

I. INFRASTRUCTURE, FACILITIES AND SERVICES/GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

I. a - What is the current demand for services (baseline)?

The current demand for services is described in the City of Elk Grove (“City”), Lighting Maintenance District No. 1 Engineer’s report and is represented by the current inventory of lights and current assessment roll. In summary, this includes approximately 9,477 highway safety and street lights. Additionally, the demand for services includes currently adopted public works projects.

I. b – What is the projected demand for services?

Demand for service will continue to grow at the same pace as real estate development within the City. Current projections from the General Plan Housing Element, Table 1-11(see attached General Plan) indicate a growth to 59,214 households by 2022. As described later in I. d, the City has policies within the General Plan to retain the rural character in some portions of the City. The demand for services will grow at a slower pace in these areas because of the lack of local street lighting.

I. c – What is the existing and projected service capacity?

Unlike other major infrastructure items such as sewer and water, the street lighting capacity is not capped by the size of local infrastructure. Sacramento Municipal Utility District (“SMUD”) provides electricity that keeps the street lights lit. The projected capacity is adequate for full implementation of the City’s street lights. SMUD currently generates approximately half of its own electricity and purchases the other half from the wholesale market.

I. d - How are infrastructure needs determined?

Street and Safety needs are determined by the City, which adopted standards upon incorporation based on the County’s standards for acceptable illumination levels on accepted streets. The City is currently considering revising or upgrading the standards by adopting the American Association of State Highway and Transportation Officials (AASHTO) *Roadway Lighting Design Guide* as its specification. The AASHTO guide outlines recommended illumination levels for various types of roadway classifications. Factors such as the roadway type, pole height, fixture type, wattage, driveway locations, block sizes, as well as other factors determine the lighting needs.

The City also has recognized the eastern portion of Elk Grove known as the Sheldon Area as having characteristics associated with a “rural” lifestyle and has

City of Elk Grove
Municipal Service Review – CSA - 1

goals and policies within the General Plan (Land Use Element) to preserve this area from urban encroachment. In practice, residential subdivisions with property frontage of 125 feet or more are not required to install street lights. In these rural residential areas, highway safety lights would be required at intersections, cul-de-sacs, and other locations as determined by the City for safety reasons.

I. e - Provide schedules for infrastructure replacements and upgrades; explain how schedules are being met? Describe operation and maintenance programs(s) including any identified areas of deferred maintenance?

New Street and Safety Lighting systems will be installed as new residential and commercial development occurs. There are areas within the City that do not have local street lights. No installation of street lights for these areas is contemplated with the detachment from CSA 1. An inventory of the existing system is anticipated to be undertaken in July 2005 which will document the conditions of the poles in general terms. Maintenance will include checking all street lights on main thoroughfares during non-daylight hours, once every other month, maintaining a written log, troubleshooting and repairing any found outages. Participating in the system protection program, Underground Service Alert (USA), has been contracted to mark and locate the infrastructure to minimize the opportunity for contractors to damage underground infrastructure including the street lighting system. Deferred maintenance typically involves re-painting the street and safety light poles and an inspection of wood street light poles for rotting and to replace with metal poles.

I. f - How will new or upgraded infrastructure be financed?

According to the City's General Plan, Public Facilities and Finance Element, the City's goals include providing high quality public services. Additionally, in the General Plan policy PF-1 and PF-19 provide that public services and facilities will be available on time to maintain desired service levels and that public facilities should be phased in a logical manner to avoid leapfrogging. To that end PF-20 requires that new development complete major facilities (collector streets or larger) at their planned width or capacity in one phase. These new facilities, including installation of street lights may be financed by using road impact fees, assessment districts, special taxes, developer dedication or other appropriate mechanisms. Maintenance of street lights will be paid for by the City's assessment district.

I. g - List infrastructure deficiencies; indicate if deficiencies have resulted in permit or other regulatory violations; explain how deficiencies will be addressed.

There is an existing deficiency in service level due to a lack of revenue. This lack of revenue results in a safety issue and the standards are not being met. The result of this deficiency is an increased response time for service to lights. Current response time is averaging more than twenty days which is significantly

City of Elk Grove
Municipal Service Review – CSA - 1

more than the original contractual response time of five days between the County and the City. This deficiency has been recognized by the County and an assessment increase procedure has been initiated to correct this deficiency in the Sacramento County portion of CSA 1.

