

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

September 3, 2003

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **CITY OF ELK GROVE SPHERE OF INFLUENCE**  
**AND CONCURRENT ANNEXATION OF LAGUNA WEST**  
**[CEQA: Negative Declaration] (05-01)**

**RECOMMENDATION**

1. Certify the Negative Declaration as adequate and complete for establishing a Sphere of Influence for the City of Elk Grove and the Concurrent Annexation of Laguna West to the City of Elk Grove. [Resolution No. LAFC 1260.]
2. Approve the Municipal Service Review for the City of Elk Grove and Laguna West Area.
3. Amend the City of Elk Grove Sphere of Influence to include the the communities of Laguna West, Stonelake, and Lakeside.
4. Approve the Annexation of Laguna West Area which includes the communities of Laguna West, Stonelake, and Lakeside, to the City of Elk Grove, effective December 15, 2003, subject to the terms and conditions set forth and described in Resolution LAFC No. 1261.
5. Set the date for the Conducting Authority hearing for the City of Elk Grove Sphere of Influence and Concurrent Annexation of Laguna West (05-01) before your Commission.

**Applicant**

City of Elk Grove  
c/o John Danielson, City Manager  
8400 Laguna Palms Way  
Elk Grove, California

[City of Elk Grove Resolution No. 2001-71]

### **Project Description**

The proposal territory, known as Laguna West, comprising the communities of Laguna West, Stonelake and Lakeside, encompasses approximately 2,128 acres, and is located adjacent to the City of Elk Grove. Estimated population: 13,000 (April, 2003); 16,000 (build-out).

1. Establish a Sphere of Influence for the City of Elk Grove described as: Coterminous with the City of Elk Grove's city limit (corporate boundary) at the date of incorporation; amending the Sphere of Influence for the City of Elk Grove to include the territory described as Laguna West, as shown on the attached map.
2. Annex the proposal territory (Laguna West, Stonelake and Lakeside) to the City of Elk Grove as shown on the attached map.

Note: There will be no change in services or boundaries of independent special districts as a result of the proposed annexation, i.e., no detachments.

### **Project Effective Date**

The proposed effective date of the annexation is December 15, 2003.

### **Project Location**

The project site contains approximately 2,128 acres and is generally bounded on the west by the easterly right-of-way of Interstate 5, on the east by the current westerly city limit of the City of Elk Grove, on the north by Sacramento Regional County Sanitation District property, and on the south by the southerly right-of-way of Elk Grove Boulevard and the southeasterly/ south property lines of the Stone Lake Community. A legal description of the boundaries of the proposed project is attached to the resolution.

### **Existing and Proposed Land Uses**

The current land uses within the proposal territory are zoned for suburban development. No significant land use changes that will change density or impact service delivery are proposed. In fact, the proposal territory is almost totally developed. The proposal territory contains only urbanized areas. It does not contain prime agricultural designated lands or land subject to Williamson Act contracts.

### **Environmental Analysis**

Initial Study / Negative Declaration: Sphere of Influence for the City of Elk Grove and the Concurrent Annexation of Laguna West Area to City of Elk Grove. A Negative Declaration has been prepared and is attached to this report. Based on the Initial Study,

the project Sphere of Influence and annexation will not have a significant affect on the environment. Mitigation Measures from previous projects have been identified and have been included in the Mitigated Negative Declaration.

**General Sphere of Influence and Annexation Requirements**

1. Municipal Service Review
2. Environmental Documentation.
3. City and County maximum of sixty-day negotiation period regarding the Sphere of Influence boundaries, development standards, and zoning requirements for the areas within the Sphere of Influence. LAFCo is required to give "great weight" if agreement of the proposal is reached between the City of Elk Grove and the County of Sacramento.
4. Property Tax Exchange Agreement between City of Elk Grove and County of Sacramento.
5. Rezoning Requirement.

**Sphere of Influence Review Requirements per Government Code**

**Sphere of Influence**

In determining the Sphere of Influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect of each of the following:<sup>1</sup>

1. The present and planned uses in the area, including agricultural and open space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency (or agencies) provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

In conducting a Sphere of Influence Review, the Commission shall comprehensively review all of the agencies that provide the identified service or services in the identified area. Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following:<sup>2</sup>

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<sup>1</sup> Government Code Section 56425 (e).

<sup>2</sup> Government Code Section 56668.

- (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 10 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.
- (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.

The Commission shall consider the request and receive any oral or written testimony. The Commission may approve or disapprove, with or without amendment, wholly, partially, or conditionally, the request.

### **MUNICIPAL SERVICE REVIEW-GENERAL GUIDELINES**

#### **Municipal Service Review Requirements**

In order to prepare the Sphere of Influence for the City of Elk Grove, the Commission shall conduct a service review of the municipal services provided in the affected territory. The Commission shall include in the area designated for service review the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed and shall prepare a written statement of its determination with respect to each of the following:

1. Infrastructure needs or deficiencies.
2. Growth and population projections for the affected area.
3. Financing constraints and opportunities.
4. Cost avoidance opportunities.
5. Opportunities for rate restructuring.
6. Opportunities for shared facilities.
7. Government structure options, including advantages and disadvantages of consolidations or reorganization of service providers.
8. Evaluation of management efficiencies.
9. Local accountability and governance.

#### **The Purpose and Intent of the Municipal Service Review**

To provide information and data to ensure that the Commission has access to all necessary information in a timely manner to make sound conclusions and determinations with respect to municipal services.

**Commission Duties and Responsibilities under Cortese Knox-Hertzberg  
Local Government Reorganization Act of 2000**

The Commission shall have all of the ... powers and duties ... to review and approve or disapprove, with or without amendment, wholly, partially, or conditionally, proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the Commission .... A Commission shall not impose any conditions that would directly regulate land use density or intensity, property development, or subdivision requirements. When the development purposes are not made known to the annexing city, the annexation shall be reviewed on the basis of the adopted plans and policies of the annexing city or county. A Commission shall require, as a condition to annexation, that a city prezone the territory to be annexed. However, the Commission shall not specify how, or in what manner, the territory shall be zoned. The decision of the Commission shall be based upon the General Plan and pre-zoning of the City of Elk Grove in effect at the time of the decision. [Government Code Section 56375(a).]

In addition, LAFCo is to review proposals and consider discouragement of urban sprawl, the preservation of open space and prime agricultural land and the encouragement of orderly formation and development of local governmental agencies. [Government Code 56001 and 56668.]

**Reconsideration Process and Protest Provisions**

If your Commission approves the proposed Annexation of Laguna West to the City of Elk Grove, your Commission is required to hold a conducting authority, or protest hearing, on this proposal. There are three opportunities for the public to formally protest a decision of approval/ denial by your Commission:

- (1) Any citizen may file a Reconsideration Request of your Commission's decision within a period of 30 days following the decision. The request for reconsideration can be made by anyone who submits a written request, along with a fee of \$250. The Executive Officer then sets a Reconsideration Hearing (next regularly scheduled Commission meeting), at which time the Commission makes the determination whether or not there is information that was overlooked, compelling new information, or other reasons for the Commission to reconsider its decision at a future public hearing.
- (2) There is also an opportunity for registered voters living within the area to be annexed to file a protest petition. The petition must be circulated after the date on which the Commission makes its determination and must be submitted to the Commission prior to the close of, the conducting authority public hearing.

- (3) An election on the proposed annexation is not required unless sufficient protest is filed. If 25 percent [but less than 50 percent] of the registered voters protest the proposed annexation in their protest petition, LAFCo is required to call an election on the proposal. If 50 percent plus one protest the proposed annexation, the annexation proposal will be terminated and the proponents are required to wait one year before filing the same or a similar application proposal to your Commission.

**Discussion and Background**

**Sacramento County Population Trends**

The Sacramento Area Council of Governments estimates the population of Sacramento County to be 1,218,860 in the year 2000. The population of Sacramento County is expected to increase to 1,695,498 by the year 2025. The average growth rate for Sacramento County from 1999 to 2025 is expected to be 1.35 percent.

***Projected Population Changes***

	<b>2000<sup>3</sup></b>	<b>2025</b>	<b>Growth Rate</b>	
			<b>%</b>	<b>Annual</b>
City of Elk Grove	72,685	168,465	2.32%	9.3%
City of Citrus Heights	89,050	91,125	2.3%	.9%
City of Rancho Cordova	52,190	78,285	1.50%	6.0%
City of Folsom	53,810	76,333	1.42%	5.7%
City of Sacramento	409,610	528,880	1.29%	5.2%
City of Isleton	850	1,360	1.60%	6.4%
City of Galt	18,425	33,790	1.83%	7.3%
Unincorporated Area	<u>522,240</u>	<u>717,260</u>	<u>1.37%</u>	<u>5.5%</u>
Total	1,218,860	1,695,498		

<sup>3</sup> 2000 population estimate per SACOG.

### **City of Elk Grove History**

In 1850, Elk Grove was established as a hotel stop and a stop for the stage. It is located about 15 miles south of historic Sutter's Fort and thus, became a crossroad for business, entertainment, mail service and agriculture and acted as home base for gold miners in nearby communities. After it played its part in the early gold rush and statehood history in California, a close-knit community evolved with a distinctly rural and western lifestyle. Despite its close proximity to California's capital city, until the 1980's, Elk Grove remained quietly independent of Sacramento's growth and development as it expanded into adjoining countywide areas. Today, it is one of the fastest growing cities in Sacramento County.

The City of Elk Grove was incorporated on July 1, 2000, after two prior failed attempts, one in 1988, one in 1994. The City contains approximately 35 +/- square miles. It is located south of Calvine Road, west of Grantline, north of Kammerer Road and east of the Union Pacific Railroad tracks. The City is a General Law City with a City Manager form of government. There is a five member City Council elected by district; however, representation is at large.

### **Education**

Elk Grove is known for its excellent school system. The Elk Grove Unified School District, which covers more than 320 square miles and is the second largest school district in the State, serves the City of Elk Grove, one-third of the City of Sacramento and one-third of the County of Sacramento. The District currently contains 32 elementary and 18 secondary schools, with more planned as the area grows. The number of students for the 2002-03 school year was estimated to be 52,400. The Elk Grove Unified School District is known for its innovative teaching and curriculum, highly successful athletics programs and impressive test score record.

There are also several private schools in the City of Elk Grove, Grove Montessori School and Maryhill School. An adjacent local community college, Cosumnes River College, offers both vocational training and a transfer program to four-year universities. Located nearby are California State University, Sacramento, and the University of California, Davis, as well as branches of Golden Gate University and St. Mary's College, and University of the Pacific.

### **Transportation/ Access**

Elk Grove has enviable proximity to two major highways, Interstate 5 and Highway 99, providing easy access to highway transportation routes. Highway 99 intersects the City boundaries and is located approximately 2 blocks east of the City Hall. Interstate 5 is located one mile west of the City's westernmost boundary. The Sacramento International Airport is located approximately 26 miles north of the City of Elk Grove. Public transportation is provided by Regional Transit which currently serves the City of Elk Grove under contract through June 30, 2004.



**Elk Grove Population Trends**

***Elk Grove  
Population Profile<sup>4</sup>***

	<b>2000</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>
Population	72,685	98,110	122,600	149,430
Housing Units	24,817	34,250	43,637	53,829
Households	24,069	33,050	41,916	51,633
Employment	11,147	20,585	28,018	34,460
Elementary Students	10,925	15,021	20,257	25,037
Secondary Students	5,061	7,489	8,795	10,500

The State Department of Finance indicates that the City of Elk Grove has a population of 85,800.<sup>5</sup> As of mid-2002, the median household income was estimated to be \$67,000. The City of Elk Grove estimates it has 28,323 housing units. The average price of homes within the City of Elk Grove is \$252,821.

