
5.0 FINANCING ABILITY

5.0 FINANCING ABILITY

This section examines the fiscal status of the City of Elk Grove, including financial statements, audits, and other budgetary documents, to assess the long-term financial viability of the City to provide future services. Annual financial statements from fiscal year (FY) 2011-12 were reviewed to determine the fiscal status of the City.

It should be noted that services which may be provided by other affected agencies will be subject to the policies, infrastructure and finance planning of the respective agencies. Such discussion is not addressed in this MSR.

CITY FINANCES

Financial Stability: The City is financially stable, as the City has sufficient assets and funds available for the continued operation of the City. The Comprehensive Annual Financial Report (CAFR), the City's audited financial statements, highlights the City's financial situation. For the fiscal year beginning July 1, 2011 to June 30, 2012, the City's financial highlights included:

- The City's net assets exceeded liabilities by \$1.32 billion, with \$22 million in unrestricted net assets to be used to meet ongoing obligations;
- The City has a governmental fund balance of \$126 million;
- The City's long term debt decreased by \$3.3 million due no new debt issued and \$3.35 million in payments of principal on long-term during the fiscal year.
- The City added capital assets of \$10 million for capital street improvements, facilities, and equipment; and
- The City has committed reserves available of \$17.7 million available for continuation of operations with \$10.4 million specifically reserved for economic uncertainty.

Revenues

Taxes account for the City's largest single revenue source. Most of the taxes received are not restricted and are used for general city purposes in the general fund. These taxes include property tax, sales tax, utility user's tax, and franchise tax. **Table 5.0-1** shows the City's major revenue sources

Table.0-1
Revenues FY 2011-12

Major Revenue Sources	Amount, in millions
Taxes	\$35.0
Licenses, fees, and permits	\$17.0
Intergovernmental	\$37.0
Fines and forfeitures	\$1.7
Charges for services (Business-type activities)	\$20.1
Investment earnings	\$2.6
Total	\$113.4

Most City services are supported by the General Fund. The General Fund contains all the City's general revenues that are not specifically levied or collected for other City functions and related expenditures. During FY 2011-12, the City had a total general fund balance of \$26.5 million, with \$7.3 million unassigned for a specific use. The General Fund provides support to such areas as general governmental operations, public safety, roadways, and community development.

Specific municipal services, which depend on usage, are almost entirely supported by enterprise funds. Services include drainage, solid waste, and transit. Enterprise funds are generally sufficient to cover existing operating costs. Unlike most enterprise funds that are fully funded from user fees, the Transit operations receives its operating revenue from multiple sources including transit grants, local transportation funding and user fees.

The major sources of revenues for the City include the following:

- Property Tax - The State Constitution (Proposition 13) sets the base property tax rate at 1 percent of assessed value. The City receives a portion of the property tax generated in the City, with the majority of the revenue going to the County.
 - Under the terms of incorporation, the City transfers a percentage of its property tax revenues from the original City boundary to Sacramento County for a period of 25 years, pursuant to the revenue neutrality arrangement as conditioned by LAFCo. as demonstrated in the following **Table 5.0-2**. For fiscal year 2011-12 the City's was in their twelfth year and received 20% of the property tax. In fiscal year 2014-15 the City's share will increase to 25%.
 - The City gradually pays the County less over this 25-year period under the terms of the revenue neutrality agreement. **Table 5.0-2** shows the revenue neutrality agreement with the County for each year after incorporation, and the percentage each agency receives.

**Table 5.0-2
Revenue Neutrality Tax Agreement**

1-5	90%	10%
6-10	85%	15%
11-14	80%	20%
15-18	75%	25%
19	70%	30%
20	60%	40%
21	50%	50%
22	40%	60%
23	30%	70%
24	20%	80%
25	10%	90%
26+	0%	100%

- Sales and Use Tax – The City receives its local share of taxable items sold within the City limits. Sales Tax is the largest single General Fund revenue source, with major portions from

the auto sector (approximately one fourth of the total). The City has experienced increases in sales tax generation since the end of the Great Recession, but has not returned to the amounts experienced before the Great Recession

- Enterprise Funds – The City receives funds that are used to account for self-supporting activities which provide services on a user-fee basis. Fees collected support operating and capital improvements costs for drainage, solid waste, and transit.
- Other Revenue – The City receives other significant revenues from the transfer tax, motor vehicle in-lieu (VLF) fee, interest, highway users tax (gasoline tax), and grant monies.

EXPENDITURES

MOST OF THE CITY’S EXPENDITURES ARE FOR PROVIDING PUBLIC SERVICES TO RESIDENTS. MAJOR EXPENDITURES ARE SHOWN ON TABLE 5.0-3.

