

**EXHIBIT “I”**

**RESPONSE TO COMMISSION QUESTIONS AND  
PUBLIC COMMENTS ON DRAFT CFA  
(APRIL 7, 2010)**



# Arden Arcade Public Review Draft CFA

## LAFCo Commissioner Comment Matrix

April 30, 2010

Question/Comment	Report Location (in Pub. Review Draft)	Response
Are contract staff included in the analysis / comparative city survey?	Appendix B	Yes, the analysis assumes some positions will be filled with contract staff. The comparative city analysis has been updated and does include contract staff where applicable.
Assumptions are different for January 2008 vs. December 2008	General	Despite the change in economic conditions, budget assumptions are required to be as of Fiscal Year 2008-09 by statute.
Clarification is needed regarding the property tax rate.	Tables 5.8 and 5.9	The overall property tax rate will not be changing. Willdan calculated the assumed tax allocation factor – i.e., the new city's share of the property tax revenue available to local government.
Does the revenue neutrality agreement alter contracts with special districts?	Chapter 6	No. The special districts will remain intact and will not be negatively affected by the incorporation. As such, no revenue neutrality agreements between the new city and any special districts will be needed.

Question/Comment	Report Location (in Pub. Review Draft)	Response
There is concern that the nonresidential growth assumptions are too aggressive/	Table 2.2	The nonresidential growth projections were reviewed and adjusted downward in the latest CFA. Only vacant commercial and office parcels located within commercial corridors are assumed to be developed in the 10 year time frame of this analysis. Total nonresidential growth for both scenarios reduced from 259,000 square feet to 144,000 square feet.
Criteria for determining feasibility and conclusions do not match.	Key Findings, Executive Summary	Conclusions have been updated to match criteria.
There are references to the new city providing fire service throughout the report.	Various	The new city will not provide fire protection services. Fire services protection services will be provided by Sac Metro Fire. Report has been updated as appropriate.
Special districts are assumed to remain intact, post-annexation scenario. Commissioner wants to clarify that the new city did not make any determination whether the special districts would remain, or whether it would be a full service city?	Table 3.1	The direction of the commission was to consider an annexation in the fiscal analysis that would allow special districts to remain in place. The City has provided no policy directive regarding whether special districts would be detached or would stay intact in the event of annexation.
Please state key assumptions (area in square miles, parcels per scenario, population) into document.	Key assumption section	Changes made as appropriate.

Question/Comment	Report Location (in Pub. Review Draft)	Response
Does the analysis account for the economic downturn?	Table E.1 and E.2	The cost of services is bound by statute to the last fiscal year for which data is available (FY2008-09). To maintain consistency between the assumed cost of services, and the revenues that support those services, the revenue assumed is consistent with that base year as well. As such, sales tax and property tax do not need to be adjusted.
Is there any assurance to the new city that the existing conditions, if it continues in the direction that it is going, that there will be sufficient funds for the County to be able to provide its services?	NA	The revenue neutrality agreement negotiated between the County and incorporation proponents is structured with the intent that the new city will mitigate the County's loss of revenue. The negotiated revenue neutrality agreement is included in the analysis.
Do people outside of the new city's boundaries (i.e., sphere of influence) get to vote on the incorporation?	NA	No, only the voters within the new city's boundaries get to vote on the incorporation. Voters in the newly created city would not vote on an annexation.
If Scenario 1 is chosen there are issues with the County being able to efficiently provide services to its remaining service areas. Does this analysis take increase County costs into account?	NA	Information regarding increased County costs should Scenario 1 be chosen was requested. The requested figures were not provided by the County. As such, those costs were not included.
What percentage increases do you use for law enforcement?	Tables 4.6 and 4.7	We increased costs by one percent, above inflation. We examined County budget data from FY 2004/05 to FY2009/10. In that time period the average annual change in costs was approximately negative one percent. Despite this, we included a one percent real cost increase to be conservative. See Table 1 at end of this document.

Question/Comment	Report Location (in Pub. Review Draft)	Response
There is an assumption that they will dedicate 21 FTE for Community Development. Why is this assumption so high?	Appendix B	The comparative city survey has been modified to better allocate those positions to the individual departments in the staffing plan. Please refer to the updated survey in Appendix B, and the staffing plan in Table 4.1.
The assumption for city attorney seems low. How was it developed?	Appendix B, Table 4.1	We underestimated the need for city attorney FTEs in the Draft CFA. We have reviewed the comparison city data, and have increased the staff to 2.5 FTEs from 1.0 FTEs in the Final Draft CFA.