The City is also proposing an assessment increase and is in the planning stages of this process.

Based on our research and conversations with County Staff we are not aware of any permit or regulatory violations. The service level has been reduced over time to match with assessment revenue.

I. h – Describe capital facilities that are underutilized; explain how underutilized facilities could be shared with other agencies?

The City and the County are currently in negotiations regarding a Transition Agreement. This agreement will include elements such as a final transition date, split of operating reserve, backlog of service calls, SMUD utility bill turn-over, and a contingency plan of service transition that is mutually agreed upon by both agencies. The City and County are also reviewing the agreements and funding sources for the maintenance of Cal Trans lighting along Interstate 5 and State Highway 99.

I. i How are service needs forecast?

Near term service of roadway lighting systems are typically not forecast, but rather scheduled based on needs as determined by night-time inspection and service requests. Long term needs are forecast based on roadway construction, anticipated growth, the Capital Improvement Program, periodic inspections and historical data. (Also see question I. a).

I. j – How are growth/population projections integrated with plans for future service?

As mentioned above, the City has specific policies regarding development approvals and financing for infrastructure. The City also has adopted the County lighting standards to provide cost efficiency in installation and maintenance of new lighting along with providing an attractive uniform appearance. Therefore as development progresses in a logical and orderly manner, the street lights will be installed and energized.

I. k – Provide maps of service areas for services that are provided less-than agency wide.

Street lights and safety lights are provided citywide. Please see citywide map. As discussed in Section I. d, rural residential areas of the City, such as the Sheldon

City of Elk Grove
Municipal Service Review – CSA - 1

Area have safety lights, but have limited street lights. This is in an effort to retain the rural character.

I. l – Describe any variance or inequity in levels of service provided to customers. Explain why unequal service levels are present.

There are variances of level of service based on the benefit received from the lighting. This is further illustrated by the General Plan goals of retaining the rural character of the Sheldon Area. Rural areas are not required to install street lighting and the existing lighting includes only safety lighting based on front footage. This variance is reflected in the assessment levels the parcels are currently paying. There are no inequities in the level of service provided.

I. m – Provide the assessor parcel number or addresses of properties, which are located outside agency boundary and receive agency services; list type of service and date service commenced.

This question is non-applicable.

I. n – Explain policies or procedures that establish priorities for directing services to infill areas.

The Elk Grove General Plan contains the following policy related to this issue:

PF-19 Public facilities should be phased in a logical manner which avoids “leapfrog” development and encourages the orderly development of roadways, water and sewer, and other public facilities. The City shall not provide public financing or assistance for projects that do not comply with the planned phasing of public facilities. Interim facilities may be used only if specifically approved by the City Council.”

This policy direction favors infill development where infrastructure is already available, and discourages the development of properties outside of infill areas and where public facilities are planned.

I. o. - Describe provisions for providing services in emergency situations.

The highway safety lights that are located in conjunction with traffic signals are not connected to backup batteries, however they are located on the traffic signal pole. Street lights are also not connected to backup batteries.

With respect to street lights that are knocked down, the site is made safe within a two to three hour time frame by clearing obstacles and deactivating power.

Replacement of inoperable street lights is anticipated to take approximately one week.

II. EVALUATION OF MANAGEMENT EFFICIENCIES

II. a - Is organization structure similar with like service providers? Describe any differences.

The City of Elk Grove operates with a City Council/City Manager form of government. The overall operation of the street and safety light system (including establishing budgets and priorities) is at the direction of the City Council, with day-to-day operation at the direction of the City Manager and other key City staff. This is similar to the current system under which the Sacramento County Board of Supervisors operates as the Board of Directors for CSA 1.

III. FINANCING CONSTRAINTS AND OPPORTUNITIES / OPPORTUNITIES FOR RATE RESTRUCTURING

III. a - Describe the rate setting methodology.

The initial methodology mirrors CSA 1 methodology. Please see Engineer's Report for a complete description.