**City of Elk Grove Draft General Plan Status**

Upon incorporation, the City of Elk Grove adopted the County of Sacramento General Plan and supporting ordinances as its initial and official General Plan. On December 27, 2000, the Governor's Office of Planning and Research approved the City of Elk Grove's request for a time extension to complete its first General Plan, pursuant to Government Codes Section 65361. OPR granted the extension to December 31, 2003, stating "During the period of this extension, the City is not required to maintain a complete General Plan." The letter from OPR [see Appendix] contains several conditions of approval for granting the extension. The approval reserved the right to amend, delete, or replace any of the conditions during the extension period.

**City Council, City of Elk Grove**

Current City Council members,<sup>6</sup> and current terms of office, include:

Sophia Scherman, Mayor	2004
Richard Soares, Mayor Pro Tem	2006
Dan Briggs	2006
James Cooper	2004
Mike Leary	2004

<sup>4</sup> SACOG data. The population data used in this report has been taken from a variety of sources; consequently, it is not precisely consistent.

<sup>5</sup> January 1, 2003, Department of Finance.

<sup>6</sup> July, 2003.

**Redistricting Requirement After Annexation**

The City Council is elected at large by district. Upon annexation, the City will redraw district boundaries to include the Laguna West area. The City Council will determine the location of each district boundary and the approximate number of residents in each district pursuant to State law.

***Summary of General Information  
City of Elk Grove  
Laguna West Area***

Assessed Value		
City of Elk Grove	\$4,944,109,534	FY 2002
Laguna West Area	<u>\$1,127,308,337</u>	
Total	\$6,071,417,871	
Registered Voters		
City of Elk Grove	41,995	
Laguna West Area	<u>6,385<sup>7</sup></u>	
Total	48,380	
Population		
City of Elk Grove	85,800	
Laguna West Area	<u>13,400</u>	
Total	99,200	
Employment		
City of Elk Grove	11,147	
Laguna West Area		
Total		
Housing Units		
City of Elk Grove	28,323	
Laguna West Area	<u>6,400</u>	
Total	34,723	
Area (sq. miles)		
City of Elk Grove	34.8	22,279 acres
Laguna West Area	<u>3.3</u>	<u>2,128 acres</u>
Total	38.1 +/-	24,407 acres

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<sup>7</sup> 1596 = 25%/ 3193 = 50%.

**City of Elk Grove Existing Land Use**

<b>Land Use Type</b>	<b>Acres</b>	<b>Percent Developed</b>
Single Family Homes	16,509	57
Multi-family Homes	969	82
Retail/ Services	732	72
Office	105	74
Institutional (Public Agency/Churches)	1,308	100
Recreational	646	47
Industrial	728	50
Public Right of Way/ Other	1,282	
Total	22,279	

**Laguna West Area Existing Land Use**

<b>Land Use Type</b>	<b>Acreage</b>	<b>Percent</b>
Single-family residential	659.97	31%
Multi-family residential	20.07	1%
Commercial/Retail	31.49	1%
Office	8.97	0%
Institution	34.59	1%
Industrial/Warehouse	138.64	6%
Utilities	6.37	0%
Drainage	12.72	1%
Ag - field crops, row crops, fallow	13.64	1%
Ag - trees/floodplain/river	18.86	1%
Recreation	4.89	0%
Parks	175.8	8%
Railroad	0	0%
Private Road	51.45	2%
Vacant	671.79	34%
Public Right of Way	279.0	13%
Total Annexation Area	2,128	100%

The proposed annexation represents an approximate 15 percent increase in population; and an approximate 7 percent in area for the City of Elk Grove.

## **Sphere of Influence Analysis**

### **1. The present and planned uses in the area, including agricultural and open space lands.**

A city is a political subdivision under the State of California. The power and authority of a city is derived from the State Constitution and State law. As such, the City of Elk Grove has jurisdiction over land use within its corporate boundary. The City of Elk Grove incorporated on July 1, 2000. At that time, the City Council adopted, as required by law, the County General Plan. The County General Plan designated the affected territory as an urbanized area---with residential, commercial and industrial uses.

The City of Elk Grove has been developing its City Draft General Plan since July 1, 2000 and is currently in the process of approving that Draft General Plan. The City of Elk Grove Draft General Plan is a broad framework for planning the future of the City. The General Plan must address land use, circulation, housing, conservation, open space, noise and safety issues. The City General Plan is expected to guide development until the year 2023, however, changes are expected to occur as circumstances change.

The vision of the City of Elk Grove Draft General Plan is based upon decisions made by the City Council, based upon information received from community outreach consisting of many public gatherings, workshops and hearings. The Council is responsible for determining the type of development, mix of development, density and intensity of development within the City of Elk Grove.

The City Draft General Plan indicates that most of the territory within the current corporate boundary is planned for some type of urban development over the next twenty years. The Draft General Plan states that agricultural uses within the city limits are anticipated to be phased out.

The City of Elk Grove Draft General Plan<sup>8</sup> provides the following policies:

### **Land Use Element Summary**

The Elk Grove Draft General Plan establishes several land use policy areas including East Franklin, East Elk Grove, Laguna Ridge, Old Town, South Pointe, and the Southeast Area. As a result of these policies, the City of Elk Grove is a very diverse community consisting of both rural and urban development. Consequently, development standards and density patterns vary from community to community.

#### **Estate and Rural Residential/ Rural Sheldon Area**

The Sheldon Area, located in the eastern portion of Elk Grove, is recognized as an area with unique characteristics. The rural lifestyle, typified by homes on lots generally two acres or larger, is recognized in the Vision Statement of the Draft General Plan as a major

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<sup>8</sup> The City of Elk Grove General Plan, Public Hearing Draft, January 20, 2003.

community asset to be preserved and protected from urban encroachment. The Element contains policies which are intended to preserve and enhance the character of this area.

### Old Town Elk Grove

Old Town Elk Grove represents a significant resource of local and national importance. Parts of Old Town are listed on the National Register of Historic Places and provide an excellent example of a 19th century California town. The Element contains policies intended to increase the protection given to the historic buildings in Old Town (both inside and outside of the current Old Town Elk Grove Special Planning Area) and elsewhere in the City.

### East Elk Grove

The East Elk Grove Specific Plan was adopted by the County of Sacramento prior to incorporation, and began development prior to incorporation. The East Elk Grove Specific Plan is designated as a Policy Area by the Draft General Plan, with the intent of ensuring that the Specific Plan remains consistent with the Draft General Plan.

### East Franklin

Adopted in May 2000, prior to incorporation, the East Franklin Specific Plan covers a large portion of the City's future growth, and will ultimately include approximately 10,000 homes. The Element designates East Franklin as a Policy Area, and envisions the implementation of the East Franklin Specific Plan to achieve the City's land use goals in this area.

### Laguna Ridge

Laguna Ridge is currently undergoing a comprehensive planning process as the Laguna Ridge Specific Plan. The Draft General Plan designates Laguna Ridge with specific land use categories, and requires that the Specific Plan be used to implement the Draft General Plan's policies for the area. The Laguna Ridge Specific Plan is designated as a Policy Area by the Draft General Plan, with the intent of ensuring that the Specific Plan implements the Draft General Plan.

### Southeast Area

The Southeast Area is generally located south of Laguna Ridge, and remains (as of the Draft General Plan's adoption) the last large, unplanned portion of Elk Grove's growing southwest quarter. The Draft General Plan designates the Southeast Area as a Policy Area, and requires further detailed planning at a future date.

### South Pointe

Planning for South Pointe, in the south central portion of Elk Grove, was begun prior to incorporation. The overall concept for South Pointe is the development of a primarily residential area. Specific policies dealing with this project are included in the Element. The Draft General Plan designates South Pointe as a Policy Area.

### Urban Study Areas

Located outside the current city limit, these areas (south of Kammerer Road and Grant Line Road) are envisioned by the Draft General Plan as areas in which future study should be done in order to determine whether urban growth should occur and, if so, to what extent it should be permitted. These areas are, as of the adoption of the Draft General Plan, within the jurisdiction of the County of Sacramento.

### Laguna West, Stonelake, and Lakeside

These communities encompass approximately 2,128 acres and lie contiguous to and immediately west of the City of Elk Grove. Urbanization and development projects were approved prior to incorporation. The area is primarily single family residential in nature. Other uses include commercial, retail, multi-family residential, office, industrial and parks. It is typical of the suburban type of development occurring in the Sacramento region. Development entitlements have been issued. The current population is approximately 13,000. The projected population at build-out is estimated to be approximately 16,000. The communities of Laguna West have a strong community of interest, economic and social ties to the City of Elk Grove; the territory is an unincorporated extension of the City of Elk Grove.

The property north of Laguna West is owned by the Sacramento Regional County Sanitation District. The territory west of Laguna West is agricultural land that is under the Delta Protection Commission and much of it lies within the Stonelake National Wildlife Refuge. The territory south of Laguna West is currently in agricultural lands and open space.

Currently, municipal services are provided to the communities of Laguna West as discussed in detail later in this report. It is not anticipated that existing or proposed land uses will significantly change in the near future. In addition, the proposed Maritime rezoning changes (from business/professional to residential) should not have any significant impact on the delivery of municipal services. [See discussion under Municipal Service Review section.]

It was anticipated that Laguna West would be included within the City of Elk Grove. However, in 1993, the Laguna West area was excluded because of concerns raised by Sacramento County Department of Public Works related to the fiscal health of the newly County-created Laguna Creek Ranch and Elliot Ranch Community Facilities Financing

District. The Sacramento Local Agency Formation Commission removed this area from the incorporation proposal to ensure fiscal viability for the County Financing Districts during the early years of development rather than because the Commission did not perceive Laguna West to be part of the City of Elk Grove.

During the 1999 incorporation proceedings, the Sacramento County Board of Supervisors requested LAFCo to add the Laguna West area into the proposed city. County staff concurred that this adjustment would avoid the creation of pockets of unincorporated area that would be difficult for the County to serve. However, Commission Counsel concluded that LAFCo could not legally modify the incorporation boundary to include territory that was not part of the original incorporation petition because it was not part of the environmental study.<sup>9</sup>

**2. The present and probable need for public facilities and services in the area.**

The Laguna West, Lakeside and Stonelake communities are currently served by all public and municipal services required for a suburban area. The services are adequate by current County standards. These services are provided through an array of public agencies and private entities as discussed in this report.

**3. The present capacity of public facilities and adequacy of public services.**

The service levels are adequate by current County standards and there is sufficient capacity to maintain them to complete build-out of this area. Only a relatively small portion of the Laguna West Area remains to be developed.

Infrastructure, roads, sidewalks, sewer lines, water lines, street lights, parks and a fire station have recently been constructed. Service levels and quality of service are discussed later in this report.

**4. The existence of any social and economic communities of interest in this area.**

As previously mentioned, the Laguna, Lakeside and Stonelake communities--socially, economically, and environmentally--appear to be a part of the larger community of Elk Grove. Geographically, the proposal area is contiguous to the City of Elk Grove. The Laguna West area is served by the same special districts as the City of Elk Grove. Specifically, it receives park and fire services from the Elk Grove Community Services District. Laguna West is also predominantly in the Elk Grove Unified School District.

The Laguna West area was in the planning and early development stage at the time of incorporation. Because of timing and perceived financial issues, the territory was not originally included within the proposed city boundaries that were approved by the voters.

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<sup>9</sup>The Executive Officer's Staff Report on Elk Grove Incorporation dated April 7, 1999, recommended that Laguna West be included as part of the City of Elk Grove's Sphere of Influence.

Those issues are no longer valid. There are no Williamson Act Contract or Open Space issues related to the proposal territory.

### **Municipal Service Review**

#### **Municipal Service Providers**

The provision of municipal services in unincorporated Sacramento County is complex because different services are provided by many different agencies without a single agency that is accountable or responsible for the overall service delivery system. Consequently, coordination and cooperation are critical to provide uniform service levels from community to community. Many times agencies have their own goals and priorities that differ from entities that are responsible for land use decisions. However, most of the time, these separate organizations are transparent to the citizen. Nonetheless, changes in boundaries may have impacts on service levels and rate charges.

