of land use. Fiscalization is caused by the attempt of local government to attract commercial and retail business to obtain sales tax revenue in addition to property tax revenue.

Generally, changes in government organization (annexation or incorporation) does not result in a new source of revenue for either agency. Revenue and expenditures are transferred from one agency to another. Basically, it is a “zero-sum” game. In the case of incorporation, it is likely to be more expensive for incorporation proponents because a duplicative organizational structure is created, rather than the consolidation of two service providers into a single entity that typically leads to potential cost savings. As a result, incorporation is not financially viable under all circumstances.

The proposed city of Rancho Cordova is viable under a limited number of situations because the projected revenue growth does not immediately offset the increased costs of forming a new city.

City Viability

By law, the Commission must be able to make a finding that the proposed city of Rancho Cordova can sustain itself for three years after incorporation. Sacramento Commission policies extend this time limit to a ten year period. The financial viability of a city is determined by its capacity to generate revenue in

excess of expenditures. LAFCo is required to forecast a city budget (revenue and expenditures) based on a comparison of cities of similar size.

The proposed city of Rancho Cordova is economically viable (feasible) when the mitigation payment is extended an additional 6.5 years. In effect, the payment to the County of Sacramento is lowered in order for the city to maintain a fund surplus and to be able to meet its on-going expenditures. Repayment to the County is made by increasing the payment term.

Substantially Similar Revenue and Expenditures

Your Commission must also make a finding that substantially similar revenue and expenditures are transferred, i.e., service levels for the new city should be similar to the current (unincorporated) service levels.

The Comprehensive Fiscal Analysis for the proposed city of Rancho Cordova has developed a pro forma budget based on the current service levels that are provided by the County of Sacramento. With one exception, the CFA finds that the estimated service levels for the proposed city will be substantially similar to the service levels currently provided by the County.

Recently, CHP services have been augmented within the proposed incorporation territory. Service levels have increased by approximately \$1.6 m. After the transition period, the CHP will no longer provide traffic enforcement to the new city. As a result, the new city will have to either reallocate its resources to provide for the current level of service or reduce the level of service.

Revenue Neutrality Mitigation Payment

Background: Revenue Neutrality Law [Government Code Section 56815]

In September, 1992, the Governor signed AB 3027 into law, which requires that any proposal that includes an incorporation should result in a similar exchange of both revenue and responsibility for service delivery among the County, the proposed city, and other subject agencies.

This bill has generally been construed to mean that an incorporation should be “revenue neutral,” although that exact terminology was never defined. In sum, the law states, the cost of services to be transferred should be “substantially equal” to the amount of revenue to be transferred.

According to Government Code Section 56815, if the revenue loss is greater than the service loss for any entity, then the proposal should be denied, or action should be taken by LAFCo to mitigate the loss. Possible actions include: “(1) the County and all of the subject agencies agree to the proposed transfer, or (2) the negative fiscal effect has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to Section 56886.”

Intent: a) It is the intent of the Legislature that any proposal that includes an incorporation should result in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city, and other subject agencies. It is the further intent of the Legislature that an incorporation should not occur primarily for financial reasons.

Findings: (b) The Commission shall not approve a proposal that includes an incorporation unless it finds that the following two quantities are substantially equal: (1) Revenues currently received by the local agency transferring the affected territory **that**, but for the operation of this section, would accrue to the local agency receiving the affected territory. (2) **Expenditures, including direct and indirect expenditures**, currently made by the local agency transferring the affected territory for those services **that** will be assumed by the local agency receiving the affected territory.

Alternative Findings: (c) Notwithstanding subdivision (b), the Commission may approve a proposal that includes an incorporation if it finds either of the following: (1) The county and all of the subject agencies agree to the proposed transfer. (2) The negative fiscal effect has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to Section 56886. (d) Nothing in this section is intended to change the distribution of growth on the revenues within the affected territory unless otherwise provided in the agreement or agreements specified in paragraph (2) of subdivision (c).

