

Agenda Item No. 3

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

June 7, 2006

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **CITY OF CITRUS HEIGHTS DETACHMENT FROM**
SACRAMENTO COUNTY SERVICE AREA NO. 1
(06-05) [CEQA: Exempt Sec.15061(b)(3)]

CONTACT: Donald J. Lockhart AICP, Assistant Executive Officer, 874-2937

RECOMMENDATION

1. Certify the CEQA Categorical Exemption as adequate and complete for the City of Citrus Heights Detachment from County Service Area No. 1, and direct the Executive Officer to file the Notice of Exemption with the appropriate government entity.
2. Accept the Municipal Service Review/ Master Services Element prepared by the City of Citrus Heights as adequate and complete for this project.
3. Approve the City of Citrus Heights Detachment from County Service Area No. 1. (Street and Highway Safety Lighting)
4. Condition the detachment of the City of Citrus Heights from County Service Area No. 1 subject to the terms and conditions listed below:
 - a. The effective date of said detachment will be July 15, 2006 or upon the filing of the Certificate of Completion by the Executive Officer of the Sacramento Local Agency Formation Commission, if filed after that date.
 - b. The City of Citrus Heights shall continue to levy the existing assessments currently authorized by the County of Sacramento for County Service Area No. 1, and continue to provide at a minimum the current level of

service. The City of Citrus Heights may increase these assessments pursuant to Proposition 218, or as otherwise provided by law.

- c. The boundaries of the detachment are coterminous with the current corporate boundary of the City of Citrus Heights, as set forth in Exhibit A, attached.
 - d. The City of Citrus Heights and the County of Sacramento shall adopt a Transition Agreement to ensure the efficient transfer of responsibility for operations, maintenance, and Underground Service Alerts (USA) locating and marking activities, for street lights and highway safety light equipment and installations within the city limits, with no adverse impact to existing and future assessment payers.
 - e. The Transition Agreement will fully incorporate and address the issues and concerns introduced by SMUD.
5. Pursuant to provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, your Commission should exercise delegation of authority to the Executive Officer to act as Conducting Authority for the Detachment of Citrus Heights from County Service Area No. 1.
 6. Authorize your Chair to sign the Resolution making these determinations.

PROPONENT

Henry Tingle, City Manager
c/o Hilary Straus, Sr. Management Analyst
City of Citrus Heights
6237 Fountain Square Drive
Citrus Heights, CA 95621
(916) 727-4703
hstraus@citrusheights.net

On June 22, 2005 the Citrus Heights City Council adopted Resolution No. 2005-58 (attached), initiating these detachment proceedings before your Commission. The City Council directed staff to prepare the application, which was submitted on March 30, 2006.

BACKGROUND

County Service Area No. 1 is governed by the Board of Supervisors; it was formed in 1986 to provide funding for all street light and safety light services through one entity. CSA No. 1 was formed by reorganizing five existing street lighting maintenance districts. CSA No. 1 funds street light and highway safety light services, and Underground Service Alert (USA) locating and marking activities, within the unincorporated area of

Sacramento County and in the Cities of Citrus Heights and Rancho Cordova via a service charge collected on the annual property tax bill. Each year the Board of Supervisors receives various reports and holds a public hearing to accept public testimony on CSA No. 1 and sets the following year's service charges and service levels.

On June 14, 2005, the Board of Supervisors authorized the formation of four distinct zones within CSA No. 1, restructuring the district.

- Zone 1 - Sacramento County Unincorporated Area
- Zone 2 - City of Rancho Cordova
- Zone 3 - City of Citrus Heights
- Zone 4 - City of Elk Grove (defunct effective October 1, 2005 per LAFC 06-05)

Individual budgets for Zones 1, 2, and 3 will be adopted based on the service charges included in the Written and Engineer's Reports. The 2006/07 proposed budget for CSA No. 1 will be reviewed on June 6, 2006. The Zones allow each sub-area to determine rates and service levels based upon respective community standards; i.e., rates may be increased if a particular Zone seeks a commensurate enhancement of service.