When incorporated, the City of Elk Grove directly provided a limited number of services. Many municipal services are provided by other special districts or contracts with other providers. In some cases, the City has renegotiated contracts with the County and in other cases, the City has changed vendors. The City is in a transition phase as it becomes more self-sufficient. The goal of the City is to improve service and reduce costs whenever possible either by providing services directly or through contracts.

The following table summarizes the service providers before and after the proposed annexation.



***Table of Municipal Service Providers***

	<b><i>Prior to Annexation</i></b>	<b><i>After Annexation</i></b>
General Government	Board of Supervisors	City Council
Public Works, Transportation	County of Sacramento	City of Elk Grove
Planning and Land Use	County of Sacramento	City of Elk Grove
Public Works, Drainage	County of Sacramento	City of Elk Grove
Public Works, Engineering	County of Sacramento	City of Elk Grove
Building Inspection	County of Sacramento	City of Elk Grove
Law Enforcement	County of Sacramento	City of Elk Grove
CSA #1, Street Lighting	County of Sacramento	County of Sacramento
Fire Protection	Elk Grove C.S.D.	Elk Grove C.S.D.
Park Services	Elk Grove C.S.D.	Elk Grove C.S.D.
Cemetery Services	Elk Grove-Cosumnes Cemetery District	Elk Grove-Cosumnes Cemetery District
Libraries	County Library JPA	County Library JPA
Animal Control	County of Sacramento	City of Elk Grove contract with County of Sacramento
Transportation Services	Regional Transit	City of Elk Grove Contract with Regional Transit
Mosquito Abatement Services	Sacramento-Yolo Mosquito and Vector Control District	Sacramento-Yolo Mosquito and Vector Control District
Port District Services	Sacramento-Yolo Port District	Sacramento-Yolo Port District

Resource Conservation Services	Florin Resource Conservation District	Florin Resource Conservation District
Electrical Services	SMUD	SMUD
Natural Gas Service	PG & E	P G & E
Cell Phone Services	Various	Various
Telephone Services	Various	Various
Garbage Service	County/Contract	City of Elk Grove Contract with County until June 2004
Sanitation/ Sewer Service	Regional County Sanitation District & CSD No. 1	Regional County Sanitation District & CSD No. 1
Water Service	County of Sacramento Florin Resource Conservation District	County of Sacramento Florin Resource Conservation District
Television/ Cable	Various	Various
County Service Area #5	County of Sacramento	City of Elk Grove
County Service Area #7	County of Sacramento	City of Elk Grove
Schools	Elk Grove Unified School District	Elk Grove Unified School District
Air Quality	Sacramento Metropolitan Air Quality Management District	Sacramento Metropolitan Air Quality Management District

**Analysis of Service Providers**

The analysis of current municipal service providers is limited for the purpose of this annexation. A more complete review will be conducted as part of LAFCo's Municipal Service Review process.

Because services are currently provided to the area proposed for annexation, no change in service level or service rate charges, EXCEPT for public safety, are anticipated as a result of the annexation. The following discussion summarizes the existing service provider and the proposed service provider and the anticipated changes upon annexation.

Note: No boundary changes are proposed as a result of this annexation for the affected independent special districts which currently serve the proposal territory. No detachments are proposed.

**Sanitary Sewer Service and Collection System**

Sacramento Regional County Sanitation District (SRCSD) and County Sanitation District No. 1 (CSD No. 1) provide service to both the City of Elk Grove and the area proposed to be annexed. Impact: There will be no change in the service provider upon annexation. Laguna West is developed; the treatment plant is currently providing service. It has the capacity to serve future growth based on existing Draft General Plans for the City as well as the area to be annexed.

Current sewer rates for two months:	CSD No. 1	\$15.80
[Single Family Residence]	Treatment Plant	<u>\$26.40</u>
		\$42.60

County Sanitation District No. 1 maintains the collector system for the Laguna West Area. There is sufficient pipeline capacity to serve the existing and proposed development. Sacramento Regional County Sanitation District also has sufficient treatment plant capacity to serve existing and proposed development. In 2000, wastewater flows averaged 154 mgd for Average Dry Weather Flow. The permitted treatment plant capacity is 181 mgd. [The average residence discharges 310 gallons into the sanitary sewer system per day, or about 2.0 mgd for the affected territory.] The Laguna West community sanitary sewer demand for both developed and developing areas is not new; the demand has been previously factored into the stated capacity for both districts.

**Solid Waste Collection and Disposal**

By the terms of the incorporation, the County of Sacramento provides residential solid waste collection and disposal service in the City of Elk Grove. The County of Sacramento uses a contractor to provide residential collection service. Since July 1, 1997, residential refuse collection has been provided by an independent contract with Central Valley Waste Systems, administered by the County of Sacramento. Commercial

refuse collection is provided directly to commercial users through independent agreements with licensed waste haulers. Current residential rates:

<u><i>Container Size</i></u>	<u><i>Cost per Month</i></u>
38 gallon	\$16.55
60 gallon	\$19.55
90 gallon	\$25.50

The typical residence is also provided one container for recycling and one container for green waste. Bills are mailed every other month. It is estimated that solid waste is generated at an average per capita rate of six pounds per day.<sup>10</sup> Each collection truck can serve 2,500 to 3,000 households per week. Adequate service is currently provided to current residents. Service for new development will be provided as needed. It is estimated that one additional truck will be required to serve this area at build-out.

The City of Elk Grove is in the process of developing a Request for Proposal (RFP) for residential solid waste collection and disposal. The RFP will solicit alternative service providers in the form of a competitive bid process. This process is scheduled to be completed by July 1, 2004, upon the termination of the existing agreement. The area to be annexed is served by the same County agreement with Central Valley Waste Systems. The City also intends to provide service to the annexed area after the RFP process is complete.

The City of Elk Grove believes that the competitive bid process will lead to better rates and/or improved service levels for both the City of Elk Grove and the area to be annexed. At the minimum, there should be no change in existing service level or rates.

Note: The City of Elk Grove has many options to consider. The City may implement its own collection program or contract with one or more vendors; the City may use the County landfill to dispose of the waste or haul it to remote landfill sites. The City is in the process of determining costs and service levels. Impact: There should not be a significant impact to either current City residents or to the affected population except rates may go down and/or the service levels go up. Public Resources Code Sections 49520-49524 provides for transfer of jurisdictional responsibility upon annexation.

### **Law Enforcement**

The City of Elk Grove is responsible for its own police force. It contracts for this service with the Sacramento County Sheriff's Department. The Laguna West community receives service from both the Sacramento Sheriff's Department and the California Highway Patrol (CHP). The CHP provides local traffic patrol within all unincorporated areas throughout the County. The Elk Grove Police Department has a Traffic Bureau comprised of seven sworn and two non-sworn officers. After annexation, the CHP will

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<sup>10</sup> Service Standards, Existing Solid Waste Collection and Disposal, City of Elk Grove General Plan, Draft Environmental Impact Report, August 2003, p. 4.12-49.

no longer provide service to the Laguna West area. The contract with the Sacramento Sheriff's Department will be amended to include the Laguna West area.

**Laguna West Current Service Level FY 2001-02**

Total Cost: \$1,870,801<sup>11</sup>

Level of Service: FTE 8.2 6.0 Deputies  
1.4 Sergeants  
.8 Other Support Staff

**Comparison of Service Levels  
Prior to/ After Annexation<sup>12</sup>**

The City of Elk Grove Police Department operates with 82 sworn officers for approximately 85,800 residents, or .96 officers per 1,000 population. [The County Sheriff Officers for the unincorporated area currently operate with 357 sworn officers for 616,700 residents, or .58 officers per 1,000 population.] The Laguna West territory is served by the Sacramento County Sheriff South Bureau. The South Bureau currently serves residents within an area of approximately 400 square miles. This service area covers a very large geographic territory that is largely rural in character. As a result, response times can be very significant because of distance and transit time. Simply, it is more difficult and costly to serve a large area that is rural in character than a moderately dense urban area.

Prior to Laguna West Annexation:

Sworn Officers per 1,000 Residents

City of Elk Grove	.96
Unincorporated County of Sacramento	.58

After Laguna West Annexation:

City of Elk Grove	.96
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Sworn officer per capita ratio levels for the Laguna West Area will improve after annexation to the City of Elk Grove. According to City staff, sworn officer per capita ratio levels for the residents of the City of Elk Grove will remain the same because the City intends to add sworn officers to the Police Department. According to the City of Elk Grove Police Department, response time to police calls will not change for residents within the City of Elk Grove. Response time to police calls within the annexation

<sup>11</sup> Cost adjusted to estimate for FY 2002-03 costs per County of Sacramento.

<sup>12</sup> The following data was provided by the City of Elk Grove Police Department concerning the current level of service within the City of Elk Grove.

territory should improve dramatically. The Police Department of the City of Elk Grove indicates their goal is to have one sworn officer per 1,000 residents with a response time of less than five minutes for emergencies and crimes in progress.

**Law Enforcement Level of Service FY 2003-04**  
**Within County of Sacramento Unincorporated Area**

A detailed analysis of the following information has not been factored into the analysis of law enforcement levels of service that could affect Laguna West if it is not annexed to the City of Elk Grove. The County of Sacramento is faced with an enormous budget deficit for FY 2003-04. The shortfall has been projected to be approximately \$70 Million prior to any impacts that may be imposed by the State. As a result of this fiscal condition, all services/ programs funded by the County General Fund are likely to be negatively impacted.

County Departments impacted by budget reductions include Animal Control, Planning, Regional Parks, and the Sheriff's Department. During the Board of Supervisors' budget hearings, a portion of the Sheriff's budget was restored; the Sheriff committed to maintain response times for 911 emergency calls. However, the Sheriff will likely need to make across the board reductions like other County Departments. Thus, in the near future, existing law enforcement service levels to all unincorporated areas will be reduced. Sheriff Department staff has indicated that neighborhood service centers may only be open part time, Problem Oriented Policing (POP) staff will be reduced as well as school patrol programs.

The Sheriff's initial reduction of service levels (prior to adoption of the State budget which may have an additional negative impact on the budget of the County of Sacramento) is \$6.5 Million, or 75.0 positions in the Department. The Sheriff's proposed service reductions are made equally throughout the Department; they are scheduled to begin in July 2003, for FY 2003-04. Thus, the Sheriff's service reductions would also likely negatively impact the Laguna West Area without the proposed annexation.

**Parks, Fire and Emergency Medical Services**

The Elk Grove Community Services District (EGCSD) provides fire protection, emergency medical services and park and recreation services within the city limits as well as the area proposed for annexation. The boundary of the Elk Grove Community Services District, established in 1985, is a combination of the service areas of the Elk Grove Fire Protection District and Elk Grove Recreation and Park District, and covers an area of 106 square miles. The City of Elk Grove is located entirely within the Elk Grove Community Services District, as is the annexation territory. The Elk Grove C.S.D. serves territory outside the city limits. However, the area south of the City is predominately in agricultural uses and service levels are commensurate with the population served. The Elk Grove Community Services District provides service to developed areas as well as to a large rural geographic area. The service area of the Elk Grove C.S.D. contains approximately 67,288 acres, or 105 square miles.

Funding for the District comes from a dedicated share of the property tax, landscaping and lighting districts, park fees and service charges for ambulance services. The EGCS D was formed through the consolidation of the Elk Grove Park District and the Elk Grove Fire Protection District prior to the incorporation of Elk Grove. The fire and park districts were consolidated into the Community Services District on July 1, 1985.

The Elk Grove CSD is represented by a five-member Board of Directors with staggered terms. The District has six (6) fire stations, and fifty-six (56) park sites. The Elk Grove CSD has 677 acres of park land of which 561 acres are developed. Undeveloped park sites include approximately 116 acres.