Resolution; fiscal terms and conditions: (e) Any terms and conditions that mitigate the negative fiscal effect of a proposal that contains an incorporation shall be included in the commission resolution making determinations adopted pursuant to Section 56880 and the terms and conditions specified in the questions pursuant to Section 57134.¹¹

Mitigation and repayment terms vary from incorporation to incorporation. There is no statewide standard model; the issue is based on the discretion of

¹¹ Added by Stats. 2000, Ch. 761; amended by Stats. 2001, Ch. 530.

LAFCo, or agreement by the parties. Historically, Sacramento County has the longest repayment terms for incorporating cities. The following table summarizes the repayment terms of six incorporations.

California Incorporation Mitigation Term

City	Years
Golita	10 Years/ Perpetuity
Aliso Viejo	14 Years
Elk Grove	25 Years
Rancho Santa Margarita	14 Years
Laguna Woods	14 Years
Citrus Heights	25 Years

Tax Sharing Agreement Not Fixed Amount Payment

This revenue neutrality proposal is a tax sharing agreement, or “partnership,” calling for the County to receive a certain percentage of city property tax revenue for a fixed period of time regardless of what those property tax revenues may be. The annual sharing percentages on all four options were developed from projections of city property tax revenue and its growth. Actual growth on an annual and cumulative basis will be either greater or less than the estimates, but the actual revenue sharing will be based on the percentages. In this manner, the County and the City will share in the Rancho Cordova area’s financial success, or lack thereof, with regard to property taxes, just as the County would have without incorporation.

**Revenue Neutrality Calculation: Financial Impact
To the Sacramento County General Fund**

The following discussion analyzes the financial impact to the County of Sacramento as a result of the proposed incorporation. In general, Sacramento County will lose both revenue and service responsibility (expenditures) upon the incorporation. The revenue neutrality, or mitigation payment, is based on the difference between revenues and expenditures transferred during the base year.

**Base Fiscal Year 1999-2000 General Fund
Revenue and Expenditures Transferred**

Total Revenues Transferred	\$18,270,074
Total Net Cost Transferred	\$11,401,242
Mitigation Payment	\$ 6,868,832

The entire \$6.8 m is a permanent revenue loss to the County of Sacramento and without a mitigation payment, the County would have to cut services in other programs. The total projected revenue loss prior to any mitigation payment is estimated to be \$171.7 million over a period of 25 years. These funds are used to provide countywide services to all residents within the County.

City Surplus

The projected annual surplus for the proposed city of Rancho Cordova is approximately \$5 m.

Summary of Proposed City of Rancho Cordova
Operating Budget
FY 2004-05

Estimated Revenue	\$ 23,829,890
Estimated Expenditures	\$ 19,012,439
City Surplus	\$ 4,817,451

The projected surplus increases only slightly over the next ten years. This results in a gap of approximately \$1.8 million between what the County should receive and what the new city can afford to repay.

Mitigation Payment	\$6.8 m
City Surplus	<u>\$5.0 m</u>
Estimated Annual Shortfall of Mitigation Payment	\$1.8 m

This results in an estimated shortfall of about \$45.0 m.

$$\$1.8 \times 25 \text{ years} = \$45,000,000$$

In order for the proposed city of Rancho Cordova to be economically viable, and for the citizens within its corporate boundary to continue to receive substantially the same level of services as currently provided by the County of Sacramento, requires a mitigation payment extended over a longer period of time than 25 years. County of Sacramento staff has offered to accept a reduced mitigation payment over a longer period of time. As a result, repayment has been recalculated to extend for a period of approximately 31.5 years. At the end of 31.5 years, the County will, nevertheless, be required to reduce programs or raise new revenue to support its programs. (Note: The Board of Supervisors has

scheduled a public hearing on April 16, 2002, to discuss staff's recommended revenue neutrality payment for the proposed incorporation.)

There are two primary reasons which create this need to extend the repayment terms by approximately 7 years. First, the annual shortfall is greater than that experienced by the proponents in the Elk Grove incorporation. Secondly, the projected revenue growth within the boundaries of the proposed city of Rancho Cordova does not reduce the annual payment shortfall.