III. b - Describe all revenue sources.

The revenue source for street light and safety light maintenance is a property based assessment. This will be transferred from CSA 1 to a citywide Assessment District to be formed under the 1982 Act Benefit Assessment District. As referenced in Section I. g and III. c, the City is anticipating a balloting proceeding to fund a higher level of service. Should the ballot proceeding fail the City Council will decide to adjust the level of service to stay within the assessment revenue or supplement the service with other revenue sources such as the General Fund.

Additionally, the City and the County are currently in negotiations regarding a Transition Agreement. This agreement will include elements such as a final transition date, split of operating reserve, backlog of service calls, SMUD utility bill turn-over, and a contingency plan of service transition that is mutually agreed upon by both agencies.

III. c – Explain constraints associated with agency's ability to generate revenue. What options are available – special assessments, special taxes and increases in sales taxes?

The City is anticipating initiating a ballot procedure for an increase to the lighting assessment. This ballot procedure will be conducted under Article XIII D of the

City of Elk Grove
Municipal Service Review – CSA - 1

California State Constitution (Proposition 218). This process requires a mailed ballot be sent to property owners that specifically benefit from the infrastructure and maintenance. Ballots are weighted based on the proposed assessment and require a fifty percent approval based on returned ballots. The City is currently in the process of analyzing the rate necessary to provide a higher level of service reflected in a shorter response time than currently provided by CSA 1. Additionally, the City will create new districts for areas of new development if they will require a higher level of service based on the adoption of standards higher than the current County standard or more decorative lighting fixtures.

III. d - Describe policies and procedures for establishing and maintaining reserves/retained earnings. What is the dollar limit of reserves/retained earnings? What is the ratio of undesignated, contingency, and emergency reserves to annual gross revenue?

The City's goal is to establish two reserve funds associated with the Lighting District. The Cash Flow Reserve will be grown over a period of years to provide an adequate amount of funds in order to meet the expenditures required for the District from the period of July 1 (the beginning of the Fiscal Year) through December 31 due to the six-month delay in the District's receipt of the assessment collections, fifty percent (50%) of the annual budget. The Replacement Reserve will be established to accumulate funds for the planned replacement of improvements in future years that cannot be collected in a single fiscal year. The Replacement Reserve goal will be established after the completion of the inventory and evaluation of the current lighting system. Once the goal is established the City would endeavor to fund the Replacement Reserve over a time period of five to ten years.

III. e - Explain any variances in rates, fees, taxes, etc., which are charged to agency customers. Describe rate/fee policies.

There are two service levels, based on benefit, within the street lighting program as described in the Engineer's Report. Assessments for Highway Safety Lights are charged to all properties within the City. Assessments for Street Lights are charged to only the properties that directly benefit from the presence of street lighting. Please see Engineer's Report for a more detailed explanation of the assessment methodology and benefit discussion.

III. f - Explain policies and procedures for fee rebates, tax credits, or other relief given to agency customers. Provide details of any rebates, etc., issued during the past three years.

Special Assessments by definition are assessed on property based on the special benefit received by the property; therefore there are no credits or other relief given to property owners. The State Controller's office offers a property tax

postponement program for qualified low-income citizens that are either over the age of 62, blind or disabled. Additionally, the Franchise Tax Board offers an assistance program for qualified citizens.

III. g - Describe policies and practices for depreciation and replacement of infrastructure.

Upon completion of the inventory and determination of the overall status of the system, the City will establish a replacement schedule of the light standards based on the age and condition of the lights. Current City policy is to depreciate street lights over twenty years. SMUD owned and maintained lights may be replaced at the request of the City prior to the expiration of their useful life. SMUD provides guidelines for replacement and associated costs in their Street Lighting Service rate information.

IV. GOVERNMENT STRUCTURE OPTIONS/LOCAL ACCOUNTABILITY AND GOVERNANCE

IV. a - Describe rules, procedures, and programs for public notification of agency operations, meetings, programs etc. How is public participation encouraged? Are meetings accessible to the public, i.e. evening meetings, adequate meeting space, etc.?