**Elk Grove Community Services District FY 2002-03 Budget**

Property Tax	\$57,874,113
Landscape and Lighting Districts	\$13,794,623
Total	\$71,668,736

**Fire**

Laguna West is served by Fire Station No. 75. This station is staffed 24 hours per day, seven days per week. Station No. 75 has three staff members on duty with the following equipment:

- 2 Fire Engines (Advance Life Support/ Paramedic Service)<sup>13</sup>
- 1 Wild Land Fire Engine
- 1 Foam Unit
- 1 Air Support Unit
- 1 Hose Tender

Response times are estimated to be four to five minutes for urban areas and about seven minutes for rural areas based on a computer model that was used to site the fire station. The fire station also is required to respond to emergencies on Interstate 5. Elk Grove C.S.D. response times are considered to be very good for fire calls.<sup>14</sup>

Fire Station No. 72, located near Franklin Boulevard and Hood Franklin Road, is proposed to be relocated to a newly developing area within the city limits adjacent to the proposal territory. The relocation should not affect service in the Laguna West area. In fact, it will provide closer backup within the Laguna West community. This relocation is part of the Elk Grove C.S.D. Fire Service Master Plan.

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<sup>13</sup> If an ambulance is required, it is called from Station No. 74.

<sup>14</sup> The ISO rating for Elk Grove C.S.D. fire department is 3/8. Three, urban, is the rating given to areas where fire hydrants are available; 8 is a rural, no hydrant, rating.

**Parks**

There are 15 park sites (approximately 105 acres) within the Laguna West area proposed for annexation:

- |                  |                  |
|------------------|------------------|
| Bartholomew Park | King Park        |
| Caterino Park    | Lawson Park      |
| Fite Park        | Lawrence Park    |
| Hawkins Park     | Lippincott Park  |
| Henderson Park   | Nottoli Park     |
| Houde Park       | Town Square Park |
| Johnson Park     | Womack Park      |
|                  | Zehnder Park     |

The average lighting and landscaping assessment per year for Elk Grove CSD is approximately \$195 per residential unit. Elk Grove C.S.D. receives approximately \$ .20 from every \$1.00 of property tax collected in Laguna West.

The Elk Grove Community Services District has a Master Plan that sets forth standards for the size and number of parks based on population and territory to be served. The District has established a number of policies which include, but are not limited to, principles regarding long-range planning, conservation, accessibility with regard to disability, local parks and district-wide facilities. The Elk Grove C.S.D. ratio of parks to population policy is 3.84 acres of community active use parks per 1,000 residents and 1.16 acres of district-wide facility parks per 1,000 residents, a total of 5.0 acres of parklands per 1,000 residents. Evaluation of parks, related facilities and the establishment of needs are based on three criteria in the Master Plan:

1. District land dedication standards.
2. Typical park classification and development standards.
3. The ability of the current park system to meet the current level of service to District residents.

**Animal Care & Regulation**

The Sacramento County Department of Animal Care and Regulation provides service under contract to the City of Elk Grove. The applicant indicates the County will continue to provide service after annexation. Note: State law does not require the city to deliver the service; state law does not require the County to provide service to the incorporated area. Therefore, this is a discretionary program, not mandated. Service level is dependent upon local priorities. This service is funded from the General Fund at approximately \$7,000 annually.



### **Water Supply**

Water supply to the City of Elk Grove is currently provided by the Sacramento County Department of Water Resources and the Florin Resource Conservation District (Elk Grove Water Service), which recently purchased the Elk Grove Water Works, a private water purveyor. The area proposed for annexation is solely served by the Sacramento County Water Agency through the Department of Water Resources.

Impact: The annexation territory and expected growth at build-out will not have a significant impact to either the City of Elk Grove or the annexation territory. Sufficient water supply and infrastructure currently exist to serve the Laguna West area. In the future, the County of Sacramento anticipates that it will be able to provide treated surface water to Zone 40 and to incorporate a conjunctive use plan to reduce the impact to underground aquifers serving the wider area of Elk Grove. Sacramento County Water Agency has surplus capacity to serve Laguna West at build-out.

### **Water Forum Agreement**

Sacramento County Water Agency is a water provider to the City of Elk Grove and is a signatory to the Water Forum Agreement. The Agreement requires signatories to participate in a Master Water Plan for the Sacramento Region through the year 2030. See Appendix for highlights of the Water Forum Agreement. The Water Forum Agreement has established water supply allocations, conservation efforts and other measures to be followed in order to serve projected population growth.

### **Library**

The provision of library services will be unaffected by the annexation. Sacramento Public Library Authority will continue to provide library services to the City of Elk Grove and the Laguna West annexation territory. The Sacramento Public Library Authority was formed under a joint powers agreement on August 31, 1993; it has a nine member Board of Directors consisting of representatives from Sacramento City Council (4) and Sacramento County Board of Supervisors (5).

### **Utilities**

The proposed annexation should have no impact on the provision of telephone, electric, gas or cable television services. After annexation, the City of Elk Grove will have the ability to impose a franchise fee and collect utility user tax as provided by ordinance.

### **Public Education**

The provision of public education will be unaffected by the proposed annexation. In the City of Elk Grove, as well as within the proposal territory, public education is provided by the Elk Grove Unified School District. School districts are beyond the purview of LAFCo. School district reorganizations, boundary changes, and district formations are

the purview of the State of California and local school district Boards of Education. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that affected school districts be notified of proposals before LAFCo. The Elk Grove Unified School District has been notified of the proposed annexation and has made no comment.

### **Public Transit and Paratransit Services**

Regional Transit is beyond the purview of LAFCo. Transit and paratransit services are provided by Regional Transit (RT), a multi-funded district. Regional Transit is funded by a number of agencies, including federal, state and local monies as well as fees. Regional Transit has a seven member Board of Directors consisting of representatives from Sacramento City Council (4), and Sacramento County Board of Supervisors (3). Regional Transit's district boundary was established by Statute. The County of Sacramento currently contributes to RT for transit services although there is no legal requirement for the County of Sacramento to either fund RT exclusively or to provide transit service to County residents. The contract between the City of Elk Grove and Regional Transit will terminate on June 30, 2004 unless extended. Upon annexation, RT service to the affected territory will be subject to the oversight of the Elk Grove City Council. The City of Elk Grove will be required to provide public transportation either by contract or directly provide public transit services.

### **County Service Area No. 1 (Street Lighting)**

CSA No. 1 provides funding for the maintenance and operation of street and highway safety lights within the limits of both the City of Elk Grove and the proposal territory. Highway safety lights are installed per County of Sacramento development standards. These lights are located at the intersections of major streets and at the rear of properties abutting major streets.

The City of Elk Grove has executed a maintenance and operations agreement with the County of Sacramento for the lights within current city limits. The County Department of Transportation responds to trouble calls, change in light bulbs, repair and replacement of damaged equipment. An assessment charge for service costs is levied on the annual tax bill. Increases to existing charges are subject to Proposition 218.

Current charges for service for residential street lighting are \$15.32 per year per property; \$.25 per year per front foot for non-residential property. CSA No. 1 service charges are uniform countywide; the total estimated charge for the Laguna West area is approximately \$79,000 per year. The County will continue to provide street lighting services to the City of Elk Grove per the terms of its contract with the City of Elk Grove.

Street lights in the Laguna West Area are not standard and require greater maintenance than within the City of Elk Grove. Consequently, maintenance costs are higher. At this time, CSA No. 1 has attempted to increase rates for this area through a Proposition 218 ballot measure. The measure failed. Another rate increase is under study. Note: A rate increase was proposed for all CSA No. 1 customers; a different rate was proposed for the

Laguna Area because of higher street light maintenance costs. The City of Elk Grove does not plan to take over street lighting services at this time.

**County Services Area No. 5**  
**Street Sweeping and Miscellaneous Extended Services**

CSA No. 5 provides enhanced street sweeping, road maintenance and drainage control to the Laguna West area. These services are funded with a service charge that appears as a direct levy on the property tax bill. Street sweeping services beyond the norm are required in Laguna West due to the fact that many trees have been planted in tree wells within the pavement along narrow streets. The tree wells require hand sweeping because machines cannot gain adequate access to the well. Increased road maintenance is also required because the tree roots in the tree wells along the street can cause maintenance problems in pavement, curbs, gutters and sidewalks. In addition, Laguna West development used different types of street paving materials which require maintenance beyond standard street maintenance.

Drainage control services in the form of water quality monitoring and drainage maintenance are required because the artificial lake is used for drainage detention and treats urban runoff from the surrounding developments. This program monitors the storm water discharge to protect the Stonelake National Wildlife Refuge. Drainage control services include increased special maintenance of pipe systems, along with repairs to drainage slide gates.

<b><u>Service Charges</u></b>	<b><u>FY 2002-03</u></b>
Single Family Residential	\$13.76
Other Properties	\$84.19/ per Acre
Non Street Sweeping/ Road Maintenance	\$48.19/ per Acre

The annual budget for CSA No. 5 is approximately \$121,400. The budget is funded by fund balance, interest and service charges.

	<b><u>Cost</u></b>
Road Maintenance	\$ 12,000
Street Sweeping	6,900
Drainage Control	92,000
Administration	<u>10,500</u>
Total	\$121,400

County Service Area No. 5 will be dissolved if the annexation of Laguna West is approved by your Commission. Service responsibility and funding will be transferred to the City of Elk Grove pursuant to Government Code 56886 (m) and (t). The assessments for FY 2003-04 have been approved. In the future the City will have to approve an annual resolution to continue the assessment. Your Commission has the power to condition the annexation proposal pursuant to Government Code Section 56886:

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

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

**County Service Area No. 7 (Drainage Control)**

CSA No. 7 provides miscellaneous extended services to the Lakeside community for extended drainage control and associated administration. The purpose of CSA No. 7 is to provide mitigation/ compliance monitoring for Lakeside Lakes.

Currently, the Lakeside Homeowners' Association provides for the mitigation/ compliance monitoring of the lake. CSA No. 7 provides for the County of Sacramento's involvement with the coordination and review of the Homeowners' Association mitigation monitoring effort. CSA No. 7 serves as an alternative source of funding in the event the Homeowners' Association is unable to provide the service.

Currently, services provided by the Homeowners' Association are funded by the Homeowners' Association and services provided by CSA No. 7 are funded from interest earnings. No service charges have been levied since FY 1998-99.

County Service Area No. 7 will be dissolved if the annexation of Laguna West is approved by your Commission. Service responsibility and funding will be transferred to the City of Elk Grove pursuant to Government Code 56886 (m) and (t). The assessments for FY 2003-04 have been approved. In the future the City will have to approve an annual resolution to continue the assessment. Your Commission has the power to condition the annexation proposal pursuant to Government Code Section 56886 (m) and (t), as quoted above.

Sacramento County staff proposes the following condition to address the transfer of funding and service responsibility:

"Pursuant to Government Code Section 56886(t), the City, as successor local agency, shall continue to levy all charges previously authorized including without limitation those associated with in CSA 5 and CSA 7 utilizing the procedures prescribed by Government Code Section 25210.77a. In addition, effective December 15, 2003, the City shall provide all services currently provided by the County for CSA 5 and CSA 7 and accept all responsibilities in regard to the street sweeping, road maintenance, drainage control and associated administration currently borne by the County. The County shall transfer

all funds currently held for CSA 5 and CSA 7 upon the annexation of the property to the City."

**Sacramento County Water Agency**  
**Zone 11A - Drainage Development Fee**

This is a fee, credit and reimbursement program. The County of Sacramento collects fees and provides credits for the construction of trunk drainage facilities (pipe, channel, detention basin, pump facilities, etc.) constructed for new development. Impact: Upon annexation, the Sacramento County Water Agency will continue to administer this program. The average bi-monthly drainage fee is \$11.68.

**Zone 13 - Regional Planning Fee**

This fee is collected on property owners' yearly tax assessment; the fee pays for regional drainage and water planning as well as studies related to all, or part, of the unincorporated County, and the City of Elk Grove. Impact: Upon annexation, the Sacramento County Water Agency will continue to administer this program.

**Sacramento County Storm Water Utility**

This program provides for drainage maintenance, stormwater quality and flood control services. It is funded through fees included on utility bills. However, fee increases in this program are subject to the voter approval process set forth in Proposition 218.