Your Commission considered and conditionally approved the detachment of the City of Elk Grove from CSA No. 1 in August, 2005. Upon completion of that detachment, Zone 4 ceased to exist. The County Board of Supervisors Engineers Report for Fiscal Year 2006-07 does not include a budget for Zone 4 as CSA No. 1 no longer collects funds or maintains lights in the City of Elk Grove.

Proposed Detachment

The City of Citrus Heights was incorporated on January 1, 1997. Pursuant to Section 9(j) of LAFCo Resolution No. 1169 Making Determinations for the Approval of the Incorporation of the City of Citrus Heights, the City continued participation within County Service Area No. 1 (CSA No.1.)

On June 18, 1997, Citrus Heights adopted Resolution 97-53 requesting that LAFCo initiate proceedings to annex the City into CSA No.1. Since LAFCo approval, Sacramento County has provided operations, maintenance, and Underground Service Alerts (USA) locating and marking activities, for street lights and highway safety light equipment and installations via CSA No. 1, within the city limits.

The City of Citrus Heights now desires to assume all such responsibilities. It is the City's desire to align the service delivery with their local government structure for more direct accountability. If the detachment is approved, the City will provide these services directly to the residents and businesses within the city limits. The City asserts that through this local control, an enhanced service level may be delivered, more efficiently. The City of Citrus Heights, as a municipal corporation organized and existing under the laws of the State of California, is authorized to provide these municipal services.

The boundaries of the proposed detachment are coterminous with the boundaries of the City of Citrus Heights. Citrus Heights is in the located northern portion of Sacramento County, adjacent to the Placer County line, east of Interstate 80. The City covers approximately 14 square miles.

Proposed Transition Agreement

The City of Citrus Heights and County of Sacramento have an executed Agreement for Street Light and Highway Safety Light Maintenance and Operations Services between the two agencies. That Agreement addresses termination of the Agreement and detachment of City territory from CSA No. 1. The Agreement identifies how the agencies will share the cost of certain efforts related to the detachment of the City from CSA No. 1. The Transition Agreement will incorporate the terms of the previous Agreement.

Both City and County staff have been actively negotiating a Transition Agreement, and have kept your staff informed of the Agreement status. (See attached draft.) This Agreement will memorialize the financial and operational arrangements between the County and the City to ensure the efficient transition to the City of operational control of and financial responsibility for operations, maintenance, and USA locating and marking activities for street light and highway safety light equipment and installations within the boundaries of the City following the detachment if approved by your Commission. Adoption of the Agreement by both the City Council and County Board of Supervisors is expected to occur in this Summer. Staff recommends that such final action be included as a condition of Commission approval of the proposal.

New Service District

The City of Citrus Heights has prepared both an updated Municipal Service Review and an Engineers Report, specific to the service issues related to the proposed detachment. After detachment, during the transition period, the City will establish a new, Citrus Heights Lighting District. This District will allow the City to continue to levy the direct assessment charges previously authorized under CSA No. 1. The City proposes to form the District under the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highway Code (22500, et seq.) The City Council must approve the rates on an annual basis by resolution. Staff has no objection to this proposal.

The City will hold a public hearing on the matter of transferring the assessment and maintenance responsibility from CSA No. 1 to the City. Following consideration of all public comments and written protests after the conclusion of the Public Hearing, the City Council will determine if a majority protest exists and may order amendments to the Engineer's Report or confirm the Report as submitted.

Funding

This Detachment is only affecting the CSA No. 1 - Direct Levy #0269- CSA No. 1 Lights City of Citrus Heights (Zone 3.) The County of Sacramento Board of Supervisors

must approve a resolution for the detachment of Zone 3, for the effective fiscal year 2006-07. The resolution will include a statement "Any prior year apportionment of collections or refund or Teeter Distribution will be distributed to the City of Citrus Heights."