The proposed extension of the repayment schedule has a greater impact on the County of Sacramento than the proposed city because the County must compensate for this reduced revenue stream. Basically, it appears that the County of Sacramento will be subsidizing the proposed city for a period of approximately 32 years.

Moreover, the County of Sacramento is sharing in the future property tax growth of the proposed city, however, the County is also sharing the risk that the property tax growth will not exceed projections. The negotiated Rancho Cordova proposal appears to be a greater financial risk to the County of Sacramento than the incorporation of Elk Grove because the future growth in Rancho Cordova may not be as great as that which was projected for the City of Elk Grove. This situation is made worse because of projected County budget deficits for fiscal year 2002-2003.

Transition Period

The Cortese-Knox-Hertzberg Act provides for a period of time, typically called the "transition period," during which the County is required to continue to provide services to a newly incorporated city. The purpose of the transition period is to provide a continuity of services to the incorporating territory while the new governmental entity is establishing itself. In this case, the transition period is the period of time when the new city will rely on the County of Sacramento for services [November, 2002 through July 1, 2003], under the terms specified in the LAFCo resolution.

The Cortese-Knox-Hertzberg Act provides for a transition period extending from the effective date to the end of the fiscal year in which incorporation occurs, or longer, by agreement of the parties. Elsewhere, the Act extends flexibility to the Commission in setting terms and conditions providing for the continuation of services and payment for those services for a longer period of time, so long as the Commission's decision to do so is supported by substantial evidence in the record.

Transition Year Costs and Revenues

After the effective date of incorporation, the County continues to provide service to the city for the balance of the fiscal year in which the incorporation becomes effective. However, the transfer of revenue from the County to the new city begins almost immediately upon the effective date of incorporation. The service must be repaid by the new city over a five year period, normally beginning after the year of transition. The LAFCo staff and Rancho Cordova Incorporation Committee propose that the effective date of the Rancho Cordova incorporation should be July 1, 2003, resulting in a transition period of the entire 2003-04 fiscal year. The full year transition impact on the County's General Fund is projected to be approximately \$9.5 million (net).

In order to minimize the transition year impact on the County, this proposal calls for a \$3.5 million reimbursement to be made by the new city to the County during the transition year. This both reduces the transition impact on the County (to approximately \$6.0 million) and reduces the reimbursement obligation of the new city during the next five years thereafter. Lowering the reimbursement obligation of the new city also increases the amount of revenue neutrality payments that may be paid during that time, while fiscal viability of the new city is assured.

The agreement by the Rancho Cordova Incorporation Committee to require the new city to make this \$3.5 million reimbursement during the transition year was a major factor in County staff's recommendation to agree to an initial revenue neutrality/ revenue sharing agreement which generates less than full revenue neutrality required to hold the County harmless in the initial years following the incorporation effective date (under Options 1 and 3).

Partial Indirect Offsets or Benefits to the County of Sacramento

There are a number of indirect benefits that may be advantageous to the unincorporated residents of Sacramento County should the Rancho Cordova electorate approve the incorporation.

- (1) Recently, the State created additional California Highway Patrol Service (\$1.6 m) to the community of Rancho Cordova. Upon incorporation, the CHP will no longer provide service to Rancho Cordova. As a result, it may be possible to reallocate CHP services to the remaining unincorporated area. Thus, the County could benefit from a higher level of CHP service.

- (2) In addition, the County spends approximately \$1 m more than the money it receives from road revenue funds within the territory of the proposed city of Rancho Cordova. Upon incorporation, the \$1 m in annual expenditures will likely be spent in the unincorporated area of the County. This is a special fund and cannot be used for general fund programs. Nevertheless, these funds can be used for the maintenance and improvement of roads to increase service levels for unincorporated area residents.
- (3) Finally, although it is not possible to calculate, or even estimate a cost savings, there should be some cost saving to the County upon incorporation by virtue of the County's loss of service responsibility. Service responsibility that will benefit unincorporated area residents and should help to mitigate the larger repayment schedule based on the large shortfall.
- (4) In addition, the boundary of the proposed city was reduced to accommodate several concerns raised by the County of Sacramento:
 - (a) Security of mitigation payment;
 - (b) Redevelopment of Mather Air Force Base.
- (5) The Revenue Neutrality Agreement will have reopener provisions similar to the agreement with the City of Elk Grove.