The City of Elk Grove notifies residents of agency operations, meetings, programs etc. through a variety of mechanisms. Foremost, the City will determine if State Law has specific requirements for various topics and follow the law. The City consistently exceeds State Law in publication requirements. Residents are encouraged to attend meetings through a variety of mechanisms used to solicit participation. Those often include: press releases, notification in the local newspaper, distribution to the City Manager's list-serve, announcement in the City's monthly newsletter, information posted on the website and sometimes direct mailings. The Elk Grove City Council meetings are also broadcast on Metro Cable 14. The City's Communications Department's mission is to accurately and efficiently convey information about the City's policy objectives and municipal service activities to state and federal leaders, the press, and the public.

The City Council and City staff encourages participation of residents in all meetings, whether at regular City Council meetings or special topical public meetings. The City of Elk Grove falls under the Ralph M. Brown Act for public meetings. The Brown Act requires the governing board of local agencies to hold their meetings in public except under specified, limited circumstances where closed sessions are authorized. The Act is found in the Government Code starting at Section 54950.

City of Elk Grove
Municipal Service Review – CSA - 1

Public Meetings are generally held in the City's Council Chambers in the evening so residents can attend. Periodically throughout the year, meetings are held as all day Saturday events. To date, the Council Chambers has proven to be an adequate location for meetings of various sizes. However, meetings are not constrained to the Council Chambers and have often been held at various off-site locations such as local schools to engage a broad range of constituents throughout the community.

IV. b - Describe Public Outreach efforts, (i.e. newsletters, bill inserts, website, etc.).

The City has a newsletter which reaches every Elk Grove household 10 times per year and is a major component of the City's Public Outreach efforts. The newsletter is geared towards informing residents of the City's plans for upcoming programs, initiatives and meetings.

The City Manager has an e-mail distribution list which contains approximately 12,000 e-mails of individuals interested in receiving press releases and information on current events in the City. The City's Public Information Officer writes and distributes all relevant information to this list-serve.

The City uses its website as a major outreach tool to inform residents of public meetings, programs and initiatives. The website is frequently used as demonstrated by the March 2005 numbers of a total views count of 69,268. A main component of the website is the *What's New* link which contains: press releases, upcoming programs, meetings and events.

The City also relies heavily on the local newspaper, the Elk Grove Citizen, to help inform and educate residents. Through paid and free advertising, the City strives to effectively communicate a clear message to residents twice a week in this publication each Wednesday and Friday.

Recently, trash bill inserts have been used to provide information regarding the City's Solid Waste Program. Typically, the inserts contain information to educate residents on initiatives in that department.

The City will use the website, bill inserts, newspapers and the City's newsletter to educate residents on the transfer of street light maintenance responsibility and include phone numbers for service calls of non-operating street and safety lights.

Public meeting and agenda information is also posted at City Hall for residents.

V. OPPORTUNITIES FOR SHARED FACILITIES/COST AVOIDANCE OPPORTUNITIES

V. a - Describe the reasons it will benefit city residents from detaching from CSA 1.

City residents will benefit from detaching from CSA 1 by receiving improved service response times and more local control over the use of their assessment funds. Currently, response times should be no more than 5 days (per an existing service contract), however, are averaging more than 20 days due to the shortfall of funds in CSA 1 to maintain and/or improve service time.

Local control over assessment funds will ensure local accountability and oversight of finances to ensure funds collected in Elk Grove are sufficient for improved service to residents for the street lighting system. Local control will also allow voters the ability to increase their assessment should they vote for an increased assessment rate in the future.

SMUD owns and maintains some existing light poles within the boundaries of Elk Grove, however the City will be responsible for payment of their maintenance under their current service agreement. The City currently sees no opportunities for shared facilities/cost avoidance opportunities because there would be no other service provider in Elk Grove besides SMUD.

V. b - Are your service plans compatible with other local agencies? Explain.

Our service plans are compatible with local agencies which have an interest in street light and roadway safety lighting services. The City and the County are currently in negotiations regarding a Transition Agreement. This agreement will include elements such as a final transition date, split of operating reserve, backlog of service calls, SMUD utility bill turn-over, and a contingency plan of service transition that is mutually agreed upon by both agencies. The City and County are also reviewing the agreements and funding sources for the maintenance of Cal Trans lighting along Interstate 5 and State Highway 99.

The City of Elk Grove would be the sole provider of this service and would administer the program in an efficient and effective manner to ensure that residents and non-residential users receive the highest benefit from this program.