Due to the timing of the transfer of services as it relates to the County's tax roll deadlines, the assessment will be levied by the County for Fiscal Year 2005/2006. The County has designated the City as Zone 3 in the County's Engineer's Report. The City and County are in the process of negotiating an agreement for the sharing of revenue and maintenance responsibility for Fiscal Year 2006/2007. The city prepared Fiscal Year 2006/2007 Engineer's Report describes the District and the proposed assessments as it transitions from CSA No. 1 to the City. The Report was prepared pursuant to the 1972 Act, in accordance with the Resolution of Initiation adopted by the City Council. The proposed assessments are based on the County's methodology and historical cost to maintain the improvements that provide a special benefit to properties assessed within the District.

Budget

For Fiscal Year 2005/2006, the Street and Highway Safety Light activities of the City will be funded through the assessments. The funds collected through District assessments will be used to cover the operation and maintenance costs of street and highway safety lights. A summary of the proposed District budget is summarized in the attached Engineer's Report, including the estimated costs to provide the improvements and the collection of administrative costs.

Proposition 218 Process

LAFCo is responsible for the City of Citrus Heights detachment from CSA No. 1 proceedings. After the detachment is approved, the City Council may conduct the necessary ballot process if it wishes to increase existing assessment levels. Staff recommends that as a condition of project approval, the City of Citrus Heights shall carry forward the current assessment per parcel currently levied, and continue to provide at a minimum the current level of service.

ANALYSIS OF PROPOSAL

Over-Arching Policy Considerations

The Cortese-Knox-Hertzberg Local Government Reorganization Act recognizes that urban population densities and intensive residential, commercial, and industrial development necessitate a broad spectrum and high level of community services and controls. The Legislature also recognizes that when areas become urbanized to the extent that they need the full range of community services, priorities are required to be established regarding the type and levels of services that the residents of an urban community need and desire; that community service priorities may be established by weighing the total community service needs against the total financial resources available

for securing community services; and that those community service priorities are required to reflect local circumstances, conditions, and limited financial resources (Sec. 56001).

A core issue that your Commission may address is that the Sacramento region is expected to gain one million new residents in the next 20 years. This anticipated growth raises an important question. In an era of rapidly increasing population, how can we work together to maintain mobility, enhance air quality, sustain economic prosperity and preserve those assets that make the Sacramento region an attractive place to live and work?

During the incorporation proceedings for the City of Citrus Heights, the full array of public services to be provided by the new city was considered. Your Commission imposed a condition of approval to ensure that, at a minimum, street and highway safety lighting would be maintained at the current level at the date of incorporation. This has been accomplished by collaboration between the City and County staff. The Board creation of distinct zones facilitates this detachment. Detachment represents a positive, cooperative solution to address local service delivery needs.

Detachment Process

Your Commission has the power to approve or deny, with or without amendment, wholly, partially, or conditionally, proposals for the detachment of territory from a dependent service district. If your Commission approves the detachment of the City of Citrus Heights (CSA No. 1 Zone 3,) then the proceedings will move to the Conducting Authority.

The Cortese-Knox-Hertzberg Local Government Reorganization Act provides that LAFCo act as the Conducting Authority for the detachment. After Commission adoption of a resolution making determinations for the City of Citrus Heights detachment from CSA No. 1 , protest proceedings shall be undertaken. Staff respectfully recommends that your Commission delegate your authority to your Executive Officer for Conducting Authority Proceedings. [56375, et al ,57000. (a),(c).] This was the procedure effectively used previously for the City of Elk Grove CSA No. 1 detachment.

The detachment may be defeated by adequate protest submitted and not withdrawn by affected landowners, and registered voters during the Conducting Authority proceedings. If your Commission names your Executive Officer to act as Conducting Authority, your Executive Officer will give notice and hold a public hearing upon a date certain in staff offices. In the event of successful completion of LAFCo proceedings, the Certificate of Completion will be filed, and the transfer of all service responsibilities will proceed, consistent with the Transition Agreement.

Also, any person or affected agency may file a written request with the Executive Officer requesting amendments to or Reconsideration of the resolution adopted by your Commission. The request shall state the specific modification to the resolution being requested and shall state what new or different facts that could not have been presented

previously are claimed to warrant the reconsideration. Any such request must be submitted within 30 days of the adoption of your Resolution (Sec. 56895)

Description of Services

As noted above, after detachment, during the transition period, the City will establish a new, citywide Lighting District No. 1, (District.) All lighting improvements and facilities maintained and serviced through District assessments will be owned or operated by the City of Citrus Heights or Sacramento Municipal Utility District (SMUD) after the transfer from CSA No. 1. The District Engineer's Report separates charges into two categories by type of light.