Single family residents are billed at a flat rate while multi-family and commercial development are billed based on parcel size and impervious areas. Additional funding comes from Sacramento County Water Agency Zone 12 ad valorem property tax revenue.

Impact: Upon annexation, the County of Sacramento will no longer provide storm water utility services. The annexation will result in a loss of approximately \$475,000 in revenue to the County; these funds will be transferred to the City of Elk Grove. This loss of revenue will be offset by the County's reduced costs associated with providing drainage maintenance and storm water/ flood control services. The City of Elk Grove will use the funding to provide this service by hiring City staff or contracting for service.

Sacramento County staff proposes the following condition to address the transfer of funding and service responsibility:

The Sacramento County Water Agency (SCWA) shall continue to collect fees for, administer and provide services to the following SCWA Zones:  
Zone 11 A, Drainage Development Fee and Improvement Program  
Zone 13, Regional Planning Fee and Associated Programs  
Zone 40, Water Supply Development Fee and Improvement Program  
Zone 41, Retail Water Service Area

Sacramento County Storm Water Utility Services shall be assumed by the City of Elk Grove in the annexed territory. Upon annexation, the City of Elk Grove shall continue to levy and collect the Storm Water Utility fee that is currently levied by the County. Further, as the boundary of Zone 12 (Storm Drainage Maintenance) of the Sacramento County Water Agency is used to define the boundary of the Sacramento County Storm Water Utility, and the annexed territory currently lies within Zone 12, upon annexation the annexed territory shall be withdrawn from Zone 12 of the Sacramento County Water Agency. Funds currently received by the County for such service shall be transferred to the City of Elk Grove upon the effective date of the annexation.

The drainage services provided through CSA 5 and CSA 7, while distinct, are similar in nature to those provided by the City's Stormwater Utility.

### **Financing Districts and Impact Fee Programs**

#### **Interstate 5 Interchange Landscape & Roadway Maintenance**

##### **Landscape**

The County of Sacramento has executed a long term freeway maintenance agreement with the State of California Department of Transportation (CALTRANS) for the maintenance of landscaping at the Laguna Boulevard and Elk Grove Boulevard interchanges on Interstate 5. The Elk Grove Community Services District provides the funding and Sacramento County manages a landscape maintenance contract for areas in the State right-of-way. The landscape maintenance responsibilities at these interchanges should be the subject of discussion between the Elk Grove Community Services District, the County of Sacramento and the State of California.

##### **Interchange Roadway Maintenance**

The County has executed a freeway maintenance agreement with CALTRANS for the shared maintenance of Laguna and Elk Grove Boulevard interchanges on Interstate 5. In general, the agreement commits the County to the maintenance of all roadway facilities above the surface of the over crossing structure (street lights, railings, pavement stripping, pavement, etc.) to the point of State access control limits.

The westerly boundary of the proposed annexation is the centerline of Interstate 5. Roadways lying east of the area to be annexed will become the responsibility of the City of Elk Grove. Consequently, the annexation will sever the overcrossing and approach roadways from the remainder of the County road system. As a result, the maintenance responsibility at the interchanges should be the subject of discussion between the County of Sacramento, and CALTRANS. The County of Sacramento has raised a concern regarding the efficiency of maintaining an "island" facility, and recommends this service be approved by the City of Elk Grove.

**Community Facilities District and Development Fee Programs**

**Laguna Creek Ranch/ Elliot Ranch Community Facilities District No. 1**

This district funded most of the major roadway, fire protection, park, and drainage infrastructure improvements within the Laguna Creek and Elliot Ranch developments. Most of the improvements have been completed. The outstanding bonds are scheduled to be retired in 2020. Current assessments will not be impacted by the Laguna West annexation.

**Laguna Stonelake Community Facilities District No. 1**

This is a Mello-Roos Community Facilities District formed in 2000 for the area known as Laguna Stonelake. Approximately \$15 million in bonds were issued to fund roadway, drainage, sewer, and other public facilities.

The Mello-Roos Community Facilities District Act of 1982 provides that the transfer of a district between the County and the City can only be accomplished by written agreement between the governing boards.

In order to address this issue, the County of Sacramento has requested the following condition be made a part of the Commission's approval of the proposed Laguna West annexation to the City of Elk Grove:

The City of Elk Grove shall enter into discussions with the County of Sacramento to determine if it is mutually beneficial to consider the transfer of authority and jurisdiction for the Laguna Creek Ranch/ Elliot Ranch Community Facilities District No. 1 and the Laguna Stonelake Community Facilities District No. 1, pursuant to State law and the established conditions of debt services. Unless and until a transfer is affected, the County shall continue to administer these districts and the annual levy of assessments on district properties within the annexed territory consistent with the County's bond covenants.

**Development Impact Fee Programs**

**Laguna Area Roadway Development Fee**

This development impact fee program supplements the existing community district financing. This roadway fee is intended to fund several major roadway improvements that will be needed in future years.

**Laguna West/ Lakeside Park Development Fee**

This development fee program supplements park funding in the Laguna Creek Ranch/ Elliot Ranch Community Facilities District No. 1. Fee revenues are used for park

improvements and to fund a portion of the Laguna West Town Hall. These fees are collected by the County of Sacramento and administered by the Elk Grove Community Services District.

One should also note that the Laguna West/ Lakeside Park Development Fee Program is authorized by a County Ordinance. The park fees are collected by the County but the revenue is transferred to the Elk Grove Community Services District which administers the program. The proposed annexation of Laguna West should be conditioned so that the City of Elk Grove is required to continue collecting the park fees and transfer the revenue to the Elk Grove Community Services District.

**Laguna Stonelake Development Impact Fee Program**

This fee program includes funding of \$4.3 million in several major infrastructure requirements. It includes \$604,200 for transportation, \$3,136,729 for park improvements, and \$598,264 for library facilities. The fee program will be entirely within the City of Elk Grove after annexation. It is staff's recommendation that the fees be transferred to the City of Elk Grove and that the resolution contain the following:

The Laguna Area Roadway Fee Program, the Laguna Stonelake Development Impact Fee Program, and the Laguna West/ Lakeside Park Development Fee Program shall be assumed by the City of Elk Grove upon annexation. Upon annexation, the City of Elk Grove shall continue to collect the fees in these programs that are currently levied by the County. For the roadway components, the County shall transfer all monies in the roadway funds to the City within a reasonable time upon annexation. For all of the fee components, the City will be responsible for the future levy and collection of the fees, and disbursements of these funds. Existing fee impact programs shall be continued at levels necessary to adequately fund approved projects.



***Fiscal Analysis***  
***City of Elk Grove Budget and Finance Information***<sup>15</sup>

	<b><u>FY2002-03</u></b>	<b><u>FY 2003-04</u></b>
General Fund Budget	\$10,050,056	\$11,087,028
Revenue	\$34,701,838	\$37,611,750
Expenditures	\$32,578,312	\$37,003,009
Transfers In	\$ 140,000	\$ 399,812
Transfers Out	<u>\$ 1,226,554</u>	<u>\$ 988,446</u>
Fund Balance	\$11,087,028	\$11,107,135
Special Revenue Funds		
Fund Balance	\$ 6,694,313	\$17,263,803
Revenue	\$19,438,719	\$18,391,494
Expenditures	\$ 7,722,707	\$15,298,444
Transfers In	\$ 388,416	\$ 346,876
Transfers Out	<u>\$ 1,534,938</u>	<u>\$ 1,040,812</u>
Fund Balance	\$17,263,803	\$19,662,917
Capital Projects Funds		
Fund Balance	\$ 3,147,412	\$36,337,491
Revenue	\$59,544,201	\$57,429,612
Expenditures	\$21,469,728	\$73,450,273
Transfers In	\$ 1,324,250	\$ 1,041,000
Transfers Out	<u>\$ 6,208,644</u>	<u>\$ 12,500</u>
Fund Balance	\$36,337,491	\$21,345,330
Internal Service Funds		
Fund Balance	\$ 1,654,953	\$ 1,590,832
Revenue	\$ 904,788	\$ 1,228,018
Expenditures	\$ 968,909	\$ 1,848,018
Transfers Out		<u>\$ 520,500</u>
Fund Balance	<u>\$ 1,590,832</u>	\$ 450,332
Enterprise Fund <sup>16</sup>		
Fund Balance	\$	\$
Revenue	\$ 2,894,030	\$ 2,900,000
Expenditures	\$ 2,894,030	\$ 2,748,000
Transfers Out		<u>\$ 152,000</u>
Total Funds		
Fund Balance	\$21,546,734	\$66,279,154
Revenue	\$117,483,576	\$117,560,874
Expenditures	\$65,633,686	\$130,347,744
Transfers In	\$ 1,852,666	\$ 1,787,688
Transfers Out	<u>\$ 8,970,136</u>	<u>\$ 2,714,258</u>
Fund Balance	\$66,279,154	\$52,565,714

<sup>15</sup> The FY Budget 2002-03 and 2003-04 for the City of Elk Grove.

<sup>16</sup> This Fund is self supporting and does not requires transfers in or out from other funds.

Based on the information shown above,<sup>17</sup> the City of Elk Grove appears to be financially viable and healthy. The City has projected 8.3 percent growth in General Fund revenue for FY 2003-04 compared to estimated revenue for FY 2002-03. The main reason for this growth is based on sales tax revenue and in the hotel/motel tax. The City of Elk Grove has an \$11.0 million annual fund balancer. There are three main budget issues that impact the finances of the City of Elk Grove.

***Issue No. 1. Loan repayment for incorporation transition costs.***

The City of Elk Grove is required to repay the County of Sacramento \$1.4 million per year for five years [ending FY 2006-07]. After the fifth year, 2005-06, the City of Elk Grove will not incur this incorporation expense. Revenue may then be diverted to the improvement of services for all residents within the City of Elk Grove.

***Issue No. 2. Vehicle license fee revenue.***

The City of Elk Grove receives a disproportionate share of Vehicle License Fee revenue based on a State funding formula. This formula is based on the number of registered voters multiplied by three and remains in existence for seven years, after which it reverts to a formula using actual population numbers. This formula gives new cities more revenue during the early years of incorporation than otherwise would be received. Generally, it is assumed that the population of a new city will grow to offset any revenue loss when the benefit terminates. The City of Elk Grove has a rapidly growing population which should minimize any impact when the funding formula changes.

Note: Vehicle license fee revenue is new revenue to the community. Vehicle license fee funds are divided into two separate pools. Prior to annexation, the County receives a per capita distribution of vehicle license fee revenue based on the County's population. After an area is annexed or incorporated, the city receives a per capita distribution based on the number of city residents. This revenue is in addition to what the County will continue to receive. Thus, the formula for the distribution of vehicle license fee revenue from the State of California favors residents living in cities. The City of Elk Grove will be entitled to the additional revenue from the territory to be annexed.

***Issue No. 3. Revenue Neutrality Payment.***

The City of Elk Grove is required under the LAFCo imposed conditions of the incorporation proposal to repay the County of Sacramento the surplus revenue estimated during the incorporation process. The length of the repayment schedule is 25 years. The County of Sacramento's share of the property tax moves from a high of 90 percent to a

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<sup>17</sup> City of Elk Grove 2002-03 Annual Budget, Adopted June 2002. Prepared by the Department of Finance, City of Elk Grove, September 2002.

low of 10 percent during the twenty-five year term, during which term the property tax for the City of Elk Grove increases from ten percent to 90 percent. The City's revenue neutrality payment to the County of Sacramento does not apply to the Laguna Area proposed to be annexed. The area proposed for annexation is subject to a separate property tax agreement which has been negotiated with the County of Sacramento, and approved by both the Sacramento County Board of Supervisors and the City of Elk Grove City Council.

Under Revenue Neutrality Agreement between the City of Elk Grove and the County of Sacramento, property tax revenue will increase for the City of Elk Grove because the City's share ratio will increase and the County of Sacramento's share ratio will decrease over the twenty-five year term of the agreement.