**Table 1: Sacramento County Sheriff Department Historical Expenditures**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Average Annual Change
County Of Sacramento - Sheriff Department Expenditures	\$ 194,847,648	\$ 215,906,803 11%	\$ 221,188,623 2%	\$ 226,532,972 2%	\$ 238,392,120 5%	\$ 189,196,048 -21%	-1%
Average Annual Change in CPI (San Francisco/Oakland/San Jose)		3%	6%	3%	1%	1%	3%

Sources: County of Sacramento Adopted Budget FY06-07/FY09-10; Consumer Price Index; Willdan Financial Services.

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March 30, 2010

Mr. Peter Brundage, Executive Director  
Sacramento Local Agency Formation Commission  
1112 "I" Street, Suite 100  
Sacramento, CA 95814

VIA EMAIL

**SUBJECT: Comments Draft CFA for Proposed Arden Arcade Incorporation**

Dear Mr. Brundage:

These comments are made with respect to the document "Proposed Arden Arcade Incorporation (LAFC 07-03)" dated March 16, 2010 (the "Draft CFA") and prepared by Willdan Financial Services for the Sacramento Local Agency Formation Commission (LAFCo). These comments are submitted in response to the Notice of Availability issued by LAFCo which specifies that the public comment period on the Draft CFA ends at 4:00 p.m. on April 19, 2010.

**1. Executive Summary**

Specific comments are not offered regarding the Executive Summary. However, the following comments should be read as applying to the Executive Summary to the extent that the matter receiving comment is also addressed in the Executive Summary.

**2. Chapter 1 Introduction**

A.1

a) Page 13, Cost and Revenue Assumptions: The last sentence states that service costs other than those for a staffing plan assumed by Willdan are based upon the County Budget rather than actual expenditures. On page 25, under "Service Levels" it is stated that these costs are based on the County's actual expenditure data for FY 2008/09. Page 32, under "Animal Control", it is stated that Animal Control costs are based on the County's Animal Control Department Budget, rather than actual expenditures. Please eliminate this confusion and confirm which is actually used in the analysis— actual expenditures or budgeted amounts.

A.2

b) Page 13, Capital Improvement Costs: The Draft CFA states that the transfer of "potential impact fee revenue" is subject to negotiation between the new city and the County. What precisely are the sources of "potential impact fee revenue"? Does

this include the “almost \$8 million” reported on page 3.9-17 of the Draft Environmental Impact Report for the Arden Arcade Incorporation (DEIR) as being “set aside for CIP Projects” in Arden Arcade? Does this include environmental mitigation fee revenues (e.g. tree removal) collected from within Arden Arcade but not expended? Transportation Development Fee Revenue collected from within the boundaries of the new city and being held by Sacramento County?

It is recognized that the “potential impact fee revenue” most likely may not be General Fund Revenue. However, why should these fee revenues collected from within Arden Arcade and not yet expended by the County be a matter to be negotiated and not a straight forward transfer of funds since the County (i) would no longer be responsible for Arden Arcade, (ii) have no right to the money, and (iii) could be challenged as using the money for purposes other than for which it was collected?

A.3

c) Page 13, Revenue Neutrality: The California Government Code citation contained in the discussion of Revenue Neutrality appears to be erroneous.

The discussion of Revenue Neutrality at the bottom of page 13 and top of page 14 is incomplete and needs to be revised as follows in order to be complete: (i) add discussion that recognizes that revenues transferred must be “substantially equal” as specified in California Government Code Section 56815, (ii) add discussion to describe the provisions of California Government Code Section 56815(c), and (iii) add discussion that acknowledges that revenue neutrality payments are not connected in any way with specific services to provided by the County following incorporation and can be used for any legal purpose with the approval of the Board of Supervisors.

Which, if any, of the assumptions used in the analysis operate as a constraint to revenue neutrality negotiations between the County and the incorporation proponents?

### 3. Chapter 2, Population, Employment and Land Use

A.4

a) Page 15, Existing Development Population Estimate: The Draft CFA reports a population estimate of 92,005 persons for Scenario 1 (the proposed Incorporation Area) and 98,402 persons for Scenario 2 (the proposed Incorporation Area plus the area south of Fair Oaks Boulevard and the small area north of Winding Way). The Draft EIR reports, on page 3.7-1, that the area of the proposed Incorporation Area plus the area south of Fair Oaks Boulevard (i.e. the “Community Plan Area”) is estimated to have a population of 83,000 persons. Also, it seems difficult to believe that the small area north of Winding Way would add some 15,000 persons to the “Community Plan Area” population. These discrepancies need to be resolved or explained.