- Highway Safety Lights are those lights located at intersections, on major streets and along the rear of properties that abut major streets.
- Street Lights are all lights not designated as Highway Safety Lights, primarily, local street lighting.

[CSA No. 1 services also include monitoring the USA network, identification of proposed excavation in the vicinity of street lights and marking those underground facilities to prevent excavation damage. The City of Citrus Heights is aware of the obligation to respond to USA calls and has included this item in the projection of the cost for this service.]

Maintenance services will be provided by City personnel, private contractors, and SMUD. The District provides funding for all Street and Highway Safety Lighting services within the City of Citrus Heights including but not limited to the following activities:

- Maintenance, repair and replacement of street light poles and fixtures, including changing light bulbs, painting, photoelectric cell repair or replacement, and repairing damage caused by automobile accidents, vandalism, time, and weather.
- Electrical conduit and pullbox repair and replacement due to damage by construction and weather.
- Service-call maintenance, repair and replacement including painting, replacing worn out electrical components and repairing damage due to accidents, vandalism, and weather.
- Payment of the electrical bill for the existing street lighting system.
- Responding to constituent and business inquiries and complaints regarding street lighting.
- Remedial projects for major repairs or upgrading of facilities. Engineering services are provided by the Public Works Department or by private consultant.

- Installation of Highway Safety Street Lights for highway safety purposes only along major streets at intersections. These Safety Lights are normally installed by SMUD, if they meet SMUD’s strict criteria for installation. They are installed on SMUD facilities and maintained by SMUD, but are paid for by the District.
- Street light inventory database creation and maintenance, pole numbering, and mapping to establish and keep current the number of street lights that must be maintained, as well as the condition and location of these street lights as part of an effective maintenance program.
- Monitoring of the Underground Service Alert (USA) network, identification of proposed excavation in the vicinity of street light electrical conduits, and marking the location of those underground conduits in the field to prevent them from excavation damage.
- Acquisition of land, easements, and rights-of-way necessary to maintain the Street and Highway Safety Lighting system.
- Maintenance means the furnishing of services and materials for the ordinary and usual operation of the public lighting facilities. This includes repair, removal, or replacement of all or part of any of the improvements or appurtenant facilities necessary for the operation of the lighting improvements.
- Servicing means the furnishing of all labor, materials, equipment, and utilities necessary to maintain and operate all public lighting facilities provided by the City.

The Street and Highway Safety Lights were installed in accordance with the County’s standards. The City adopted County Standards upon incorporation. The charges reflect the historical costs to maintain the improvements.

Although the City of Citrus Heights is largely built-out, they continue to process in-fill development projects. On average, the City estimates the growth rate for in-fill development projects to generate less than 100 units in any given fiscal year. The foreseeable demand for street light installations will likely be generated by older established neighborhoods built in the late 1950’s to late 1960’s, when street lights were not required for all projects. The City has developed a street light Operations and Maintenance (O&M) budget, which projects the following work load: 500 lamp replacements per year (a pro-active replacement program will be implemented as many of the lamps are old and in need of replacement), 50 luminaire replacements per year and 11 knock-down replacements per year.

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 on. 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.

All new subdivisions and other in-fill projects will include a financing mechanism (either a subdivision specific assessment and/or a requirement to pay into the City-wide lighting assessment district) to cover any capital and on-going operations and maintenance costs for the new street lights.

A city-wide policy will be adopted that capital (when not covered by a grant) and on-going operations and maintenance costs for new street lights in existing developed areas will be paid by property owners that receive the benefit from the new lighting.

Street and Safety lighting 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.