**TABLE 5.0-3
EXPENDITURES FY 2011-12**

General Governmental Activities	\$134.2	General Government	\$16.9	10.7%
		Public Safety	\$30.9	19.5%
		Public Works	\$74.5	47.0%
		Community Development	\$6.5	4.1%
		Debt Service	\$5.5	3.5%
Business-Type Activities	\$24.5	Solid Waste	\$12.0	7.6%
		Transit	\$9.2	5.8%
		Drainage	\$3.2	1.8%
Total	\$158.7	Total	\$158.7	100%

The City has continued its practice of funding operations with current revenues and draws down on its reserves for a onetime expenditure. However, the City's revenues and expenditures fluctuate each year, and the City closely monitors and adjusts its planned expenditures during the year to maintain a balance budget. The City's current Revenue Neutrality arrangement helps alleviate some of the net negative impact of decreases in property tax that occurred since the Great Recession. Assessed valuation growth is now expected to return in 2013-14.

The Proposed FY 2013-14 Budget reflects moderate growth in the City's major revenue sources and commensurate growth in operating expenses. The General Fund budget, which primarily funds public safety, administration, and governance, proposes balanced operations with one-time use of reserves on a limited basis. The Proposed FY 2013-14 Budget assumes no significant changes in compensation for employees. Employee concessions currently in place will remain. An issue of concern across the State is rising health care costs as the Affordable Care Act is implemented. Industry experts estimate that health care premiums will increase anywhere from five to 40 percent in 2014. The current five-year forecast for the General Fund indicates that fund balance should not be needed to maintain daily operations in the

next two years; however, slowing revenue growth and increased compensation costs in FY 2015-16 are challenges that the City, will address in order to navigate this potential fiscal challenges.

The City of Elk Grove plans to invest nearly \$240 million on transportation, drainage, and facilities over the next five years through the 2013-18 CIP. The proposed 2013-18 CIP projects range in priority from imperative to important. Examples of Priority 1 projects include accessibility improvements, bridge preventative maintenance, some major drainage repairs, and the Special Waste Collection Center, as they each address dangerous conditions or satisfy a legal obligation. Two other projects that are worth mentioning are the East Stockton Sound Wall Renovation project, which will replace approximately 1800 feet of deteriorated metal sound wall with a new masonry sound wall, the other is the Elk Grove Creek Trail Crossing at SR99 which will extend the existing Class 1 bikeway along Elk Grove Creek from Laguna Springs Drive to Emerald Park Drive, and construct an overcrossing at SR99.

Most of the proposed projects, however, position the City to enhance traffic capacity, invest in economic development, and leverage available funding sources. More details can be found in the City's 2013-18 Capital Improvement Program within the City's 2013-14 adopted budget.

Long Term Debts

The City continues to pay off its long term debt obligations. For the FY ending in 2011-12, the City had total primary government debt totaling \$110 million, \$67.1 million special assessment bonds and \$10.5 million in Enterprise debt. These current long-term debt obligations are not a significant burden for the City and repayment is funded from a variety of sources include user fees, community facility districts and the General Fund. Cities generally incur long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City has not defaulted on any of these debts and is able to continue making regular payments while maintaining a strong level of fund debt service reserves.

Future Growth Impacts

Future growth is not expected to have a significant negative impact on the City's financing of needed infrastructure. Although future growth areas will require municipal services, they will also contribute funds to the City and affected agencies to construct the required infrastructure to serve new development, offsetting costs. Future growth is required to pay its fair share to upgrade and expand municipal utilities to adequately serve new development, resulting in no negative financial impacts to current residents regarding the expansion of new infrastructure. The City has established comprehensive finance programs to allow the City to collect sufficient funds on time in order to allow major new projects. As the City is currently financially stable, it is anticipated that the City will remain financially stable as new growth occurs.

The City has the following General Plan policies to ensure adequate financing for development projects:

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.

PF-20: The City shall require secure financing for all components of the transportation system through the use of special taxes, assessment districts, developer dedications, or other appropriate mechanisms in order to provide for the completion of required major public facilities at their full planned widths or capacities in one phase.

PF-21: New development shall fund its fair share portion of its impacts to all public facilities and infrastructure as provided for in state law.

PF-23: The City will coordinate with independent public service providers, including schools, parks and recreation, reclamation, water, transit, electric and other service districts, in developing financial and service planning strategies.

Services provided by the City of Elk Grove are primarily funded by taxes and fees. Fees are charged for services such as drainage, solid waste, and transit. The City is financially stable, as operational expenditures are consistently monitored not to exceed revenues. Capital project expenses are expected in some years to exceed Capital revenues which would be expected as revenues are collected to fund future projects.