### 4. Chapter 3, Service Plan and Methodology

a) Page 22, Table 3.1: The following corrections are needed:

A.5

(i) For Library Service, the Public Library Authority, a Joint Powers Agency, and not the County, should be listed as the Current Provider.



A.6 (ii) For Parks and Recreation, Sacramento County Regional Parks Department should be included in the list of Current Providers since it is responsible for the American River Parkway and will continue to be so after the proposed incorporation.

A.7 (iii) Under the column "Future Provider", the phrase "either with its own department or by contract with a legally permissible entity" should be added to each instance where City is indicated to be contracting for service.

A.8 (iv) For Solid Waste Disposal, the Future Provider column should be changed from "No change" to "City (either with its own department or by contract with County or other legally permissible entity)"

A.9 (v) There is no service provider listed for administration and regulation of solid waste and recycling collection franchises. Current Provider should "Sacramento County" and Future Provider should be listed as "New City".

A.10 b) Page 24, Top of Page: Why is it assumed that charges for service will only recover 80% of the cost of providing the service and not 100% of the cost of providing the service?

## 5. Chapter 4, Cost Analysis

A.11 a) Page 27, Table 4.3: This table assumes a Benefit Rate of 35% for the new city. How does this total compare with the Benefit Rate, as a percentage of Salary, for the County in FY 2008/2009 (i.e. the Base Year)? For other cities in Sacramento County for the same period?

A.12 b) Page 29, Other (Non-Personnel) Costs: What effort has been made to validate the costs, and revenues for that matter, that have been provided by the County?

c) Page 26, Police Services: (i) The second paragraph states that the Sheriff Department estimates of the "current costs" to provide patrol and investigative services are about \$14.0 million per year for Scenario 1 (the proposed incorporation area) and about \$14.5 million per year for Scenario 2 (the proposed incorporation area plus the areas south of Fair Oaks Boulevard and north of Winding Way) as provided in Table 14.5, (ii) the third paragraph under "Police Services" states that the cost of these services in the "first year of incorporation" are about \$14.0 million for Scenario 1 and \$14.7 million for Scenario 2, (iii) the third paragraph also states that the annual costs for "law enforcement services" after incorporation are shown in Tables 4.6 and 4.7 and the costs listed in year 2 after incorporation are about \$14.2 million per year for Scenario 1 and \$15.1 million per year for Scenario 2, and (iv) police service costs in Tables 6.2 and 6.3 do not seem to agree with the information in this Section. Please explain why:

A.13 (1) The difference between Scenario 1 and Scenario 2 increases from less than \$500,000 in the case of "current costs" to about \$960,000 in year 2?

A.14 (2) There is no difference between Scenario 1 "current costs" and "first year of incorporation costs" and yet the "first year incorporation costs" for Scenario 2 are \$200,000 per year greater than for Scenario 2 "current costs"? (It would seem reasonable to expect the relationship would be the same for both Scenarios.)

A.15 (3) Table 6.2 shows show transition year police costs as \$14,176,000 for Scenario 1 (not \$14.0 million) and Table 6.3 shows these costs to be \$14,977,000 for Scenario 2? (These amounts do not seem to agree with the values reported on page 29 and \$14,176,000 is shown in Table 4.6 as police costs in year 2.)

A.16 d) Pages 38 & 39, Tables 4.13 & 4.14 respectively: These tables report costs for a 5 person City Council. The petition submitted for the proposed incorporation specified a 6-person City Council and an at-large Mayor. This would appear to be inconsistent with the incorporation proposal submitted to LAFCo.

A.17 e) Transfer of Road Maintenance: The Draft EIR includes, as a mitigation measure, the request by Sacramento County to transfer to the new city, maintenance responsibility for (i) Watt Avenue from the northern boundary of the new city to Longview Drive, (ii) Auburn Boulevard from Park Avenue to Howe Avenue, (iii) Winding Way from Auburn to 1000 feet east, and (iv) Bell St. between the easterly and westerly legs of Auburn Boulevard. Where are the costs that would be borne by the new city identified in the Draft CFA?