Several Citrus Heights neighborhoods have characteristics associated with a more rural setting. City General Plan Goals 5 and 6 set forth policies to 'Preserve and protect the features that contribute to the rural character of certain neighborhoods', and 'Preserve and enhance the character, distinct identity, and livability of the City's rural neighborhoods', respectively. These policies specifically identify minimal lighting as a characteristic of these neighborhoods. However, highway safety lights would be required at intersections and other locations as determined by the City for safety reasons.

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.

There are Highway Safety Light systems located at eight signalized intersections that will be split by the proposed detachment. The City and County will adopt a shared facilities agreement for the maintenance, operation, and financial responsibility for these lights.

A separate issue is the maintenance of the safety lights at the I80/ Antelope Road interchange. This will require a separate agreement between the City and Caltrans. A draft of that agreement is attached.

The County Public Works Staff has reviewed this description of services, and all of their comments have been addressed.

Environmental Considerations

LAFCo is the lead agency consistent with CEQA Guidelines §15050 et. seq., regarding the environmental documentation for the detachment of Citrus Heights from County Service Area No. 1.

LAFCo has prepared a Notice of Exemption Section 15061(b)(3)], as the appropriate CEQA document due to its finding that the proposed project will not have a significant effect on the environment.

The proposed project consists of the detachment of an existing, developing area from a dependent special district, where changes do not change the geographical area in which previously existing powers are exercised, and is therefore exempt from the provisions of CEQA.

CONSISTENCY WITH LAFCO POLICES AND PROCEDURES, CITY SPHERE OF INFLUENCE AND CITY GENERAL PLAN

Sphere of Influence/Master Services Element/Municipal Service Review

The affected territory constitutes the entire city limits, which is coincident with the approved Sphere of Influence. The proposed detachment of Citrus Heights from CSA No. 1 is consistent with LAFCo Policies and Procedures which require a Master Services Element/Municipal Service Review for the consideration of financial and service impacts.

The Municipal Service Review is a state mandate, which essentially supersedes the local Master Services Element requirement of your Commission. The MSR is a comprehensive planning tool for LAFCo. Sacramento LAFCo has developed standards related to the Master Service Element of any agency's Sphere of Influence. Agencies must have an updated Master Services Element which meets the following standards:

- a. Is consistent with the Master Services Element of the Spheres of Influence of any overlapping jurisdiction;
- b. Demonstrates that adequate services will be provided within the time frame needed by the inhabitants of the area included within the proposed boundary;
- c. Identifies existing land use and a reasonable projection of land uses which would occur if services were provided consistent with the updated Element;
- d. Presents a map that clearly indicates the location of existing and proposed facilities, including plan for timing and location of facilities;

- e. Describes the nature of each service to be provided;
- f. Describes the service level capacity of the service provider's facilities;
- g. Identifies the anticipated service level to be provided;
- h. Describes any actions, improvements, or construction necessary to reach required service levels, including costs and financing methods;
- i. Provides copies of district enabling legislation pertinent to the provision of service levels, including costs and financing methods;
- j. Identifies projected revenue and identifies savings occurring as a result of the action; and
- k. Provides existing and five year population projects within agency boundaries.

The proponent has provided the Municipal Service Review and Engineer's Report (Report) for the detachment of Citrus Heights from CSA No. 1 and the levy and collection of annual assessment charges commencing in fiscal year 2006/07. The assumption of all services and related administrative functions, including its structure (organization), proposed services, and method of apportionment and charges that are described in the Report are based on current development and improvement plans including all estimated direct expenditures, incidental expenses, and reserves associated with the services.

The Municipal Service review and Engineer's Report complies with the Master Services Element/Municipal Services Review criteria.

Analysis of Proposal

Your Commission has adopted specific standards for actions to ensure that fair and consistent decisions are reached in accordance with Cortese-Knox-Hertzberg legislation.

Your Commission may make exceptions to these specific standards if it determines that such exceptions:

- Are necessary due to unique circumstances;
- Are necessary due to conflicts between general and specific standards;
- Result in improved quality or lower cost of services available; or
- There exists no feasible or logical alternative.

Standards

I. STANDARDS FOR ANNEXATION/ DETACHMENT TO AND FROM ALL AGENCIES

These standards govern LAFCo determinations regarding annexations and detachments to and from all agencies.