Fiscal Mitigation Scenarios

Sacramento County Utility User Tax and Transient Occupancy Tax

The County of Sacramento collects a utility user tax at the rate of 2.5% on various utilities in Sacramento County. Residential, commercial and industrial customers pay this tax based on utility charges. In addition, the County of Sacramento charges a motel-hotel tax on all rooms that are rented. This tax amounts to 12% of the room charge.

Recently, a court determined that to be in accordance with Proposition 218, the entire utility tax (2.5%) and 2% of the Transient Occupancy Tax must be approved by the voters within Sacramento County. As a result of this ruling, a ballot measure will be placed on the November, 2002, ballot for the electorate to determine whether or not the County of Sacramento can continue to collect this tax.

If the electorate within Sacramento County does not approve the continuation of the Utility Users Tax and Transient Occupancy Tax, the Comprehensive Fiscal Analysis for the proposed incorporation will be affected.

The fiscal viability of the proposed city is dependent upon the continuance of these taxes; however, the city's viability is not dependent upon whether or not these taxes are approved in the unincorporated area. In fact, the mitigation payment will change if these taxes are not continued in the unincorporated territory of Sacramento County.

The following scenarios for a mitigation payment by the proposed city to the County of Sacramento are possible, and will be influenced by the outcome of various ballot measures that will be placed on the ballot for November 2002.

Scenario No. 1

Assumes that the voters in the unincorporated territory of Sacramento County approve the continuance of the existing Utility Users Tax (2.5%) and the Transient Occupancy Tax (12%). The new city's mitigation payment to the County of Sacramento is about \$6.8 million. The revenue neutrality payment will be extended to 31.5 years rather than the standard 25 year term used in previous incorporations.

Scenario No. 2

Assumes that the Utility User Tax in the unincorporated territory of Sacramento County is repealed. This action will reduce the new city's mitigation payment to approximately \$4.5 million.

The mitigation payment will be reduced by the amount of the utility tax that was previously required to be paid to the County of Sacramento because after incorporation, this revenue source will no longer exist for the County of Sacramento. The repayment term will be reduced to 25 years and the total amount to be repaid will be lowered.

Scenario No. 3

Assumes that the Utility User Tax is not repealed in the unincorporated area of Sacramento County but the Transient Occupancy Tax is repealed. This action will reduce the new city's mitigation payment to approximately \$6.6 million.

Scenario No. 4

Assumes that both the Utility User Tax and the Transient Occupancy Tax are repealed in the unincorporated territory of Sacramento County. Note: The Transient Occupancy Tax is reduced from 12 to 10 percent. This action will reduce the new city's mitigation payment to approximately \$4.2 million. As a result, the repayment term will be reduced to 25 years and the total amount to be repaid will also be lowered.

Summary Of Fiscal Mitigation Scenarios

	<u>Annual Payment</u>	<u>Mitigation Term in Years</u>	<u>Total Mitigation</u>
Scenario No. 1: No change; full Mitigation payment	\$6,868,832	25	\$171,720,799
Scenario No. 2: Only Utility User Tax Repealed	\$4,528,424	25	\$113,210,588
Scenario No. 3: Only Transient Occupancy Tax Repealed	\$6,549,302	25	\$163,732,557
Scenario No. 4: Both Utility User and Transient Occupancy Taxes Repealed	\$4,208,894	25	\$105,222,346