### **Local Government Finance (General Fund)**

#### **Sales Tax, Utility User Tax, Transient Occupancy Tax (TOT)**

Upon annexation, the City of Elk Grove will be entitled to collect the 1 percent Sales Tax, the 2.5 percent Utility User Tax, and the 12 percent Transient Occupancy Tax (TOT) that is generated within the Laguna West Area. Pursuant to Government Code Section 65886 (t), each of these taxes will continue after annexation.

#### **Vehicle License Fees and Other Revenue**

Local government finance is similar for both city and county government. Revenue (sales tax, property tax, utility tax) are dependent on the local economy of the jurisdiction and the region pursuant to Government Code Section 65886 (t) each of these taxes will continue after annexation. As mentioned, cities have a slight advantage over counties because they also receive vehicle license fee revenue collected by the State. Nonetheless, the economy impacts revenue collected by both cities and counties. Consequently, budget adjustments must be made by both entities if there is not sufficient revenue to cover existing service levels. Generally, however, it is more cost effective and efficient to serve densely populated areas than rural areas.

**The proposed annexation will not increase taxes for the residents of either the Laguna West area or the residents of the City of Elk Grove. Nor will assessment methodology change for any district or benefit assessment district upon annexation. New assessments and changes to existing assessments and charges are not a part of this annexation proposal. After the annexation of Laguna West, new agreements and charges to existing assessments and charges will be subject to the provisions of Proposition 218 and/or future City Council decisions.**

## **PROJECT ANALYSIS**

### **Municipal Service Review - City of Elk Grove**

As a general rule, municipal services provided to the Laguna West area are adequate and will not change after the territory is annexed to the City of Elk Grove. Master Plans have been prepared by the service providers to ensure that existing service levels can be maintained and to accommodate anticipated growth within their respective service areas. Note: There is not a significant amount of growth that will occur within the area proposed to be annexed.

Both the special districts and the City of Elk Grove are currently financially stable and have fund balances. They have not reduced service levels or significantly increased fees. The Elk Grove area is benefiting from the rapid growth that results in increased sales tax and property tax revenue. Infrastructure for the Laguna West area has recently been constructed or is currently under construction. There appears to be adequate roads, street lights, parks, schools and fire stations to serve the proposal territory. Financing has been approved for major infrastructure through assessment districts, development fee programs, community financing districts and lighting and landscaping districts.

Growth and population projections have been made by SACOG. Currently, the City of Elk Grove has over 80,000 residents; at build out, it is projected that the City will have a population of about 195,000 residents. Currently Laguna West has approximately 13,000 residents; at build out it is estimated there will be approximately 16,000 residents.

### **Cost Avoidance and Rate Restructuring Opportunities**

The City of Elk Grove is examining cost avoidance through negotiating contracts for various services including garbage collection. The City is also taking over drainage services. In addition, the City of Elk Grove has proposed a parcel assessment on new development to cover the cost of services provided by the City. These actions appear to be aimed at providing the highest level of service.

### **Local Accountability and Governance**

Annexation of Laguna West will provide for local representation. The City of Elk Grove will be required to redraw Council district boundaries which will allow Laguna West to have local representation on the City Council. The Laguna West area currently has representation on the Elk Grove C.S.D. The annexation will also provide additional representation on Sacramento Regional County Sanitation District and County Sanitation District No. 1. The residents of Laguna West will have City and County representation in bodies of local governance.

### **Evaluation of Management Efficiencies**

In my fiscal analysis of the City of Elk Grove, as well as discussions with City staff, it appears that the City of Elk Grove has the ability and expertise to provide efficient municipal services to City residents. Providing services to urban areas is usually more efficient and cost effective than providing services to both rural and urbanized areas. The City of Elk Grove is in the process of evaluating all of the municipal services provided to City residents. The City is concerned with price, quality and level of service.

### **Boundary Discussion**

The proposed Sphere of Influence and annexation of the communities of Laguna West, Stonelake and Lakeside were not included in the incorporation proposal even though the area was planned for urban development under the Sacramento County General Plan. The Laguna West area is within the County Urban Services Boundary and the County of Sacramento Urban Policy Area.

The Urban Service Boundary (USB) indicates a proposed ultimate urban boundary in the unincorporated territory of Sacramento County. This boundary, based upon natural and environmental constraints to urban growth, is intended to be a permanent boundary for unincorporated development, 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 Policy Area (UPA) is defined by the Sacramento County Plan as:

UPA defines 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 this provision of urban services and infrastructure to the unincorporated County, as it provides the geographic basis for infrastructure master plans, particularly for public water and sewage, which require large capital investment and relatively long lead time for the installation of capital improvements.

The City of Elk Grove has adopted an interim City General Plan. The Urban Service Boundary (USB)/ Urban Policy Area (UPA) Policies of the County General Plan do not apply to cities in Sacramento County, including Elk Grove.

### **Laguna West - Unincorporated Urbanized Island**

Laguna West is currently an urbanized unincorporated island. It is surrounded on the south west and north by open space and agricultural lands. It lies adjacent to the City of Elk Grove. The Laguna West area requires efficient cost-effective municipal services comparable to the City of Elk Grove.

**Sacramento Regional County Sanitation District  
Property - Unincorporated Island**

Sacramento Regional County Sanitation District requested that the District treatment plant and buffer lands not be included in the City of Elk Grove Sphere of Influence or annexed to the City of Elk Grove. Even though Sacramento Regional County Sanitation District is exempt from local land use authority, ordinances, and local taxes, District staff believe it is in their best interest not to be within either the City of Sacramento or the City of Elk Grove at this time.

The Sacramento Regional County Sanitation District treatment plant has restricted access. Security is provided by the County Sheriff Department and County Park Rangers under contract. The Elk Grove Police Department will provide mutual aid to Park Rangers in response to emergencies if resources are available. To date, there has not been a significant demand for patrol services at the treatment plant or within the surrounding buffer area. The SRCSD treatment plant receives fire protection from the Elk Grove Community Services District. District personnel are trained to respond to fire emergencies including chemical/hazardous materials emergencies. Sacramento Regional County Sanitation District is exempt from paying local property taxes so there would be no economic gain to the City of Elk Grove, or the City of Sacramento, if District property were to be annexed to either city.

At this time, it is not anticipated that any other type of urban development will occur on District property. There does not appear to be any advantage to place the property of the Sacramento Regional County Sanitation District within the corporate boundary of the City of Elk Grove or the City of Sacramento. This unincorporated area provides an ideal buffer and open space area between the City of Sacramento and the City of Elk Grove.

**Boundary Issues in 1999 Incorporation Proposal**

In the LAFCo staff report dated April 7, 1999, regarding the incorporation of Elk Grove, LAFCo staff proposed that the boundary of the new city include Laguna West as a modification to the proposed incorporation boundary:

"Suggested Alternative Boundaries: Several comments have been made during the public review process regarding the extent and configuration of the proposed boundary for the new city. Most commentators question why two distinct geographic areas were not included within the proposed city, including: a) territory located west of the Union Pacific Railroad tracks and bounded on the south by Elk Grove Boulevard, on the west by Interstate 5 and generally on the north by Laguna Boulevard (i.e., Laguna West/ Lakeside); and b) territory located southwest of Grantline Road, located between Grantline Road and the Deer Creek/ Cosumnes River Floodplain.

In general, the two areas were not included in the proposed incorporation because they are not a component of the application/ petition submitted by the incorporation proponents. Shortly after the failed incorporation attempt in 1993, the proponents were granted the opportunity to resubmit a proposal to LAFCo for consideration. At that time, the proponents decided to use the boundary approved by LAFCo for the 1993 incorporation effort with the anticipation that much of the review and analysis completed for the 1993 effort could be updated for the current effort; thereby resulting in reduced costs and time efficiency.

During the 1993 incorporation effort, the Commission excluded the territory west of the Union Pacific Railroad tracks because of concerns raised by the County Public Works Agency regarding the "fiscal health" of the newly created Laguna Creek Ranch/ Elliot Ranch Community Facilities District. At the time of the Commission's deliberations, the District was newly formed by the County, a recession had slowed growth within the area and there were some concerns that developers within the District might fall behind in their bond payments. As a result, the Commission decided to remove the territory from the proposed city due to concern that administering such a highly complex financing district would be difficult for a new city to undertake and would be an unnecessary burden in the city's early years. The Commission also found it prudent to remove territory along Grantline Road, between Grantline Road and the Deer Creek/ Cosumnes River because it contains potentially environmentally sensitive habitat and is prime agricultural land.

Issues: In a report to the Board of Supervisors, dated January 29, 1999, County staff recommended that the Board request LAFCo make two specific adjustments to the boundaries of the proposed new city. In making these requests, County staff concluded that the adjustments would add urbanized areas and areas designated for urban uses that are adjacent to the proposed city and would avoid creation of "pockets" that would be difficult for the County to serve.

The first requested boundary adjustment suggested moving the proposed western boundary to include territory between the Union Pacific Railroad tracks and Interstate 5 (i.e., Laguna West/ Lakeside).

The Laguna West and Lakeside communities are experiencing tremendous growth and development. The fiscal concerns of the Laguna Creek Ranch/ Elliot Ranch Community Facilities District, expressed during the 1993 incorporation effort, is no longer of concern. Moving the western boundary of the proposed city to coincide with Interstate 5 to include Laguna West and Lakeside would have been reasonable. However, legally, that action could not be considered as part of the proposed incorporation application. LAFCo Counsel concluded that LAFCo cannot legally modify the incorporation boundary to include territory that was not part of the original incorporation application/ petition. The inclusion of Laguna West/ Lakeside would require a new application and petition to LAFCo.

The second recommended boundary adjustment addressed the territory between the proposed southern boundary of the new city and the County's Urban Service Boundary. The County's report suggested that the territory between the two boundaries should be included in the proposed new city. Otherwise, the area may eventually become a "pocket" of territory that would be difficult for the County to provide municipal services. Again, the County's request is very reasonable. However, including the territory at this time would require a new application and petition to LAFCo.

A third issue regarding the boundary of the proposed new city was discussed during the public hearing to review the adequacy of the scope and content of the DEIR. Testimony was provided at the hearing regarding the extent of the proposed boundary along Grantline Road near the Town of Sheldon and northwest of the Deer Creek/ Cosumnes River flood plains. Some individuals suggest that the boundary in that portion of the proposed city should coincide with Grantline Road. Additional testimony focused on ensuring "active" or renewed Williamson Act properties are not included in the proposed city and, where appropriate, ensuring that prime agricultural property or environmentally sensitive habitat is removed from the proposal.

LAFCo staff recommended that the Commission make appropriate adjustments to the proposed southeastern boundary to exclude active or renewed Williamson Act property and environmentally sensitive habitat near the town of Sheldon and the Deer Creek/ Cosumnes River. However, staff does not recommend setting the boundary in that area to coincide with Grantline Road. Setting the boundary to coincide with Grantline Road in that location would divide an identifiable community and commercial district.

On March 30, 1999, the Board of Supervisors voted to recommend to LAFCo that Laguna West/ Lakeside and other "pockets" of territory contiguous to the proposed city boundary should be included in the new city's Sphere of Influence. The Board's recommendation for addressing the boundary adjustments was consistent with government code statutes and LAFCo policy. Therefore, LAFCo staff recommended that the Commission address the boundary adjustment comments provided by the County of Sacramento through the imposition of conditions of approval. Those areas identified by the County for inclusion in the city should be included by the new city in any application to LAFCo pertaining to the establishment of the City's Sphere of Influence.

Implementing those recommendations was consistent with government statutes and LAFCo policy regarding the preservation of prime agricultural land and open space. In addition, the compliance with standards and policy regarding the mitigation of environmental impacts, consistency with the applicable General Plan and the provision of planned, well-order, efficient urban development patterns can be in the affirmative."



### **Open Space and Agricultural Preservation**

The Laguna West Area is an urbanized area. While there are parks and other areas designated as open space, Laguna West is fundamentally developed with urban land uses. There is no agricultural land, or Williamson Act Contract land, within the area proposed to be annexed.