The City's service contract will provide residents with service no more than five days from a service request and would also provide for checking all street lights on main thoroughfares during non-daylight hours, once every other month.

VI. ADDITIONAL INFORMATION

VI. a - Please provide any additional information that you would like LAFCo to evaluate as part of your agency's Municipal Service Review.

County of Sacramento – CSA 1 Zones

On May 10, 2005, the Board of Supervisors held a meeting adopting a Resolution of Intention to establish four Benefit Zones within CSA 1. The zones divide CSA 1 into four distinct areas which include the following: Zone 1 - Sacramento County; Zone 2 - City of Rancho Cordova; Zone 3 - City of Citrus Heights, and; Zone 4 - City of Elk Grove. The primary purpose of establishing the four zones is to allow Sacramento County to move forward a ballot procedure while allowing the Cities currently serviced by CSA 1 the option to detach from CSA 1 and pursue their own financing mechanisms if they so choose.

The establishment of these Zones ensures that Zone 4, the City of Elk Grove, can clearly transition service from CSA 1 to Elk Grove maintained and operated service district. The formation of zones ensures a smooth transition of service and defines a clear service boundary.

This action received a unanimous vote and the Public Hearing on the formation of zones and the first reading of an Amended and Restated Ordinance containing revisions as required by the formation of zones was held on June 14, 2005.

The associated staff report is Attachment # 2.

During County staff's presentation, two questions were raised from the Board of Supervisors which would be beneficial to highlight.

1. *What percentage of the CSA 1 budget is spent on the Underground Service Alert (USA) Program?*

County staff has determined that actual labor costs for CSA 1 and USA for the past 12 months is \$781,000, of which \$250,000 is spent on USA for street lights. In terms of percentages, USA for street lights has used 32% of the total CSA 1 labor budget in the past 12 months.

The City of Elk Grove is aware of the obligation to respond to the USA calls and has included this item in the projections of the cost of maintenance.

- *If Elk Grove detaches, do they simply receive the capital investment of street lights at no cost?*

City of Elk Grove
Municipal Service Review – CSA - 1

Street Lights are essentially elements of the public right-of-way and street fixtures. After incorporation, items such as roads, drains, traffic lights, and other public infrastructure were transferred to the City of Elk Grove. This is the last piece of road infrastructure to be transferred to the City and completes the roadway transfer. Developers are required to install or pay impact fees for infrastructure, including street lights, as a condition of development. Once the improvements are accepted they are turned over to the appropriate agency for maintenance. Therefore, Elk Grove property owners have already indirectly paid for the street lights as a part of the cost of their homes. Additionally, CSA 1 only pays for maintenance of lights, not initial capital installation.

In special cases the City may install street lights as they relate to a special project such as the Old Town Revitalization project. The funding for special cases would not come from CSA 1 funds and would be part of a specific project's budget.

UPDATE to May 10, 2005 BOS Hearing.
Board of Supervisors Meeting, Agenda for June 14, 2005.

BOS with a 5-0 vote held a Public Hearing on the Approval of the Formation of Zones; approval of Appropriation Adjustment Request; Repeal of Ordinance No. 1331; First Reading of New Ordinance; Written Report and Engineer's Report For FY2005/06; Street Light and Safety Light Services Charges.

See the attached staff report #3

Additionally, LAFCo staff requested information on if any street lights are located in medians?

Staff is not aware of street lights that are located in medians. However, should any street lights be located in medians, it is non-applicable to the maintenance of street lights. Whether CSA 1 or the City of Elk Grove are responsible for street lights, they will be maintained independent of median maintenance.

VI. b. - Indicate any information relevant to your agency which LAFCo should obtain from other agencies.

Comments from SMUD and the County of Sacramento would be appropriate.

VI. c - Please forward any publications your agency has produced that will assist LAFCo staff in a review of your agency's service provision.