Future growth is not expected to have a significant negative impact on the City's future financial status. Although future growth areas will require municipal services, future developments are required to contribute to offset the costs of new infrastructure and services required.

Determination

The Commission will make this determination after the Draft MSR public circulation and review period.

6.0 SHARING OF FACILITIES

6.0 SHARING OF FACILITIES

This section evaluates sharing of facilities for needed infrastructure and improvements, including implemented measures and potential opportunities for shared facilities for City Departments and other agencies to reduce costs while improving service levels.

CITY OF ELK GROVE

Law Enforcement

Prior to 2005, the City of Elk Grove contracted for law enforcement services from the Sacramento County Sheriff's Department. The City now provides its own law enforcement services. Both agencies provide mutual aid and collaborate on several operational areas. Jail services for the booking and housing of City prisoners is provided by agreement with the Sheriff's Department as are radio services. The two agencies periodically evaluate potential opportunities for the sharing of facilities but none are presently under consideration.

Solid Waste and Public Transit

The City currently contracts with private providers for solid waste and public transit services. In Fall 2013, the City is anticipating the opening of the City's Special Waste Collection Center that will accept typical household hazardous waste. Currently, the City is working on establishing a Memorandum of Understanding with Sacramento County, City of Sacramento, City of Rancho Cordova, City of Galt, and City of Citrus Heights to allow the drop off of household and small business hazardous waste at any special waste collection center located within the participating local jurisdiction. For the City's public transit system (E-Tran), transit routes are coordinated with Sacramento Regional Transit (RT) buses and light rail and South County Transit/Link (SCT/LINK) to areas outside the City. In addition, E-Tran also coordinates with RT for the use of bus stops located within RT's service area. The Public Works Department has not identified any other potential opportunities for the sharing of facilities with another agency.

COSUMNES COMMUNITY SERVICES DISTRICT

Fire Protection and Emergency Medical Response

As the only fire and emergency services provider for the area, there are no opportunities for the CCSD to share facilities with another agency. However, fire and emergency services in Sacramento County have developed a Joint Powers Authority (JPA) for a unified dispatch system. Under the JPA, the closest unit available is dispatched to an incident and fire district boundaries are not an issue when an incident occurs. The JPA is comprised of the City of Sacramento Fire Department, Sacramento Metropolitan Fire District, Folsom Fire District, and CCSD Fire Department. The Wilton Fire Protection District (WFPD) is located southeast of the SOIA, south of the Cosumnes River, and is staffed primarily with volunteers. Both CCSD Fire and WFPD participate in mutual aid agreements.

COSUMNES COMMUNITY SERVICES DISTRICT/CITY OF ELK GROVE

Parks and Recreation

Both CCSD and the City currently provide parks and recreational services. Currently, CCSD and the City do not share any parks and recreational facilities with exception to those located in the Laguna Ridge Specific Plan (LRSP). The City and CCSD have adopted an agreement resulting in the joint ownership of all parks, including land and facilities, within the LRSP. The only exception is the Civic Center Community

Park, which will be owned and maintained by the City. Both agencies do not have a formal agreement in place to share facilities..

SACRAMENTO AREA SEWER DISTRICT / SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Wastewater

Areas served by the Sacramento Area Sewer District (SASD), which includes the City of Elk Grove, City of Rancho Cordova, City of Citrus Heights, City of Folsom, and City of Sacramento are benefiting from SRCSD through the cost and administrative benefits of sharing one regional network and facility, rather than operating their own treatment plants. Services are more efficient and costs are shared among a larger population who benefit.

The service providers are benefiting from a cost avoidance opportunity by contracting with the County's Water Quality Department for employees to maintain and operate their facilities. Sacramento Regional County Sanitation District (SRCSD) and SASD do not have any employees in their agencies. The contract workers from the County are already skilled, and because they are from the same department, they both benefit from information sharing and training. The two agencies also benefit from facility sharing, as some of the workers operate out of the same building. The two agencies maintain separate equipment.

The two agencies have a Master Interagency Agreement with other agencies regarding wastewater management. The facilities are already being shared across multiple agencies and jurisdictions. SASD provides services to unincorporated areas of Sacramento County, the cities of Citrus Heights, Elk Grove, Rancho Cordova, as well as portions of the cities of Folsom and Sacramento. SRCSD provides wastewater treatment for SASD and the cities of Elk Grove, Folsom, Sacramento, and West Sacramento.

The proposed SOIA is not with the SOI or service areas of either SASD or SRCSD.

SACRAMENTO COUNTY WATER AGENCY/ELK GROVE WATER DISTRICT/OMOCHUMNE-HARTNELL WD

Water

The Sacramento County Water Agency (SWCA) works closely with Sacramento County's Municipal Service Agency, Department of Water Resources. SWCA is considered a dependent special district that is overseen by the County Board of Supervisors. SWCA frequently utilizes the County's staff and resources, including various facilities and equipment. Because it is a County agency, the SCWA is not subject to LAFCo purview.