A.18 f) Stormwater Utility: The Draft EIR identifies continuation of services from the County's Stormwater Utility. Where are these costs, including the annual NPDES permit fee, identified in the Draft CFA?

A.19 g) CSA-1 Street Lighting: The Draft EIR seems to imply that the County is spending more for street light maintenance than it receives in revenue charged. Is this correct? If so, where is this expenditure accounted for in the cost analysis and payments to the County?

## 6. Chapter 5, Revenue Analysis

A.20 a) Page 51, County Fire: This section heading should be changed to "Sac Metro Fire" since the County has not fire protection responsibility within the proposed area.

A.21 b) Page 53, Table 5.10: Why are Property Tax Revenues assumed to decline throughout the 10-year analysis period?

A.22 c) Page 54, Property Transfer Tax: Please explain the second sentence of the first paragraph of this section. Why would the new City and County "split" the Property Transfer Tax?

A.23 d) Page 57, Utility Users Tax: What effort has been made to validate the per capita Utility User Tax revenue amount provided by the County? Actual Utility Users Tax Revenue reported on the County website in Schedule 5 of the final adopted County Budget for FY 2009/2010 total \$16,891,373. Dividing this total by the unincorporated area population (565,309) shown in Table 2.1 of the Draft CFA yields a per capita Utility Users Tax revenue amount of \$29.88, not \$28.43 ascribed to the County and reported on page 57 of the Draft CFA.

A.24 e) Chicago Climate Exchange: The Draft EIR reports that the County is participating in the Chicago Climate Exchange and could realize revenue from selling surplus emission allowances. Where are these revenues accounted for in the Draft CFA,

particularly revenues from emission reductions that result from the proposed incorporation?

A.25 f) CSA-1 Street Lighting: Where are revenues collected by the County from that part of CSA-1 within the proposed incorporation accounted for in the Draft CFA?

## 7. Chapter 6, Payments to the County

A.26 a) Page 66 and 67, Tables 6.2 and 6.3: Please confirm that these tables describe the level of service that the County is obligated, according to pages 5 and 25 of the Draft CFA, and which correspond to a level of service that was provided by the County in FY 2008/2009. The Draft CFA is somewhat ambiguous.

A.27 b) Page 67, Table 6.3: Comparing Table 6.3 to Table 6.2 seems to indicate that adding the area south of Fair Oaks and the area north of Winding Way will add some \$440,000 in demand for County General Fund revenue. Is this understanding correct?

A.28 c) Page 68, third sentence of paragraph immediately before Table 6.4: What is the basis for this assumption?

A.29 d) Page 69, Table 6.5: Table 6.5 is the estimated revenue neutrality payment for Scenario 2. Are the Table 6.5 changes in revenue transfers logical given the characteristics of the area south of Fair Oaks Boulevard? Why is it reasonable to believe that the addition of the area south of Fair Oaks Boulevard increases Property Tax Revenue by only \$257,000 given the high value property that exists in the area?

## 8. Comments Regarding Other Matters

A.30 a) Comments on Draft EIR Incorporated: Comments submitted in a letter to Peter Brundage dated March 26, 2010, contains comments that may, upon reflection by LAFCO's EIR consultant or LAFCo staff, be more appropriately directed to the Draft CFA. Accordingly, the comments contained in the March 26, 2010 letter to Peter Brundage are incorporated by reference.

b) Conservatism is Substantial: The analysis reported in the Draft CFA is substantially conservative as evidenced by the following combination of assumptions that assume:

A.31 i) The 5% contingency fund would be expended each year. This adds more than \$1,000,000 to annual costs of operation of the new city. (See Page 9 and Table 7.1 of Page 72)

A.32 ii) Charges for service will recover only 80% and not 100% of the costs of providing said services. (See Pages 24 and 59)

A.33 iii) Property Tax revenue will decline each year for the entire 10-year analysis period. (See Tables 7.1 and 7.2 on pages 72 and 73 respectively.)

A.34 iv) The per capita generation rate for Utility Users Tax revenue will be less than that associated with actual Utility Users Tax revenue received by the County in FY 2008/09.

A.35

v) A General Fund Reserve that ranges from about 42% - 50% of total projected revenues and total projected expenses, including the estimated Revenue Neutrality Payment, will be available throughout the last nine years of the analysis period. (See Tables 7.1 and 7.2 on pages 72 and 73 respectively.

Given the foregoing and the results of the analysis, it seems clear that the proposed incorporation is fiscally feasible and, as stated in the Draft CFA, the proposed incorporation meets LAFCo requirements for making a finding of fiscal feasibility.