1. An application to LAFCo for an annexation or detachment requires the submittal of an application form, supporting documentation and required fees, as set forth in Chapter II of LAFCo's policies, standards and procedures. In addition, the application shall be accompanied by a response to the applicable standards set forth in this section. On or after January 1, 1992, no application for an annexation proposed by an agency shall be accepted as complete by LAFCo in the absence of a Sphere of Influence Master Services Element for that agency approved by LAFCo as provided in the LAFCo standards.
2. The annexation or detachment must be consistent with the General Policies and General Standards in Chapters III and IV.
3. The annexation or detachment must be consistent with the Spheres of Influence boundary. The land subject to annexation shall lie within the existing Sphere of Influence boundary of the annexing city or district.
4. The annexation must be consistent with the applicable Master Services Elements....
5. The annexation must provide the lowest cost and highest quality of urban services for the affected population. LAFCo will approve an annexation or detachment only if the Commission determines that the annexing agency possesses the capability to provide the most efficient delivery of applicable urban services for the affected population.
 - a. For purposes of this standard, the most efficient services are those which are provided at the most optimum combination of service cost and service level. In the case of providers with similar service costs, the provider with higher service levels shall be deemed more efficient. In the case of providers of similar service levels, the provider at the lowest cost shall be deemed more efficient. In comparing the providers of adequate but low-cost services, with high-quality, high-cost services, the Commission shall retain discretion to determine the optimum efficiency based on compliance with the other provisions of these standards.
 - b. For purposes of this standard, "affected population" means (1) the population which inhabits or will inhabit the area to be annexed; (2) the

population currently served by a service provider operating in the area proposed to be annexed; (3) inhabitants of potential alternative service providers; and (4) *in the case of a detachment, the inhabitants of both the area detached and those remaining in the area currently served by the service providers.*

- c. In evaluating the capability of an annexing agency or of alternative agencies, to provide the required service, LAFCo shall utilize the service elements of the proposed annexing entity, current service providers, and potential alternative service providers. In addition, LAFCo shall take into account the following factors:
 1. Physical accessibility of the territory to the agency's service provision resources; for example, is the agency the provider of sewer services which is located closest to the subject territory?
 2. The agency's possession of an ability to acquire resources necessary to provide the needed service; for example, an agency may be judged unable to acquire water rights necessary to provide the water services needed by a territory proposed for annexation;
 3. The agency's historic service provision, effectiveness and efficiency; for example, an agency may be judged an inefficient service provider if it has a previously documented history of service disruptions, accidents, safety hazards, excessive complaints, non-compliance with CEQA, illegal activities or excess costs/charges; and
 4. The appropriateness of the agency's organizational structure to meeting service needs.
 - d. LAFCo shall determine the most efficient overall service provider or combination of providers.
6. Applications to annex lands consisting of unincorporated islands will be approved by the LAFCo Commission.
 7. Annexation to cities shall reflect logical allocations of existing roads and rights-of-way.
 8. Annexation boundaries shall be adjusted to maximize the amount of developed urban land inside a city's Sphere of Influence which is annexed to the city.
 9. An annexation or detachment shall not be approved merely to facilitate the delivery of one, or a few, services to the detriment of the delivery of a larger number of services, or services more basic to public health and welfare.

10. The LAFCo Commission will not approve city annexation requests for territory that is not pre-zoned.
11. The LAFCo Commission shall take one of the following three actions on an application for annexation or detachment:
 - a. Approve the application if it has found the change to result in the most efficient delivery of services for the affected population and complies with other applicable standards;
 - b. Approve the application on the condition that the applicant agree to actions necessary to maximize the efficiency of urban services. These may include, but are not limited to:
 1. Waiver of detachment from an existing service provider or, in the alternative, appropriate detachment fees;
 2. Entering into a Joint Powers Agreement with another service provider.
 - c. Deny the annexation on the grounds that a more efficient combination of services for the affected population may be provided by either existing or a combination of new and existing service providers.

In the event of denial, LAFCo may present to the applicant, ... (and/or) affected service providers, a statement of the reasons for the denial, and recommendations for actions necessary to ensure the most efficient form of urban services delivery to the affected population.