In addition, SCWA works with the Elk Grove Water District (EGWD) by providing wholesale water to EGWD's Tariff Area No. 2. EGWD is utilizing SCWA's services and infrastructure to obtain water. The proposed SOIA is not within the SOI or service area of the EGWD.

In addition, EGWD has multiple emergency inter-tie connections throughout the perimeter along SCWA's service area. SWCA can supply emergency water to the other portion of EGWD's service area, known as Tariff Area No. 1. During an emergency, the inter-ties would be opened to allow one agency to supply water to another agency. Tariff Area No. 1 currently depends on groundwater.

The Omochumne-Hartnell Water District (OHWD) primarily serves agricultural users adjacent to the Cosumnes River and Deer Creek. The northeastern portion of the SOIA Area is located within the service area of OHWD. OHWD has historically purchased and managed supplemental water from the Central Valley Project. OHWD service area includes approximately 30,000 acres that is generally bounded by Grant Line Road to the north; SR-99 to the west; extends up to 1.5 miles to the south of the Cosumnes River; and an east boundary that extends from the southeast corner of the jurisdictional

boundary of Ranch Cordova to southwest of Rancho Murieta. It is anticipated that no urban water would be provided by OHWD.

DETERMINATION

The Commission will make this determination after the Draft MSR public circulation and review period.

7.0 ACCOUNTABILITY, STRUCTURE, AND OPERATIONS

7.0 ACCOUNTABILITY, STRUCTURE, AND OPERATIONS

This section examines how well the City makes its processes transparent to the public and invites and encourages public participation. Overall management practices are discussed and considered. This section includes a discussion of the City's ability to meet its demands under its existing government structure, alternatives to the current government structure, boundaries, and future service areas.

ACCOUNTABILITY AND GOVERNANCE

City Council

The City is able to operate effectively under a City Council-Manager form of government. The City Council serves as the legislative, policy making body for the City. The duties of the City Council include the review and approval of an annual budget, establishing community goals and objectives, approving the City's General Plan and initiating the proposed SOIA, reviewing and approving major projects and hearing community problems and concerns. The City Council is also responsible for appointing a City Manager, City Attorney, and City Clerk.

The current City Council is shown below.

Gary Davis, Mayor	Citywide
Steven Detrick, Vice Mayor	District 3
James Cooper, Councilmember	District 1
Patrick Hume, Councilmember	District 2
Robert Trigg, Councilmember	District 4

The City Council is able to adequately represent its residents. The City Council is composed of five elected representatives on the City Council, the mayor and four councilmembers. The office of the elective mayor is decided by the voters, with the position elected citywide (at-large), having a residency requirement within the City limits, and serves a two-year term. There are four council residency districts, and councilmembers are elected citywide (at-large) and serve four-year terms. Each district is a separate geographical area, each with a population of over 38,000 residents. Each councilmember must reside within the district of the city that they oversee. The District boundaries were last updated and adopted by the City Council on July 13, 2011. A vice mayor is selected annually by the City Council and serves a one-year term. City Council elections are held with staggered terms (two positions are filled in one election, two positions in the next election).

Public Participation

The City Council welcomes and encourages participation by Elk Grove residents in City Council meetings. The City Council holds regular meetings on the second and fourth Wednesday of each month at City Council Chambers, located at 8400 Laguna Palms Way. City Council meetings are noticed and published according to California's Open Meeting Law, known as the Brown Act. Agendas for the City Council meetings and Council committee meetings are available on the City's website and in City Hall. Public meetings are held in compliance with Brown Act requirements, which govern open meetings for local government bodies.

The City provides many other ways to view City Council meetings. City Council meetings are broadcasted live on the cable television government channel, Channel 14. The meetings are then rebroadcast days

after the meeting. Live and archived broadcasts of the Council meetings are also available on the City's website at www.elkgrovecity.org.

Extensive public information is readily accessible through the City's website, at <elkgrovecity.org>. Residents may also contact the City at 8401 Laguna Palms Way, or by telephone at (916) 683-7111.

The Planning Commission meetings are also open to public participation. The Planning Commission holds regular meetings on the first and third Thursday of every month at 6:30 P.M. in City Council Chambers.