Preservation of open space and agricultural land has occurred to the south and west of the proposal area. The City of Elk Grove has several Draft General Plan policies in terms of its commitment to pursue goals relating to open space and agricultural preservation.<sup>18</sup>

- Goal 3-2      Open space lands in proximity to Elk Grove which provide for agricultural use and habitat for native species.
  
- Goal 3-4      Preservation and enhancement of Elk Grove's natural areas, in particular the area within the flood plain of the Cosumnes River.

### **Orderly Growth, Development and Infrastructure**

The Laguna West Area has developed in an orderly manner based on natural and manmade constraints. These constraints should represent the limits of growth for this community, i.e., growth and development should not go beyond Interstate 5 or the south side of Laguna/ Stonelake Development. These territories are designated open space and agricultural areas. Therefore, the proposed Sphere of Influence should be coterminous with the Laguna West Area annexation proposal.

The City of Elk Grove Draft General Plan states:

- CAQ-2      The loss of agricultural productivity on lands designated for urban uses within the city limits as of January 2002 is accepted as a consequence of the development of Elk Grove. As discussed in the Land Use Element, the City's land use concept for the planning area outside the 2002 city limits anticipates the retention of significant areas of agricultural production outside the current city limits.
  
- CAQ-4      While agricultural uses are anticipated to be phased out within the City limits, the City recognizes the right of these uses to continue as long as individual owners/farmers desire. The City shall not require buffers between farm land and urban uses, relying instead on the following actions to address the impacts of farming on urban uses:

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<sup>18</sup> City of Elk Grove Draft General Plan.

- (1) Right to Farm Ordinance.
- (2) Notification to Perspective Buyers.

### **Public Facilities and Infrastructure**

The infrastructure in the area to be annexed is relatively new and should not be defective. In the long term, these facilities will require both repair and maintenance as well as replacement. Financing should be in place to cover both operation and maintenance and capital outlays.

### **Environmental Analysis**

A Negative Declaration has been prepared for this project (Sphere of Influence and Concurrent Annexation of Laguna Area to the City of Elk Grove). Based on the fact that Laguna West is developed with urban uses, the Sphere of Influence and Annexation represent primarily a change in organizational structure as well as a change in some of the service providers. This proposal has not been used to determine future growth areas. This proposal is primarily a clean up item based on LAFCo Elk Grove Incorporation documents.

### **Compliance with Existing Mitigation Measures and Development Agreements**

In addition, mitigation requirements and MMRP Programs are currently in place for the development that has previously been approved as part of the Sacramento County Planning Process. Per staff's discussion with the Sacramento County Department of Environmental Review and Assessment, there are no outstanding mitigation issues that have not been resolved with respect to the area to be annexed. A list of the mitigation measures is set forth in the Appendix.

This staff report assumes that the City of Elk Grove continues to enforce development agreements and mitigation monitoring plans that have been imposed within the City limits. This report also assumes that all development agreements and previously adopted mitigation plans are current within the Laguna West area at the time of annexation.

### **Swainson's Hawk Ordinance**

There are no outstanding compliance issues with the County of Sacramento Swainson's Hawk Ordinance<sup>19</sup> within the Laguna West territory proposed for annexation to the City of Elk Grove. However, there may be a Swainson's Hawk compliance issue with respect to the City of Elk Grove.

Currently, the City of Elk Grove is subject to Sacramento County's Swainson Hawk Ordinance. Subject to the requirements of this County ordinance, the City of Elk Grove

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<sup>19</sup> The City of Elk Grove has adopted a Swainson's Hawk Ordinance and it is similar to the Swainson's Hawk Ordinance adopted by the County of Sacramento.

collects \$750 per acre as a mitigation fee for the Swainson's Hawk. At this time, the City of Elk Grove has not entered into any agreement that would enable the City to expend trust funds to purchase land and/or acquire conservation easements, as required by mitigation measures for habitat preservation. As a result, the City of Elk Grove has approximately \$1.3 million that has not been spent for Swainson's Hawk mitigation.<sup>20</sup>

Based on State policy related to the preservation of open space and prime agricultural land, the City of Elk Grove needs to comply with its adopted Swainson's Hawk Ordinance and not merely collect mitigation fees without purchasing land, as required per the Ordinance. Therefore, staff recommends that the Commission adopt the following condition for inclusion in the Resolution Making Determinations Approving the Laguna West Annexation to the City of Elk Grove:

As a condition of adopting the Proposal, the Commission finds that the City of Elk Grove collects fees for the preservation and maintenance of the Swainson's Hawk and other listed protected species pursuant to an Ordinance similar to the County of Sacramento imposed as a development fee condition. The City of Elk Grove is required to implement this mitigation measure. Based upon comments of affected agencies, the Commission determines that it is in the best interest of the community for the City of Elk Grove to enter into an agreement with the State Department of Fish and Game to provide a coordinated effort of habitat conservation in the south county. In addition, prior to submitting future Sphere of Influence amendments or annexations, the City of Elk Grove shall document its implementation of this mitigation measure and its efforts to establish, participate and implement a South Sacramento Habitat Conservation Plan.

#### **Property Tax Exchange Agreement**

**The City of Elk Grove and County of Sacramento have, as part of the annexation process, adopted a property tax sharing agreement for the proposed annexation of Laguna West.** [See Appendix.] If your Commission approves the annexation, the County of Sacramento must continue to provide countywide services within the proposal territory, as it does within the other unincorporated areas of Sacramento County i.e., jail, health and welfare programs, courts, probation, public defender, district attorney, election/voter registration services. The County of Sacramento will also retain about \$1.1 million in property tax revenue to continue to provide countywide services. The City of Elk Grove shall receive 10.74364 percent, or about \$1.2 million, of the property tax within the Laguna annexation territory from the County of Sacramento per year to

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<sup>20</sup> Note: Sacramento County Planning Staff recently recommended to the Board of Supervisors that the Board increase both the mitigation fee and that the mitigation ratio be increased until the County adopts a South County Habitat Conservation Plan. On August 19, 2003 the County Board of Supervisors increased the mitigation fee to \$2,500 per acre plus \$333 for a management fee. The mitigation ratio of 1/2 acre to 1 acre developed was not changed. The City of Elk Grove has the legal authority to adopt what it determines to be adequate mitigation.

provide for municipal services in the annexed area, i.e., law enforcement, planning, drainage, code enforcement, animal control, etc.

There will be no change or transfer of property tax revenue to special districts because there are no detachments or changes in special district boundaries as a result of the proposal. If your Commission approves this proposal, the County of Sacramento will actually retain about \$100,000 per year of revenue in excess of the cost of services provided. This savings is a benefit to the County of Sacramento.

### **Service Levels After Annexation**

The City of Elk Grove can provide a municipal level of service at least equal to the level currently provided by the County of Sacramento in Laguna West. The City conducted a fiscal review of the impact of the annexation of Laguna West to the City of Elk Grove. The City determined it could provide substantially the same level of service to the Laguna West area as it does to the remainder of the City if the City receives approximately 10.5 percent of the 1 percent property tax. The Agreement between the County of Sacramento and the City of Elk Grove regarding the Distribution of the Share of Property Tax proposes that the City receive approximately 10.7 percent of the 1 percent property tax. Thus, the City of Elk Grove can provide substantially the same level of service in Laguna West as it does in the remainder of the City.<sup>21</sup>

For some services, the level of service in the City of Elk Grove will be higher than the level of service the County of Sacramento is able to provide. For example, the City of Elk Grove under contract with the County Sheriff, currently provides a higher level of police staffing per 1,000 population than the County of Sacramento provides to unincorporated area residents. Moreover, response times should dramatically improve after annexation.

Moreover, the County of Sacramento is facing significant budget shortfalls for the upcoming fiscal year (2003-04). The County has considered significant reductions in Sheriff staffing during FY 03-04. The City of Elk Grove FY 03-04 budget, adopted by the City Council in June, 2003, is balanced with no planned loss of contract Sheriff staffing. Thus, in the future, the difference between the City of Elk Grove contract Sheriff staffing levels and the County of Sacramento Sheriff staffing levels is likely to increase.

Laguna West is bounded on the north (Sacramento Regional County Sanitation) and west (I-5) by permanent land use designations, it is an area reasonably isolated from any significant portion of the unincorporated area population base. It's closest proximity to service provision is the City of Elk Grove. The highest level of service provision at the most reasonable cost of service is the City of Elk Grove.

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<sup>21</sup> Staff Report to City Council, City of Elk Grove, dated August 6, 2003.

### **Sphere of Influence Discussions with County of Sacramento**

Government Code Section 56425 requires the City and County to meet prior to submitting a Sphere of Influence application. "The city shall meet with county representatives to discuss the proposed sphere and its boundaries and explore methods to reach agreement on the boundaries, development standards, and zoning requirements within the sphere to ensure that development within the sphere occurs in a manner that reflects the concerns of the affected city and is accomplished in a manner that promotes the logical and orderly development of areas within the sphere."

The section further states that no agreement has to be reached but the Commission should give "great weight" if an agreement has been realized. In this case, partial agreement has been reached between the City of Elk Grove and the County of Sacramento with respect to development standards and the proposed boundary.

The City and County have not reached agreement on zoning and the transfer of Regional Fair Share Housing units. These outstanding issues are discussed in the next sections of this report.

### **Regional Fair Share Housing Issue**

Sacramento Area Council of Governments (SACOG) is the responsible jurisdiction for determining the allocation of affordable housing units within the cities and counties under its jurisdiction.

Government Code Section 566668 (l) requires the Commission to make the following finding in considering proposals before it:

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.

**City of Elk Grove<sup>22</sup>**  
**Regional Housing Needs Allocation<sup>23</sup>**

<b><i>Income Category</i></b>	<b><i>RHNA 2000-2007</i></b>	<b><i>Progress through March 2002</i></b>	<b><i>Remaining RHNA Allocation</i></b>
Very Low	3,509	100	3,409
Low	2,316	66	2,250
Moderate	<u>2,606</u>	<u>294</u>	<u>2,312</u>
<b><i>Subtotal Affordable Units</i></b>	<b><i>8,431</i></b>	<b><i>460</i></b>	<b><i>7,971</i></b>
Above Moderate	<u>4,568</u>	<u>2,319</u>	<u>2,249</u>
<b><i>Total</i></b>	<b><i>12,999</i></b>	<b><i>2,779</i></b>	<b><i>10,220</i></b>

**Regional Housing Needs Plan Analysis**

The annexation will not impact the number of fair share housing units that have been allocated to Sacramento County and the cities within Sacramento County. Neither will the annexation have an impact on the Sacramento region as a whole. However, the annexation will have an impact on the distribution of fair share housing units and may impact future allocations between the County of Sacramento and the City of Elk Grove.

SACOG is responsible for allocating the Regional Housing Needs Plan (RHNP), the major goal of which is to assure a fair distribution of housing among cities and counties so that every community provides an opportunity for a mix of housing affordable to all economic segments.

The annexation of the Laguna West Area from the unincorporated area to the City of Elk Grove represents a shift of existing housing units from one jurisdiction to another. As a result, both jurisdictions and SACOG need to recognize that there should be an adjustment, or transfer, of affordable housing units from one jurisdiction to another.

From a regional perspective, because this area is for the most part developed, there will be no gain or loss of housing units. However, there may be a shift of affordable housing units between jurisdictions.

LAFCo has suggested as part of the application package for annexation that the City of Elk Grove and the County of Sacramento reach a negotiated agreement prior to approving the annexation. SACOG has adopted a policy for RHNP redistribution upon

<sup>22</sup> Specifically, its current corporate boundary prior to annexation.

<sup>23</sup> SACOG Regional Housing Needs Plan; City of Elk Grove.

annexation or incorporation. The SACOG policy requires the entities to negotiate in good faith:

The affected county and the annexing city will jointly draft conditions covering the transfer of RHNP allocations. The county will request that the RHNP conditions be included in the LAFCo resolution.