I look forward to reading the responses to these, and other comments that may be submitted, in the Final CFA for the proposed incorporation.

Sincerely,

Bill Davis  
Arden Arcade Resident

cc: Arden Arcade Incorporation Committee

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March 26, 2010

Via Email

Mr. Peter Brundage, Executive Director  
Sacramento Local Agency Formation Commission  
1112 "I" Street, Suite 100  
Sacramento, CA 95814

SUBJECT: Comments on Draft Environmental Impact Report (DEIR) for the Proposed  
Incorporation of Arden Arcade SCH No. 2007102114

Dear Mr. Brundage:

These comments are made with respect to the document, "Incorporation of Arden Arcade, Draft Environmental Impact Report, SCH No. 2007102114, dated February 18, 2010, (DEIR) and prepared for the Sacramento Local Agency Formation Commission (LAFCo) by Michael Brandman Associates. The comments are submitted in response to the Public Notice issued by Sacramento LAFCo which states that the public comment period for the DEIR closes at 4:00 p.m. on April 5, 2010.

1. Comments Regarding Analysis

a) Page 4-7 No Project Conclusion: There is no listing of the environmental effects that would be avoided by the "No Project" alternative nor any cross reference to another part of the document which identifies these environmental effects. What are they? Since the Draft EIR on page 4-12 proclaims the No Project Alternative to be environmentally superior, it is important to clearly divulge the environmental effects that would be avoided by the No Project Alternative.

Given the requirements of law related to the County General Plan and the provision of service, it is hard to see how there can be significant environmental effects associated with changing one set of elected officials and staff for another set, much less how not changing the elected officials would have a lesser environmental impact.

b) Page 4-8 Alternative Boundary Analysis: What is the basis for adding the area north of Winding Way to the proposed incorporation area? Since there seems to be no mention of this area in the Alternate Boundary analysis, is it

reasonable to conclude that there is no significant impact that would result from this addition? What impact is being avoided or mitigated by this addition?

The first sentence at the top of page 4-8 is incoherent.

B.1

c) Page 4-11 Analysis of Annexation: The Fulton El Camino Recreation and Park District (FECRPD) conducts operations west of Ethan Way in the City of Sacramento. Why wouldn't it be reasonable to conclude that the City would also take over these operations and FECRPD would disband rather than assuming that FECRPD would continue trying to stay in existence only to conduct said operations?

d) Page 3.8-33 Water Supply Impact Analysis: The first sentence of the first paragraph at the top of page 3.8-33 states that the incorporation could result in an increased water demand beyond that anticipated in the County General Plan. The last sentence of the paragraph states that a substantial increase in water demand and ground water depletion is not expected to occur from growth resulting from the limited vacant parcels and growth potential with the proposed incorporation area. If this last sentence is true, what is the basis for the first sentence?

The second paragraph on this page states that Sacramento County Water Agency (SCA), which is operated by Sacramento County, has expressed concern that the new city could adopt policies that would cause operating expenses to increase significantly resulting in higher rates for customer service. The Draft EIR provides no description of these concerns. What are the specific concerns and policies that have been identified by SCA and where is the analysis that shows these concerns are either valid or invalid?

e) Page 3.7-6 Regional Housing Needs Allocation: The document seems to say that the 450 new housing units that could be accommodated on vacant land would be dedicated towards Sacramento County's Regional Housing Needs Allocation. Is this correct?

What portion of the County's allocation of very low and low income housing has the County assigned to Arden Arcade given that there is only land for an additional 450 housing units?

f) Page 3.4-9 McClellan Groundwater Contamination: Given the ground water overdraft described in the Draft EIR, what is the potential for migration of groundwater contamination into the proposed incorporation area?

g) Page 3.1-29 Chicago Climate Exchange: Will Sacramento County, as a result of the proposed incorporation, realize emission reductions that will have value on the Chicago Climate Exchange?