GOVERNMENT STRUCTURE

General Law City

The City is able to operate effectively under the current General Law statutes. The City of Elk Grove was incorporated as a general law city on July 1, 2000 and operates under the general law statutes defined under the California Government Codes, which enumerates their powers and specifies their structure. This form of government allows the City to provide the following services: public safety, streets, solid waste/recycling, sanitation, culture, parks and recreation, public improvements, land use planning and zoning, general administrative services. Services provided by others include: utilities, electricity, and other general governmental services contract – street lighting, etc.. No change in the current government structure is necessary to continue the adequate provision of municipal services in consultation and coordination with affected agencies and service providers. As a City, Elk Grove is a legally separate and fiscally independent agency. It can issue debt, set and modify budgets and fees, and sue or be sued.

Charter City Considerations

The City Council has expressed interest in considering becoming a Charter City. In 2007, the City Council appointed five persons to a Charter Exploratory and Election Reform Committee to "research and enumerate the advantages or disadvantages of the General Law and City Charter forms of government", and to "study election reform issues". The Committee completed their report in December 2007, which provided the City Council with an overview of the issues, advantages, and disadvantages of each form of government. As a charter city, the City can have more autonomy over the City's municipal affairs. On March 26, 2008, the Elk Grove City Council formally established the Charter Commission. The Charter Commission was tasked with creating a City Charter for consideration by the Elk Grove City Council. The Charter Commission submitted its final report and proposed charter language to the Elk Grove City Council in January 2010. At that meeting, the City Council chose to postpone indefinitely the matter of the Elk Grove City Charter and disbanded the Commission. No further action in regards to establishing Charter City status has been pursued since 2010. Regardless, a change from a General Law City to a Charter City would not cause a significant adverse affect to the provision of municipal services.

INTERNAL MANAGEMENT STRUCTURE AND OPERATIONS

The City has a sufficient organizational structure to efficiently provide services and remain accountable. The City is organized into five groups, which include: Executive Group, Police Department, Human Resources, Development Services Group, and Administrative Services Group. No significant management deficiencies in each group or department have been identified, relative to coordination or oversight of the public services provided by the City, other agencies, and contracted service providers.

The City budget is usually an indicator of management efficiency. According to information contained in the approved budgets and financial audits, as analyzed in section 5.0, Financing Ability, the City is financially stable. Contained in the budget is the purpose of each department and division, goals, and

7.0 ACCOUNTABILITY, STRUCTURE, AND OPERATIONS

accomplishments. The current organizational structure is currently effective and no significant changes are proposed.

DETERMINATION

The Commission will make this determination after the Draft MSR public circulation and review period.

APPENDIX

REFERENCES

SOURCE MATERIALS

City of Elk Grove

Annual Growth Report. 2005

Charter Exploratory and Election Reform Report. 2007

City Council Meeting Agendas, Staff Reports, Meeting Minutes, and Resolutions

Comprehensive Annual Report for the Year Ended June 30, 2007

Elk Grove Triangle Special Plan

Final Budget, FY 2007-2008

Franklin Crossing Concurrent Sphere of Influence Amendment and Annexation Materials

General Plan, Adopted 2003, with Amendments through 2007

General Plan Background Report

General Plan Environmental Impact Report

Laguna Ridge Annexation Materials

Laguna Ridge Specific Plan

Southeast Area Specific Plan Draft Land Use Plan

Website: www.e-tran.org

Website: www.egplanning.org

Website: www.egpublicworks.org

Website: www.egtrashrecycleservices.org

Website: www.elkgrovecity.org

Website: www.elkgrovepd.org

Sacramento Local Agency Formation Commission

City of Folsom Sphere of Influence Amendment Documents. 2001

Franklin Crossing Concurrent Sphere of Influence Amendment and Annexation Documents. 2008

LAFCo Meeting Agendas, Staff Reports, and Meeting Minutes

Sacramento LAFCo Policy, Standards, and Procedures Manual

Service Providers Directory and Maps

Website: www.saclafco.org

Assembly Committee of Local Government

Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. December 2007

City of Sacramento

Draft Panhandle Municipal Service Review. February 2007

California Department of Conservation

Farmland Mapping and Monitoring Program. Important Farmland Data. 2004

Sacramento County Williamson Act Lands. 2006

California Department of Finance

City/County Population Estimate

Cosumnes Community Services District

2006 Annual Report

Strategic Plan 2007-2012

Website: www.yourcsd.com

County of Sacramento

County General Plan

Jackson Highway Visioning Area Workshop Materials

Vineyard Community Plan

South Sacramento Community Plan

Website: www.saccounty.net

Website: <http://www.acr.saccounty.net>

Website: <http://www.finance.saccounty.net>

Website: <http://www.msa.saccounty.net>

Website: <http://www.sacdot.com/>

Website: <http://www.sacgreenteam.com/>

Website: <http://www.sacsheriff.com>

Elk Grove Water Service

Urban Water Management Plan, Final Draft. 2005

Website: www.egws.org

Governor's Office of Research and Planning

Municipal Service Review Guidelines, August 2003

Sacramento Area Council of Governments

2006 Metropolitan Transportation Plan, Adopted March 16, 2006

2006 Metropolitan Transportation Plan Environmental Impact Report

SACOG Metropolitan Transportation Plan 2035 DRAFT Land Use Allocations, Updated: 04/30/07