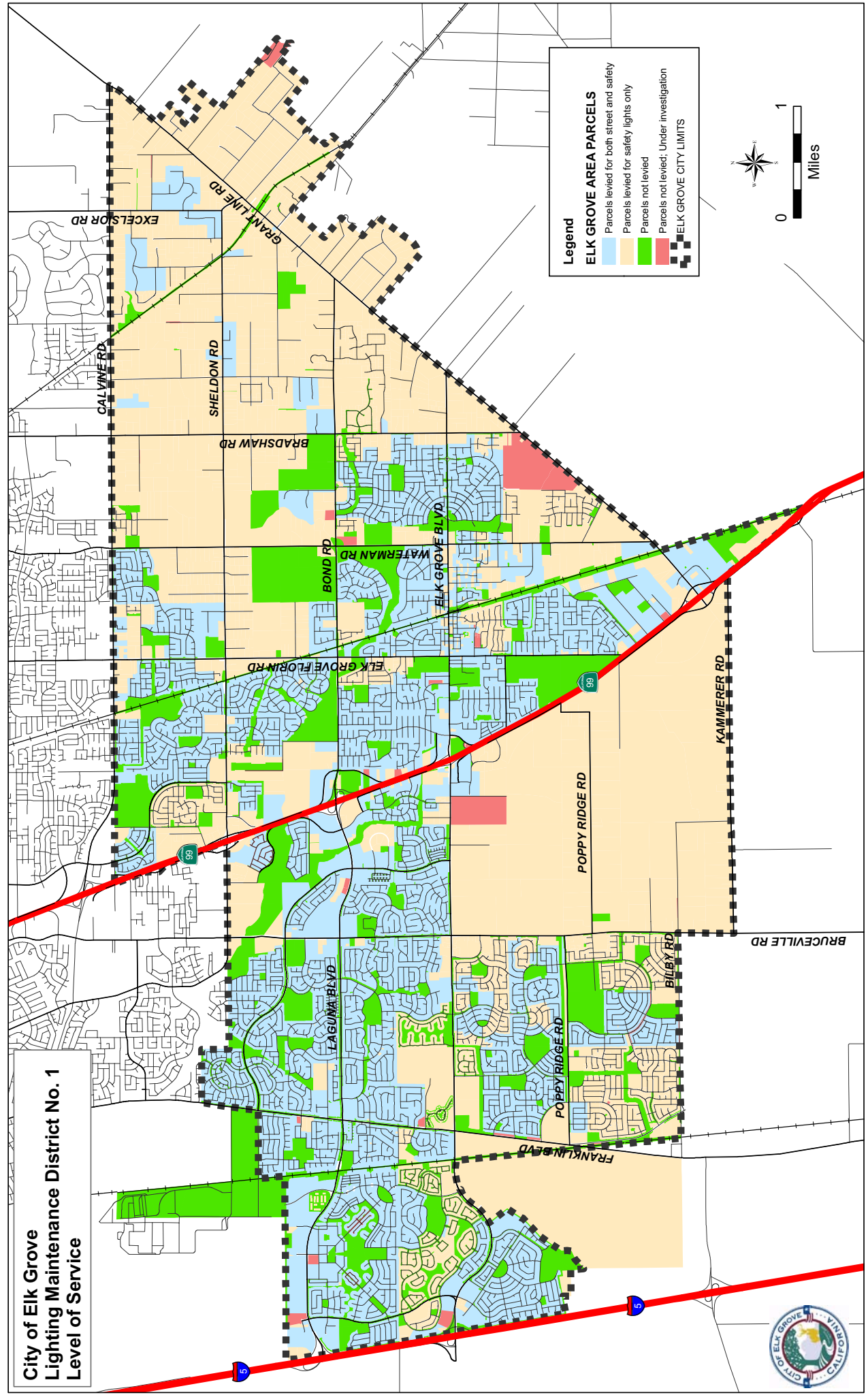
City of Elk Grove
Municipal Service Review – CSA - 1

- Citywide map showing existing street light assessments
- Citywide map showing citywide and potential future Laguna Ridge zone

Please note, these are large plans and are included under separate cover.