## 2. **Comments Regarding Mitigation Measures**

a) Mitigation Measure 3.1-7 Climate Action Plan: Does the listing require components that are beyond those required by applicable law? What would be the impact of replacing the detailed list of components with the words "all components

as required by law” since laws change as more is learned and needed components may not include those listed?

b) Mitigation Measure 3.8-6 Animal Control: Sacramento County may well reduce Animal Control services after approval of the Environmental Impact Report. In such event, this mitigation measure would require that the new city provide funding for Animal Control Services greater than that provided by the County and to provide a higher level of service that would be provided if the area remains unincorporated. This same comment would apply to other municipal services provided by the County.

c) Mitigation Measure 3.8.7 Water Supply Providers: This mitigation measure is appropriate only if the County is currently required to become the primary service provider if existing service provider(s) do not continue providing service. Has this condition been included in prior recent incorporations? Does this condition of approval require the new city to provide water service to un-served areas reported in the DEIR as being served by wells? Why doesn't this mitigation measure provide an incentive to the County to avoid having to provide water service in Zone 41?

This Mitigation Measure should be revised to allow the new city the option of arranging for alternative service providers in the event that an existing service provider does not continue providing service.

What is the cost that would be borne by the new city as a result of the mandate to become a signatory to the Water Forum agreement?

It is understood that Del Paso Manor Water District is being asked to enter into conjunctive use arrangements with the City of Sacramento that are projected to cost at least \$3.5 million plus connection costs between the District and the City of Sacramento water system. It is also understood that there may be a substantially lower cost for an alternative conjunctive use arrangement. If Del Paso Manor Water District were to be unable to continue in existence, would the mandate to become a signatory to the Water Forum agreement or the mandate to assume water service delivery for the area within the District transfer the obligation to the new city and require the new city to pay for the conjunctive use system arrangement with the City of Sacramento? Could the new city select a lower cost conjunctive use alternative?

d) Mitigation Measure 3.8-9c Storm Water Management: What is the impact if the option is included for the new city to obtain its own Storm Water NPDES permit? What is the cost that would be borne by the new city as a result of the mandate for the new city to become a participant in the County's Storm Water Management program?

e) Mitigation Measure 3.8-11 Solid Waste & Recycling: The impact analysis on page 3.8-36 seems strained given that (a) the new city is legally required to provide solid waste and recycling services and (b) the County and private haulers will continue to provide solid waste and recycling services during the transition period. It is understood that Sacramento County operates a system of nonexclusive franchises for solid waste and recycling services provided by private businesses

within Arden Arcade which would be continued after the incorporation. As a result of the foregoing, the impact should be insignificant not requiring any mitigation.

What is the basis for the assumption stated on page 2-9 that the new city will continue to contract with Sacramento County after the transition period?

There is no justification for Mitigation Measure 3.8-11 which limits the new city to contracting with the County for solid waste service after the transition period. If Mitigation Measure 3.8-11 must be included, it should be rewritten using the same language as other mitigation measures, namely, "LAFCo shall condition the incorporation approval to require that the city provide adequate solid waste and recycling services through the creation of a local department, or on a contractual basis with Sacramento County, a qualified private entity or other entities if legally permissible, and private hauler arrangements for larger residential and commercial generators."

f) Mitigation Measure 3.8-14a Transportation Impact Fee: Is this the Sacramento County Transportation Development Fee? If not, what is the Fee that is being referenced? This mitigation measure needs to be clarified to specify that existing transportation fee impact programs being referenced in the DEIR would be continued at a level necessary to adequately fund, in addition to Fees collected from within Arden Arcade and on deposit with the County, approved road and transit projects within the boundaries of the new city.

g) Mitigation Measure 3.8-14b Road Maintenance Transfer: What environmental impact will be mitigated by transferring maintenance responsibility from the County to the new city for (i) Watt Avenue north of the proposed incorporation, (ii) Auburn Boulevard, (iii) Winding Way, and (iv) Bell Street? Other than the Watt Avenue transfer, why doesn't this transfer occur automatically with the approval of the incorporation by the electorate?

What is the cost that will be incurred by the new city as a result of this mandate contained in the DEIR? Does the County receive any financial support of any kind for maintenance or any portion of affected roadways from the City of Sacramento or any other entity?

h) Mitigation Measure 3.8-15 Street Light Maintenance: The mitigation measure is very confusing. Why is it necessary to prohibit detachment from CSA-1 and require that the new city make up any difference in revenues collected by CSA-1? What service is currently being provided beyond that funded by revenues collected by CSA-1?

i) Mitigation Measure 3.8-16b Transit Service: This mitigation measure should allow the new city to set up its own transit system and should not be used to preclude the new city from augmenting Regional Transit service by providing neighborhood shuttle services.

What are the "LAFCo standards for public service provisions associated with provision of transit services" which is mentioned on page 3.9-28?