Website: www.sacog.org

Sacramento Area Sewer District

CSD-1 Sewerage Facilities Expansion Master Plan. 2006

Website: www.csd-1.com

Sacramento County Water Agency

Water Quality Report. 2006

Zone 40 Groundwater Management Plan. 2004

Zone 40 Water Supply Master Plan. 2005

Zone 40 Water System Infrastructure Plan. 2006

Zone 41 Urban Water Management Plan. 2005

Website: www.msa.saccounty.net/scwa/

Sacramento Municipal Utility District

Application for Annexation of the Cities of West Sacramento, Davis, and Woodland, and Unincorporated Areas of Yolo County and Related Sphere of Influence Amendment, July 2005

Website: www.smud.org

Sacramento Public Library Authority

Facility Master Plan 2007-2025

Website: www.saclibrary.org

Sacramento Regional County Sanitation District

SRWTP 2020 Master Plan

Website: www.srcsd.com

Southeast Sacramento County Agricultural Water Authority

Website: www.sscawa.org/sscawa/omo_dist.cfm

U.S. Fish and Wildlife Service

Website: www.fws.gov/stonelakes

STAFF CONSULTED

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Steve Dawson, SRB

Wilton Fire Protection District

Tom Dark, Fire Chief

DRAFT



DRAFT

ATTACHMENT A

SACOG COMMENT LETTERS

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RECEIVED

MAY 23 2011

SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

May 18, 2011

Donald J. Lockhart, AICP
Assistant Executive Officer
Sacramento Local Agency Formation Commission
1112 I Street, Suite 100
Sacramento, CA 95814

Dear Mr. Lockhart,

Thank you for inviting SACOG's comments on the Elk Grove Municipal Service Review for the Elk Grove Sphere of Influence Amendment Request. The revisions to "Area Growth and Population" chapter, dated April 27, 2011, include information on SACOG's current housing and employment projections and suggest those projections as the basis for the city needing additional development land outside the current city limits. We do not find these statements to be accurate and would like to correct the following points.

- Page 3.0-2 states, "The City utilized the MTP 2035 growth projection numbers in calculating future needed acreage for the initial Sphere of Influence Amendment application submitted in May 2008 and subsequent application update submitted in August 2010." SACOG submitted comments to LAFCO and the City explaining the misstatement of our projections for this purpose. Please reference the attached letter to the City dated January 23, 2008 and the letter to LAFCO dated August 13, 2008.
- Page 3.0-3 provides a table showing a "SACOG 2035 MTP Projection" for population. We did not provide this information and we have not released population projections for individual jurisdictions at this point in our MTP update process.
- Page 3.0-4 states, "The City has based future land demands on SACOG's MTP 2035 Preliminary Draft Preferred Scenario projections to estimate the amount of vacant lands necessary to accommodate the projected growth" and references "Table 3.0-45 Land Demand Projections for the MTP 2035 Preliminary Draft Preferred Scenario". The same paragraph then continues, "Based on the availability of 2,918 acres within the City, a total of 6,327 acres will be needed outside of the City limits to accommodate the projected growth to 2035". Again, we did not provide the acreage numbers shown in that table nor do we believe that additional acreage outside of the city is needed to meet our draft 2035 projections. For your reference, the projections we are using in our MTP 2035 Preliminary Draft Preferred Scenario are below. These projections were coordinated with city staff to ensure consistency with the city's latest capacity estimates for development *within* the current city limits. The projections do not assume development outside of the current city limits. The research supporting our current projections for the region indicate the region will grow less and at a slower pace than previously forecasted. This trend affects all parts of the region, including the city of Elk Grove.

Auburn
Citrus Heights
Colfax
Davis
El Dorado County
Elk Grove
Folsom
Galt
Isleton
Lincoln
Live Oak
Loomis
Marysville
Placer County
Placerville
Rancho Cordova
Rocklin
Roseville
Sacramento
Sacramento County
Sutter County
West Sacramento
Wheatland
Winters
Woodland
Yolo County
Yuba City
Yuba County

Donald J. Lockhart, AICP
Page 2
May 18, 2011

SACOG Projections for Preliminary Draft Preferred Scenario for the 2035 MTP Update

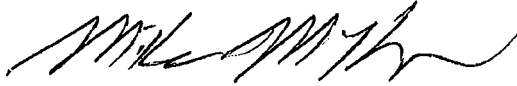
	2008 Employees	2008 Housing Units	2035 Employees	2035 Housing Units
City of Elk Grove (current City limits)	28,431	49,018	48,429	66,014

As we indicated in prior communications, we believe our estimates of development capacity inside current city boundaries are likely to be low because they do not account for any redevelopment activity. Over the next two to three decades, some level of redevelopment seems highly likely. In fact, the City is working hard to encourage this as a revitalization strategy.