- Elk Grove General Plan – Draft Environmental Impact Report (2 copies)
- Elk Grove General Plan – Final Environmental Impact Report (2 copies)
- Elk Grove Incorporation Draft Environmental Impact Report (2 copies)
- Capital Improvement Plan (2 copies)

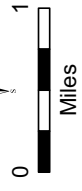
**City of Elk Grove
Lighting Maintenance District No. 1
Level of Service**



Legend

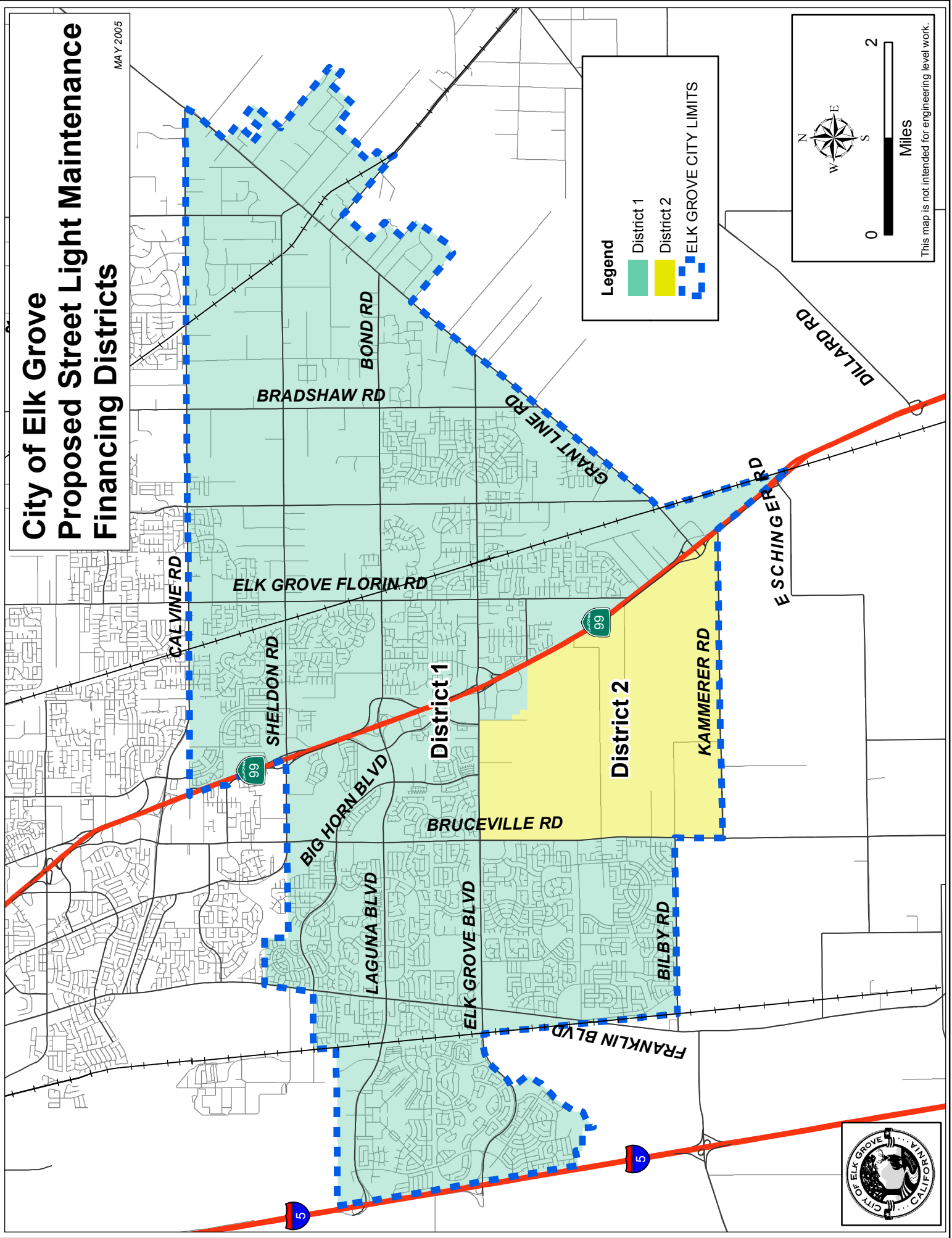
ELK GROVE AREA PARCELS

- Parcels levied for both street and safety
- Parcels levied for safety lights only
- Parcels not levied
- Parcels not levied; Under investigation
- ELK GROVE CITY LIMITS



City of Elk Grove Proposed Street Light Maintenance Financing Districts

MAY 2005



Legend

- District 1
- District 2
- ELK GROVE CITY LIMITS

0 2
Miles

This map is not intended for engineering level work.