### 3. Comments on Other Matters



a) The American River Parkway: The document is internally inconsistent with regard to the inclusion of the American River Parkway within the proposed incorporation, does not recognize the American River Parkway Plan as the governing document for the Parkway, and should require that the proposed new city comply with the American River Parkway Plan.

The incorporation petition submitted to LAFCo specifies that the western boundary of the new city is coterminous with the boundary of the City of Sacramento. This is the only place where the area identified by the petition involves the American River Parkway. Consequently, a portion of the American River Parkway is included within the boundaries of the new city. Statements on pages 2-1 and 3.5-15 are consistent with the petition. However, statements on pages 3.8.9 and 3.8-31 state that the proposed incorporation area is alongside of the American River Parkway.

Discussion on page 2-9 should include mention of the American River Parkway and specify that the American River Parkway would continue to be operated by Sacramento County Regional Parks in accordance with the American River Parkway Plan after proposed incorporation.

The Alternate Boundary analysis in Section 4.2.2 of the DEIR makes no mention of the American River Parkway or the American River Parkway Plan.

On page 3.5-15, the proper name is the American River Parkway, not "American River Park".

b) Table 2-1 on Page 2-2: The numbers in the column labeled "Total Acres Designated" does not add to the total given in the table. The total of the numbers listed is 8,936.16 acres, not 8,989.00 acres. This table also appears at other locations in the document and this comment also applies to those locations.

c) Page 3.5-2: "Fulton Auto Mall" is not a defined place as described in the DEIR but rather an agglomeration of individual businesses that are located all the way along Fulton Avenue from Arden Way to Auburn Boulevard and along Auburn Boulevard. Also, the Fulton Avenue Association is more than an "Auto Mall".

Arden Fair Mall and Cal Expo are located west of, not east of, the proposed incorporation.

d) Page 3.5-12: The last sentence of the second paragraph from the top of the page is incoherent.

The second paragraph under "Low Density Residential" is inconsistent with the data in Table 2-1 in that low density residential acreage in Table 2.1 is 21.8% of the corrected total—hardly the "large majority" described in the second paragraph. Additionally, medium density residential acreage is 60.9% of the corrected total which would seem to be a "large majority".

e) Page 3.8-26 Table 3.8-6 Service Provider Summary: The following changes are needed to avoid limiting options for the new city and to ensure that the document is not misleading:

i) Law Enforcement – should include option for contracting with City of Sacramento or any other legally permissible entity.

ii) Library – Public Library Authority is a Joint Powers Agency and not the County.

iii) Parks and Recreation – County Regional Parks should be shown in list of Proposed Service Providers for the American River Parkway.

iv) Solid Waste Trash Collection and Disposal – Should include recycling services, add “private company or other legally permissible entity” for residential solid waste and recycling services, and add “non-exclusive franchise arrangements for solid waste and recycling services provided to large multifamily dwellings and commercial establishments.

v) Transit – Potential Service Provider list should list Regional Transit either by contract or as a member or a transit service established by the new city.

B.2

f) Page 3.8-29: Is it permissible for the new city to contract with a private entity for law enforcement services?

g) County Service Area No. 11: The Draft EIR does not appear to address the impact of detachment from County Service Area No. 11.

I look forward to reading the responses to these and other comments that may be submitted in the Final EIR that is submitted for public review.

Sincerely,

Bill Davis  
Arden Arcade Resident

cc: Arden Arcade Incorporation Committee



April 6, 2010

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

Subject: **Comprehensive Fiscal Analysis - Proposed Arden Arcade Incorporation (LAFC 07-03)**

Dear Mr. Lockhart,

Thank you for the opportunity to review the Draft Comprehensive Fiscal Analysis (CFA) for the City of Arden Arcade Incorporation Proposal. The City of Sacramento has reviewed the March 16<sup>th</sup> CFA and the March 17<sup>th</sup> Supplemental Memorandum concerning potential annexation to the City of Sacramento.

#### Comments on CFA, March 16, 2010

The comments below on the CFA focus on several key issues:

- Failure to consider the possibility of contract services with the City of Sacramento
- The conclusion of fiscal feasibility needs to be clear, per the established fiscal criteria, that the proposed incorporation may be fiscally feasible.
- Importantly, said finding of feasibility is based on the existing level of municipal services – rather than the proponents desire for a higher level of municipal services
- The existing population estimate may be over-stated, based on a methodology that benchmarks Arden Arcade population growth to the growth rate for the City of Sacramento.
- Estimates of sales and property tax revenues may not reflect the current dip caused by the recession and broader market forces (e.g., closure of auto dealerships).