To summarize, neither the currently adopted MTP projections nor the draft Preliminary Preferred Scenario projections being used in the MTP update assume growth in the proposed SOI area. To be clear, the purpose of the MTP is to forecast actual constructed development during the planning period. This is different from a land supply contingency needed to support a healthy land market. We agree that Elk Grove may need additional land outside of the current city limits at some point beyond 2035 to support additional job growth to help the City's current imbalance of jobs and housing. We do not see a need for land in the SOI for housing for a very long time. The key issues around such an expansion would involve the timing of urbanization and conditions for development.

Thank you for consideration in this matter.

Sincerely,



Mike McKeever
Chief Executive Officer

MM:KL:ef

Attachment



February 28, 2011

Donald J. Lockhart, AICP
Assistant Executive Officer
Sacramento Local Agency Formation Commission
1112 I Street, Suite 100
Sacramento, CA 95814

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SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

Dear Mr. Lockhart,

Thank you for inviting SACOG's comments on the Elk Grove Municipal Service Review for the Elk Grove Sphere of Influence Amendment Project (LAFIC 09-10) and the support Elk Grove Market Study. We also thank the City of Elk Grove for commissioning the market study to determine the long term land use needs of the City. SACOG supports the City's aim to improve job opportunities in its jurisdiction and this market study is an important step toward that end. We also appreciate that the City asked its market study consultant team to meet with us to discuss and compare employment projections. We've since reviewed the final market study and find it to be a technically solid study of employment demand.

Our understanding of the market study is that it projected two potential growth scenarios – a low growth, high density scenario and a high growth, low density scenario – for the City of Elk Grove through the year 2029. The scenarios are intended to bracket the range of possible employment and housing growth that the City would need to plan for during that time period, including the amount of land that would need to be available to support that growth. The study states that these scenarios are intended to provide varying estimates of growth potential, but “are not meant to incorporate judgments about the likelihood of projections results or embedded assumptions” (Page A-14, Elk Grove Market Study). We have compared the market study to our preliminary MTP projections and generally agree that it is possible the city could need more employment land beyond the city limits sometime after the next 20 years and that the amount of land likely to be needed is within the amount identified by the Elk Grove Market Study. We do have a few observations as to the reason for some of this additional land supply:

- The market study discounts 80% of vacant unentitled land as unlikely to develop fully.
- The market study assumes very low residential densities for the high land consumption scenario (Scenario 2), at approximately 6.5 dwelling units per acre on average city-wide, which contributes substantially to the scenario's higher land demand.

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Donald J. Lockhart, AICP

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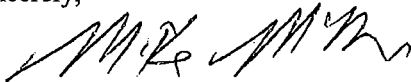
February 28, 2011

- The market study assumes no redevelopment potential in its land supply analysis.
- The market study land supply analysis assumes no re-designation of vacant land, either from residential to employment or between employment designations. With no re-designation of land use assumed, the market study indicates that the employment acres in shortest supply are for institutional and school uses, which are public, not private uses.
- The market study arrives at land demand by adding an additional 20% of land capacity as a land supply contingency. Of the additional land needed in Scenario 1 (low growth, high intensity development), 100 percent of the 200 acre additional land supply is part of this contingency. For Scenario 2 (high growth, low intensity development), about 53% of the additional 1,422 acre additional land supply is part of this contingency. It is worth noting that this aspect of the land demand projections is different from SACOG's land use forecasts, which must represent actual anticipated development.

Lastly, as you know, SACOG is in the midst of the Rural-Urban Connection Strategy (RUCS) project, which focuses on economic and environmental sustainability in the region's rural areas. The project has not yet resulted in policy or program recommendations but we have been conducting groundbreaking technical research on the urban-rural interface and in particular, the effects of urban uses on neighboring agricultural use. Our preliminary research and modeling indicates that the more certainty there is to the edge of future urbanization, the lesser the impact will be on neighboring farming operations. A higher percentage of land is more likely to remain in active agriculture if there is some long-term certainty that farming is an economically viable use of the land.

Thank you again for inviting SACOG's comment in this process. We would be happy to discuss any of this information in more detail with the City and LAFCO if it would be of use.