Summary of Fiscal Mitigation Options

Scenario	Description	Total Fiscal Mitigation	Number of Years	Years Above 25 Yr. Standard
1	Full Mitigation Payment	\$171,7000,000	31.5	6.5
2	Payment if Utility User Tax is Repealed	\$113,2000,000	25.0	0.0
3	Mitigation Payment if Transient Occupancy Tax Is Repealed	\$163,800,000	29.5	4.5
4	Mitigation Payment if Utility User and And Transient Occupancy Tax Are Repealed	\$105,200,000	25.0	0.0

Comprehensive Fiscal Analysis Assumptions

Economic & Planning Systems, Inc., used the following assumptions in calculating the fiscal mitigation scenarios for the proposed Rancho Cordova incorporation:

- (1) Annual revenue and cost estimates for the proposed city are based on the CFA model for the LAFCo Commission boundary.
- (2) Each of the four fiscal mitigation options corresponds to Sacramento County’s interpretation of fiscal mitigation terms. Sacramento County requires total mitigation in an amount not less than Government Code Section 56815 amount for the base year 1999-00 multiplied by 25 years.
- (3) The analysis assumes the inflation and discount rates equal one another for purposes of projecting revenue and cost estimates.
- (4) Revenue and cost estimates beyond the first nine fiscal years modeled in the CFA are based on a simplified version of the CFA model. Similar to the CFA analysis, EPS used conservative growth

rates in estimating revenues and expenditures to ensure that the proposed city would maintain fiscal viability while making mitigation payments to the County.

Environmental Impact Analysis

The Draft Environmental Impact Report for the proposed city of Rancho Cordova was completed in March, 2001. The Final Environmental Impact Report was issued in October, 2001.

On February 28, 2002, Environmental Science Associates (ESA) issued a memorandum to LAFCo stating that a revised boundary alternative was consistent with the Rancho Cordova Incorporation EIR. The memo stated:

“The February 6, 2002 proposed incorporation boundary and Sphere of Influence was not discussed as a specific alternative in the EIR for the proposed Rancho Cordova Incorporation. However, no additional lands have been added to the new boundary beyond what was originally proposed for incorporation. Instead, the new boundary represents a reduction in the lands that were analyzed under the original project. The entire area within the newly proposed boundary has been analyzed in the EIR, either as part of the original boundary, or as part of one or more of the several alternatives.

However, to ensure that the proposed new boundary is consistent with the project analyzed in the EIR, a Supplemental Analysis has been undertaken. Based on that analysis, it has been determined that no new environmental impacts would occur nor would additional mitigation measures be required other than those presented in the Rancho Cordova EIR. In addition, a review of impacts and mitigation identified in the EIR was undertaken to confirm whether mitigation identified in the EIR is still applied under the new boundary alternative.”

The Environmental Impact Report has identified several impacts related to the Rancho Cordova incorporation proposal. As a result, there are several mitigation measures that will be included as part of a Mitigation Monitoring Program for this project. A summary of the impacts and required mitigation measures is attached as well as included in the specific resolution.

Water Availability for Properties Lying East of Sunrise Boulevard

Water supplies for new development east of Sunrise Boulevard appears to be problematic. Recent legislation requires that water supplies must be identified

before new development projects can be approved by local land use authorities. New development project approval must comply with current State law related to water availability. Based on current State law, if water entitlements are not available, development projects cannot be approved by any local land use jurisdiction.

The following policies and laws are currently in place that will ensure that water will be provided to new developments within the proposed city after incorporation.

(1) State Law

The new city will be required to adhere to existing State law that requires that water supply is available prior to approving new development projects:

- a) Assembly Bill 901¹²
- b) Senate Bill 221¹³
- c) Senate Bill 610¹⁴

(2) The water purveyors located within the boundary of the proposed city of Rancho Cordova, as signatories to the Water Forum Agreement, must also comply with the terms and conditions of the Sacramento Water Forum Agreement, dated January 2000. The stakeholders of this document agree to adhere to its policies and principles including, but not limited to, developing conservation programs, ground water management, increased use of surface water if available, and water allotments based on supply of existing resources. This agreement is effective until December 31, 2030.