C. DETACHMENTS FROM CITIES AND DISTRICTS

1. The LAFCo shall not approve the detachment of territory from a high-quality service provider unless the following can be demonstrated:
 - a. The detachment is necessary to ensure delivery of services essential to the public health and safety;
 - b. The successor provider supplies services of equal or higher quality; and
 - c. The detachment does not significantly reduce the efficiency of service delivery to the remaining inhabitants of the current service provider's territory from which the detachment will occur.

2. The service plans of special districts which lie within a city's Sphere of Influence should provide for orderly detachment of territory from the district or merger of the district as district territory is annexed to the city.
3. The LAFCo will consider detachments in areas which require organized public service if another service provider is capable and willing to provide the service(s).
4. The LAFCo will not approve a detachment from a city or special district which conflicts with the adopted Master Services Element of the Sphere of Influence plan of the agency from which detachment is sought.
5. Detachment from a city or special district shall not relieve the landowners within the detaching territory from existing obligations for bonded indebtedness or other indebtedness under similar security instrument incurred previously by the city or district to provide service to the detaching applicant unless the following apply:
 - a. The relief from indebtedness is part of a revenue exchange agreement applying to the detachment; or
 - b. The service benefits previously received by the applicant can be readily assumed by another landowner within the district who is willing to assume the financial responsibility in exchange for the added services.

Policy Consistency Summary

The proposed Detachment complies with Sacramento LAFCo policies. The City of Citrus Heights desires to improve service levels (i.e., more timely repair of street and highway safety lighting facilities). The County of Sacramento does not oppose this detachment; respective staffs are in the process of negotiating a Transition Agreement. The proposed detachment will not adversely impact ratepayers in the territory remaining within County Service Area No. 1. Revenue and expenses related to Zone 3 (City of Citrus Heights) will be transferred to the City of Citrus Heights. Thus, no surplus and no deficit will result to either the City of Citrus Heights or to CSA No. 1.

Each of the above standards and requirements has been satisfactorily met for the detachment of the City of Citrus Heights from the County Service Area No. 1. Each of these items listed above has been discussed in detail in this report, and in the accompanying attachments.

CONFORMANCE WITH APPLICABLE GENERAL AND SPECIFIC PLANS

Applicable Sacramento LAFCo Policies:

1. LAFCo will approve changes of organization or reorganization only if the proposal is consistent with the General Plan and applicable Specific Plans of the pertinent planning agency.

2. For purposes of the above policy, the pertinent planning agency is as follows:
 - d. For an application for annexation or detachment from a district whose territory lies in both the city and the unincorporated area of the county, the General Plan of the city unless the project lies outside of the city's Sphere of Influence;

City of Citrus Heights General Plan

General Plan Goals 5 and 6 set forth policies to 'Preserve and protect the features that contribute to the rural character of certain neighborhoods', and 'Preserve and enhance the character, distinct identity, and livability of the City's rural neighborhoods', respectively. These policies specifically identify minimal lighting as a characteristic of these neighborhoods. However, highway safety lights would be required at intersections and other locations as determined by the City for safety reasons.

Public Facilities and Finance Element, the City 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 assessment district.

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.

Effect of Proposal on CSA No. 1

By establishing the four (now three) independent zones within CSA No. 1, the Board of Supervisors has effectively preserved the fiscal and service integrity of the balance of CSA No. 1, in light of the detachment of Zone 3/City of Citrus Heights.

Public Comment and Affected Districts

Staff has received no public comment on the proposal. One member of the public has requested and received a copy of this staff report.

The proposal was routed for review and comment to the Sacramento County Public Works Agency, Sacramento Municipal Utility District (SMUD), and Caltrans.

The Sacramento County Public Works Agency does not object to the proposal. They provided the following comments, which have been adequately addressed.