Sincerely,



Mike McKeever
Chief Executive Officer

MM:KL:ef



August 13, 2008

Peter Brundage, Executive Officer
Sacramento Local Agency Formation Commission
1112 "T" Street, Suite 100
Sacramento, CA 95814

Dear Mr. Brundage:

I am writing to comment on the City of Elk Grove Sphere of Influence Amendment Request (LAFCO 04-08). The application's "Municipal Service Review" document refers to SACOG projections, stating that:

"The City based future land demands on SACOG's projections to estimate the amount of vacant lands necessary to accommodate the projected growth." (p. 3.0-3)

"SACOG anticipates that existing neighborhoods and subdivisions within the City are expected to build out in the vacant areas within SACOG's (2035 Metropolitan Transportation Plan) planning period." (p. 3.0-2)

I don't believe that these statements accurately convey SACOG's adopted growth projections for Elk Grove. Our recently adopted 2035 Metropolitan Transportation Plan land use allocation shows all of the projected housing and employment growth for Elk Grove through 2035 occurring within the existing city limits, with an additional 1,700 acres of vacant land in 2035 that the City's General Plan currently designates for development. Additionally, within the city limits the 2050 Blueprint growth pattern projects another 19,000 employees and 1,500 housing units from 2035 to 2050. These figures were carefully coordinated with Elk Grove staff when the final Blueprint map was created because the City Council had asked SACOG to ensure complete consistency between the Blueprint map and the City's recently adopted General Plan. We had communicated our concerns about these issues to the City in the attached letter dated January 23, 2008.

Recently, SACOG met with Elk Grove senior management staff and consultants to discuss these issues and agreed that our staff would meet in the near future to compare information and hopefully resolve, within the next few weeks, the discrepancies noted above. We will keep you posted on the progress of those discussions.

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Peter Brundage, Executive Officer

Page 2

August 13, 2008

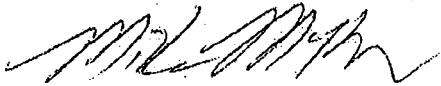
I have indicated to City staff that as they move forward to establish a Sphere of Influence, we encourage them to consider:

- the timing of urbanization in the Sphere of Influence and its possible impact on the build-out of the General Plan within the city's current municipal boundaries; and,
- focusing on jobs-housing balance and prioritizing future development that promote employment growth and development of a strong economic base for the City.

These issues matter to SACOG because of their strong connection to travel behavior and air emissions. I believe City leadership shares these concerns and we look forward to a good partnership working with them on these issues as this process moves forward.

Thank you for your consideration on this matter. Please let me know if you have questions.

Sincerely,



Mike McKeever
Executive Director

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cc: Laura Gill, Elk Grove

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Sacramento Area
Council of
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January 23, 2008

Jim Estep, City Manager
8401 Laguna Palms Way
Elk Grove, CA 95758

Dear Mr. Estep:

Thank you for discussing the Sphere of Influence Amendment staff report with me last evening and the clarifications I believe should be made. As we discussed, the January 23, 2008 City Council Meeting staff report includes a discussion of the Sacramento Area Council of Government's (SACOG's) regional growth projections that does not accurately convey information in SACOG's adopted growth forecast and land use allocation for Elk Grove in the Metropolitan Transportation Plan.

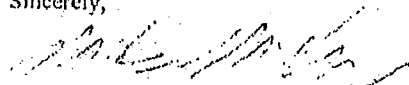
I am writing to formally ask that this information be clarified in time for the City Council consideration of this topic at its Wednesday, January 23 meeting based upon our discussion. While you clarified for me that the City's time horizon for the development of the proposed Sphere of Influence is longer than SACOG 2035 MTP projections, and is not simply based on SACOG's 2035 growth forecast, it is important to note that in some places the staff report indicates that the land supply is not adequate for even a 20-year horizon. I very much appreciate your willingness to clarify page two of the staff report which currently states that "The Sacramento Area Council of Governments (SACOG) is projecting that the City will experience a 98% growth in employees and 72% growth in dwelling units over the next 20 years (2035 SACOG Land Use allocation). Based on these projections, existing land uses and intensities within the current City limits would result in a land shortage of approximately 19,500 acres over the next 20 years."

As we discussed, I understand that the City did not mean to indicate that there was a demand for a total of 19,500 acres outside of its current City boundaries using SACOG's projections. The SACOG growth forecast and land use allocation for the MTP are consistent with the Elk Grove General plan and show adequate capacity for SACOG's projected employment and housing growth in Elk Grove through 2035 within the current city boundaries.

I respectfully request that the statement in the staff report be clarified at the City Council meeting to ensure the City Council and the public are aware of these differences in time horizons.

Again, thank you for agreeing to clarify this item and SACOG looks forward to continuing to work collaboratively with you and the City of Elk Grove.

Sincerely,


Mike McKeever
Executive Director

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Woodland
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