To date, no agreement has been reached between the City of Elk Grove and the County of Sacramento. A similar situation occurred in Orange County with a number of annexations.<sup>24</sup> Sacramento LAFCo staff has discussed this issue with SACOG and HCD. Staff recommends the following condition:

Therefore, the Commission finds and determines that the City of Elk Grove and the County of Sacramento shall each assume its proportionate share of the regional fair share housing need. The City of Elk Grove and the County of Sacramento shall either agree or jointly petition HCD and SACOG to adjust their respective regional fair share housing needs that are a result of the annexation by the next housing element update cycle ending in 2008.

#### **Consistency with City of Elk Grove General Plan**

The City of Elk Grove adopted the County General Plan on December 2002 as an Interim General Plan while the City completes preparation of its first General Plan. The Governor's Office of Planning and Research (OPR) has granted the City of Elk Grove an extension of time, to December 31, 2003, to meet the requirement for adopting its Draft General Plan. City staff expect Draft General Plan adoption in Fall, 2003. The applicable laws regarding planning, zoning and development include the following:

**General Plan.** A General Plan with all elements and parts (i.e., maps) must be fully integrated, internally consistent and compatible with all statement of policies [Government Code Section 65300.5]. A General Plan may cover all or part of the city and such other territory outside its boundaries which in its judgment bears relation to its planning. Also, a city may adopt all or part of a plan of another public agency [Sec. 65301(a)]. A newly incorporated city shall adopt a General Plan within 30 months following incorporation [ Sec. 65360]. Regarding General Plan preparation and adoption,

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<sup>24</sup> Orange LAFCo has experienced the same dilemma. The Orange LAFCo Executive Officer recommended that LAFCo not impose a RHNA condition on an annexation proposal. "Orange LAFCo's existing RHNA policy provides the Commission the option of transferring RHNA allocations from the County to a city as a condition of approval upon annexation. Because the RHNA process has become problematic for LAFCo and has resulted in the delay of several key annexations, LAFCo staff has requested that the Orange County Council of Governments (OCCOG) revisit the RHNA transfer issue and work with LAFCo toward developing a revised process that better meets the needs of the County and Orange County cities. To avoid further delays with the subject annexation, staff recommends that the Commission not impose a RHNA transfer condition on the subject project." Orange LAFCo staff report dated June 11, 2003.

the Director of OPR shall grant an extension of time not to exceed two years if requested by resolution [Sec. 65361(a)].

**Zoning, Prezoning Requirements.** City zoning shall be consistent with the General Plan. If the zoning becomes inconsistent with a General Plan by reason of amendment to the Plan, the zoning ordinance shall be amended within a reasonable time so that it is consistent with the General Plan as amended [Sec. 65860(c)]. A city may prezone unincorporated territory to determine the zoning that will apply to that territory upon annexation to the city. The zoning shall become effective at the same time that the annexation becomes effective [Sec. 65859].

### **Prezoning Requirement**

The City of Elk Grove has prezoned the proposal territory, as required by statute. A portion of this zoning is not consistent with the County General Plan which was amended after the City of Elk Grove adopted its prezoning.

### **Maritime West Rezone Issue**

During October/ November 2002, the City of Elk Grove prezoned the area to be annexed consistent with the Interim City General Plan, and consistent with the Sacramento County General Plan and Zoning Map. Subsequently, the County of Sacramento amended its General Plan [January/ February 2003] and rezoned 39 acres within the proposal territory from Industrial/Office Park (MP) and 8 acres of Highway Travel/Commercial (TC) to Residential Development/5 dwelling units per acre (RD-5). The County Board of Supervisors held numerous public hearings on the Maritime West rezone project. It was, from a land use policy perspective, very controversial. The rezone created 223 residential lots on approximately 47 acres. The change in population, or residents, is estimated, assuming 2.5 persons per household, to be 558 residents.

An Initial Study/ Mitigated Negative Declaration was prepared for the Maritime West project and released on April 30, 2001. The Board of Supervisors subsequently approved the project and determined that the rezone would not have a significant effect on the environment or on the delivery of municipal services.

The County of Sacramento made the following findings:

Noise: No significant impact.

Traffic and Access: No significant change in previously identified impacts.

Water: Well water site is required.

Drainage Facilities: Will be required.

Sewer Service: Required.

Pay Quimby In-Lieu Park Dedication Fees: In accordance with state law and Elk Grove Community Services District Board policies. Landscape corridors shall be constructed and installed in accordance with plans and



specifications approved by the Elk Grove Community Services District. Developer shall comply with Elk Grove C.S.D. standards.

### **Maritime West Municipal Service Issues**

Numerous agencies, affected independent special districts, including Elk Grove Community Services District, County departments, and other municipal service providers made requests, comments and statements on the proposed rezone.

None of the comment indicated that the provider did not have the capacity, ability or desire to provide services for the proposed residential uses. The responses from service providers to the proposed rezone were limited to requiring the developer to install the necessary infrastructure and dedicated land for public improvements to accommodate residential development instead of industrial development.

Consequently, I have determined that adequate levels of service can be provided to the proposed residential Maritime West development.

A development agreement was approved and recorded on the Maritime property. This agreement confers vested rights to the Developer and the Developer is thus entitled to proceed with the residential development as contemplated in the development agreement. Thus, the difference between the County General Plan/ Zoning Ordinance and the City Interim General Plan/ Zoning Ordinance with respect to the Maritime West Parcel is a technicality and not substantive given the terms of the development agreement.

### **Municipal Service Impacts**

The proposed annexation should not result in any significant negative impacts on the cost and adequacy of the services currently provided in the Laguna Area. In some cases, the service provider may change but the level or quality of service is not expected to decline. In most cases, the service provision may well increase to a higher level. It is anticipated that police service, in terms of number of officers and response times, will improve upon annexation.

### **Public Comment**

There appears to be community support for the annexation of the Laguna West Area to the City of Elk Grove. Many residents perceive they are already within the corporate boundary of the City of Elk Grove. The primary concern of citizens appears to be response times for law enforcement. The Laguna West Area is located in the Sheriff's Delta Division. The service area is very large and sparsely populated, with the exception of the Laguna West. Because the service area is large, Sheriff patrol response times are longer than average for an urbanized area. The City of Elk Grove indicates that it will be able to improve the service level of police protection in Laguna West; this issue is of great concern to Laguna West residents.

### *Comments from Affected Agencies*

There have been no substantive comments from affected agencies or districts that currently serve the Laguna West area. Special districts will continue to serve the proposal territory; funding sources will not be impacted with the annexation. As mentioned above, the City of Elk Grove will assume service responsibility in several, but not all, areas provided by the County of Sacramento.

The City of Sacramento was notified of the proposed annexation and has provided the following comments:<sup>25</sup>

"The proposed Sphere of Influence is acceptable to the City of Sacramento, however, the City requests that the City of Elk Grove address the regional Civic Standards in their application (Attachment A). The Standards are based on the Capital Region Compact, developed by Valley Vision, which promotes regional coordination, cooperation, and collaboration, and was endorsed by six counties and fifteen cities in the region (Elk Grove has not endorsed the Compact). The Civic Standards provide a definition of what is important for the city and region's quality of life and provide a means to implement and measure compliance with smart growth principles at the regional level. The City of Sacramento would like this assurance that the City of Elk Grove will adhere to smart growth planning principles and submit to their fair share responsibilities from a regional standpoint.

A more specific request from the City of Sacramento is that permanent community separator or open space buffer be maintained between the two cities. This community separator (e.g., Regional Sanitation District land) will assist in maintaining independent identities for both communities."

From these statements the City of Sacramento has requested three conditions on the proposed annexation of Laguna West to the City of Elk Grove:

1. "The City of Sacramento requests that, as a condition of future annexation into the proposed sphere of influence, the City of Elk Grove develop "smart growth" policies aimed at providing higher density development, preserving open space, and improving transportation alternatives to the automobile."
2. "The City of Sacramento requests that, as part of TOD policies, the City of Elk Grove develop policies that call for future development of transit alternatives in the existing City limits and the proposed SOI. These policies should be aimed at maintaining and reducing traffic congestion and improving the associated air quality levels."

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<sup>25</sup> Memorandum to Peter Brundage from Steve Peterson and Matt Anderson, City of Sacramento Planning & Building Department, dated July 23, 2003.

3. "The City of Sacramento also requests that a permanent community separator or open space buffer be maintained to separate the two cities. As identified in the Capital Region Compact, the separation assists in maintaining separate identities for both communities."

#### **Impacts to Affected Agencies**

None. The proposed Sphere of Influence for the City of Elk Grove and Annexation of Laguna West should not impact adjacent agencies since land use projects and development has previously been approved under the Sacramento County General Plan and subsequent amendments. As mentioned, neither detachment nor changes in property tax revenue are proposed for special districts.

#### **Impacts to Residents of the City of Elk Grove**

The annexation of Laguna West to the City of Elk Grove will not cause any adverse impact to the residents of the City of Elk Grove.

#### **Impacts to Residents of Laguna West Area**

There should not be any negative impacts to the residents in the Laguna West area resulting from the annexation. For the most part, the delivery of services should be transparent and seamless. In fact, the residents should have a higher level of police protection after annexation and perhaps more local representation on local community issues.

#### **Transfer of Jurisdiction from County of Sacramento to City of Elk Grove**

The transfer of jurisdiction of Laguna West, Stonelake and Lakeside communities from the County of Sacramento to the City of Elk Grove will not have any significant negative impact on the residents of these communities. In fact, these residents believe themselves to be part of the larger Elk Grove community. A social and economic shared community of interest with the City of Elk Grove has existed since the development of the Laguna West communities; many residents believe their communities are already within the city limits of the City of Elk Grove.

The Laguna West area is within the boundary of the Elk Grove Community Services District which provides the residents with fire and park service, the Elk Grove-Cosumnes Cemetery District, the Elk Grove Unified School District, and other special districts.

#### **Effect of Transfer of Jurisdiction**

The City of Elk Grove will assume control of land use decisions, building inspections, police protection and other general government services. The Laguna West area is nearly built out and is primarily residential in character. Based on the City of Elk Grove's

Master Services Element, this annexation will not create any significant change in municipal service providers or levels of service for either the City of Elk Grove or the annexation territory. Expansion of service infrastructure to serve the annexation area will not be required.

The change of jurisdiction will enable residents of these communities to participate in elections for Elk Grove City Council members. They remain within Sacramento County District No. 5 and are represented by Supervisor Don Nottoli.

### **CONCLUSION**

Laguna West, Stonelake and Lakeside are communities that are separated from the City of Elk Grove by the Union Pacific Railroad tracks. Elk Grove Boulevard and Laguna Boulevard connect these communities to the City of Elk Grove. These communities participate in the social and economic, educational and cultural activities of the City of Elk Grove and are considered to be a part of Elk Grove. The proposal territory is served by the Elk Grove Community Services District.

The current and proposed land uses are consistent with suburban development occurring regionally and with the nature of development occurring within the City of Elk Grove. The proposal territory currently receives all necessary municipal services.

Current service levels are adequate and should not change as a result of the proposed annexation. In fact, some service levels may improve as a result of the annexation. Laguna West residents will likely have a higher level of law enforcement service and a quicker response time after annexation.

The annexation of Laguna West to the City of Elk Grove represents both a logical boundary extension and a logical service area for the City of Elk Grove. The residents of Laguna West are served by the same school system, and the same parks and fire service; its proximity to the City of Elk Grove creates a community identity with the City. Laguna West is not proposed for annexation in order to obtain municipal services or land use entitlements. Major infrastructure, including curbs, gutters, sidewalks, roads, storm drains, water lines, sewer lines, electrical, telephone and gas lines have been installed. At this time, Laguna West is an unincorporated island that can be more efficiently served by the City of Elk Grove.

I recommend your Commission approve the proposed Sphere of Influence for the City of Elk Grove and the Concurrent Annexation of the Laguna West Area to the City of Elk Grove.

Respectfully submitted,

***SACRAMENTO LOCAL AGENCY FORMATION COMMISSION***

Peter Brundage  
Executive Officer

PB:Maf  
Attachment: Appendices I - VIII

(EG SOI Laguna Annexation pb version)