City and County staff have met on several occasions to discuss the following items:

- Transition date
- Transfer of City's share of operating and reserve funds
- Retention of funds by County until final account reconciliation
- Transfer to City of a share of the spare parts inventory
- Transfer to City of plans, assessment/benefit database, and inventory of street and safety lights
- Pending Service Request information related to street lights
- Pending lawsuit/claim information related to street lights
- How joint City/County facilities will be operated
- Forwarding of Service Requests to City after detachment

It is anticipated that a transition agreement acceptable to both parties will be executed prior to the effective date of the City of Citrus Heights's detachment from CSA No. 1.

SMUD does not oppose the detachment. They responded that staff from CSA No. 1, the City of Citrus Heights, and SMUD have met to discuss the transfer of lighting from CSA No. 1 to the City. SMUD raised several issues related to billing and continuity of service for the lighting. All parties agreed in concept to the following procedures:

- The City and CSA No. 1 will first agree on the number and type of facilities to be transferred to the City before SMUD is contacted. Once both parties agree on the number and type of facilities to be transferred, both parties will provide in writing to SMUD one detailed list of the number and type of facilities to be transferred.
- SMUD will not perform any rebilling for discrepancies discovered in the number or type of facilities as a result of the audit currently being performed by the parties. Any discrepancies discovered will be corrected on the effective date of service transfer from CSA No. 1 to the City.
- The transfer date for the split must correspond to SMUD's billing cycle for streetlights (Cycle 13), which is approximately the third full week of each month.

SMUD's billing system is not able to prorate bills to accommodate any other date. SMUD understands the parties may want to transfer service on a different date. SMUD asks that both parties agree to any necessary billing adjustments on their own, so that payment to SMUD is not impacted by the transfer date chosen by the parties.

- The City and CSA No. 1 will make full payment to SMUD for the bills associated with the accounts in each party's name. This is very important, as SMUD should not be put in the position of disconnecting lighting due to potential disagreements that may surface between the parties during the process of transferring the service from one party to another. The parties will settle any proration of monies owed or due to either party separately.
- SMUD will need a minimum of 60 days from the final approval and agreements between the City and CSA No. 1 to process the transfer.

The SMUD comments are included with the Resolution, as conditions of project approval.

RECOMMENDATION

I recommend your Commission adopt the attached Resolution:

- 1) Certify the CEQA Categorical Exemption as adequate and complete for the Detachment of City of Citrus Heights from County Service Area No. 1, and direct the Executive Officer to file the Notice of Exemption with the appropriate government entity.
- 2) Accept as adequate the proposed Municipal Service Review/ Master Services Element prepared by the City of Citrus Heights.
- 3) Approve the Detachment of the City of Citrus Heights from County Service Area No. 1.
- 4) Condition detachment of the City of Citrus Heights from County Service Area No. 1 on the terms and conditions listed below:
 - a. The effective date of said detachment will be July 15, 2006 or upon the filing of the Certificate of Completion by the Executive Officer of the Sacramento Local Agency Formation Commission, if filed after that date.
 - b. The City of Citrus Heights shall continue to levy the existing assessments currently authorized by the County of Sacramento for County Service Area No. 1, and continue to provide at a minimum the same level of service. The City of Citrus Heights may increase these assessments pursuant to Proposition 218, or as otherwise provided by law.
 - c. The boundaries of the detachment are coterminous with the existing City of Citrus Heights boundaries, as set forth in Exhibit A, attached.

- d. The City of Citrus Heights and the County of Sacramento shall adopt a Transition Agreement to ensure the efficient transfer of responsibility for operations, maintenance, and Underground Service Alerts (USA) locating and marking activities, for street lights and highway safety light equipment and installations within the city limits, with no adverse impact to existing and future assessment payers, or current service levels.
 - e. The Transition Agreement will fully incorporate and address all issues and concerns introduced by SMUD.
- 5) Pursuant to provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Commission exercises delegation of authority to the Executive Officer to act as Conducting Authority for the Detachment of City of Citrus Heights from County Service Area No. 1, and to complete the protest proceedings prior to July 15, 2005.

Respectfully submitted,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage
Executive Officer

Attachments:

Map
City of Citrus Heights MSR and Engineer's Report
Draft Transition Agreement
CEQA Findings Of Fact and Notice of Exemption

DL:Maf

(CH Detach from CSA1)