(3) The new city will initially be subject to Sacramento County General Plan policies related to water supply.

- Policy CO-20: In new development areas, entitlements for urban development shall not be granted until a Master Plan for water supply has been adopted and all agreements and financing for supplemental water supplies are in place. The land use planning process may proceed, and specific plans and rezoning may be approved.

¹² Stats. 2001, Ch. 644.

¹³ Stats. 2001, Ch. 642.

¹⁴ Stats. 2001, Ch. 643.

- Policy CO-22: Development entitlements shall not be granted in areas where no groundwater exists and water purveyors have reached their capacity to deliver treated water unless all necessary agreements and financing to obtain additional water supply are secured.
 - Policy CO-23: Subdivisions and Parcel Maps shall be required to demonstrate adequate quantity and quality of groundwater prior to approval of residential lots in areas of the County where supply and quality are doubtful.
 - Policy CO-23: Should the Board of Supervisors determine that there is a significant adverse effect on groundwater, including effects on quality, no building permits for urban commercial and residential uses shall be issued.
 - Policy CO-39: Development project approvals shall include a finding that all feasible and cost effective options for conservation and water reuse are incorporated into project design. Wastewater reuse options shall be reviewed and agreed upon by the area water purveyor when the reclaimed water is to be used with the water purveyor's boundaries.
- (4) In addition, the Sacramento County Water Agency has adopted a Master Plan for Zone 40, and is in the process of updating said Master Plan. This Master Plan identifies the long-term conjunctive water program designed to serve both ground and surface water to the proposed city and areas beyond the city and the timetable by which said conjunctive use program is expected to be implemented. New development shall not occur until a firm water supply is identified and all agreements and financing for said water supply are in place.

Proposed Incorporation of Rancho Cordova
Ballot Measure

The ballot measure for the proposed incorporation of Rancho Cordova will need to include language that affirmatively imposes a Utility Users Tax at the rate of 2.5% as well as a Transient Occupancy Tax at the rate of 12%. Approval of the incorporation is conditioned upon approval of the utility users and transient occupancy taxes. Therefore, the electorate must approve both issues in the November, 2002, election. **The proposed city cannot be found to be viable by your Commission without the imposition of these taxes.**

In the case of both Citrus Heights and Elk Grove, the ballot language for the proposed incorporation simply stated that the city would continue these taxes per the appropriate County ordinances. However, in the case of Rancho Cordova, the ballot measure will ask that these taxes be imposed.

Findings

The proposed city of Rancho Cordova is economically viable and the new city will be able to provide a substantially similar level of services to its residents. Based on a proposed revenue neutrality agreement with the County of Sacramento, the proposed city of Rancho Cordova will be able to mitigate the estimated revenue loss to the County of Sacramento. The mitigation payment and term of the payment will be dependent upon whether or not the unincorporated residents approve the continuation of a 2.5 percent utility tax.

The boundary of the proposed city is irregular in shape. The boundary is definite and certain in that it does not split parcels. The boundary of the proposed city has been adjusted and modified to address fiscal concerns raised by the County of Sacramento.

Conclusion

Based upon the findings outlined in this report, previous staff reports, information provided by the public and other governmental agencies at public hearings before your Commission, and the findings of the Comprehensive Fiscal Analysis, I recommend that your Commission certify the Final Environmental Impact Report and determine that it is adequate and complete for this project. I recommend your Commission make findings of fact for the approval of the proposed incorporation of Rancho Cordova.

I recommend that your Commission direct staff to prepare final Resolutions stating the terms and conditions for the approval of the proposed incorporation of Rancho Cordova. Staff will present final Resolutions at the Commission meeting of May 1, 2002.

The information gathered by staff for your Commission analysis of the proposed incorporation of Rancho Cordova is available to the citizens of the community and is, in my opinion, adequate for the citizens of the community to make an informed decision on this issue.

Respectfully submitted,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage
Executive Officer

PB:Maf
Attachments

(XO Final RC Report)