C-1

p. 8: states "This analysis assumes that the city will contract with the County, *[City of Sacramento]*, or a private firm for a number of other services including animal control, police, fire, and road maintenance. This arrangement is consistent with other recent incorporations in the County of Sacramento and the region. *[Comment: However, because Arden Arcade is immediately adjacent to the City of Sacramento; contract services with the City of Sacramento is a viable alternative that should be considered.]*

p. 9: states "Each scenario in this analysis shows net revenue that is within plus or minus 10 percent of total costs. Additionally, each scenario maintains a fund balance in excess of 10 percent of operating revenue annually. As such, the analysis shows that each scenario meets the aforementioned criteria for

C-2 determining fiscal criteria.” [Comment: Per the fiscal criteria listed on the top of p. 9: “Net revenue that is within plus or minus 10 percent of total costs typically indicates that the new city may be fiscally feasible.” Importantly, it should be noted that the finding is based on the assumption of a level of police protection consistent with current sheriff services – rather than the higher level of police services provided within the City of Sacramento.]

C-3 p. 15 states: “Since some of the data collected by the 2010 Census will not be released until late this year, Census 2000 population estimates were interpolated to 2009 using a growth rate from the City of Sacramento because the Arden Arcade area's land use more closely reflects the city than the unincorporated county as a whole.” [Comment: It should be noted that the City of Sacramento achieved significant population growth because of North Natomas; does Arden Arcade have an equivalent new growth area?]

C-4 p. 22 states: Future Service Providers - Option to Contract w/ City of Sacramento: “This analysis assumes that the city will contract with the County or a private entity for a number of services including animal control, police, fire, and road maintenance. [Comment: Because Arden Arcade is immediately adjacent to the City of Sacramento; contract services with the City of Sacramento is a viable alternative that should be considered.]

C-5 p. 29 states: Police Services: “The County Sheriff Department estimated the current costs to serve each of the two scenarios considered in this study. These cost estimates, shown by staffing and vehicle assumptions are displayed in **Table 4.5**.” [Comment: Yet one of the principal reasons to incorporate is to improve level of service closer to what the City of Sacramento provides. Also, does this cost include the services currently provided by CHP for traffic enforcement?]

C-6 p. 43 states: Property Tax Revenue: “Proposition 8 requires the temporary re-assessment of properties based on falling market values within an area. . . . Total assessed value is based on the sum of assessed values for all parcels in 2009 based on data provided by the County.” [Comment: Does the current estimate of taxable value fully reflect the downward adjustments in progress post-publication of the tax rolls as mandated by Proposition 8?]

C-7 p. 54 states: Sales Tax: “The State Board of Equalization (SBOE) provided existing sales tax data for reporting businesses with addresses in the each incorporation scenario.” [How current is this data? Does it reflect the current downturn in taxable sales?]

C-8 p. 54 states: Transient Occupancy Tax: Base year estimates of transient occupancy tax (TOT) revenue for the Arden Arcade area were provided by the Auditor Controller. Each scenario will have the same TOT revenue estimates because all hotels in the study area are located within area common to both scenarios. Annual TOT revenue estimates are shown in **Table 5.18**. [Comment: The County currently provides a portion of the TOT to City-supported facilities such as Convention & Visitors Bureau, Sacramento Archives and Museum Collection Center, Sacramento Metropolitan Arts Commission. If the County receives less TOT, then the County is likely to either reduce its contribution to these facilities/program or will need to devote a larger share of its general fund revenues to support these facilities/programs. Either way, the CFA did not comprehensively address this potential fiscal impact.]

C-9 p. 58 states: Vehicle License Fee: [Comment: It should be noted that a portion of the net fiscal balance achieved during the first few years of incorporation are due to the “initial year bump up” factors of AB1602 and SB301.

C-10 p. B-1 states: Comparative City Survey: [Comment: The table shows staffing levels for comparable cities, but does not include police services.]

**Comments on Memorandum from Willdan Financial Services to LAFCo regarding the Arden Arcade Annexation Analysis, March 17, 2010.**

The comments below on the CFA focus on several key issues:

- Special Districts are assumed to remain intact post-annexation. In reality, the City of Sacramento City Council has not yet addressed the policy question – if an annexation of Arden Arcade were to be proposed – of whether to provide only general government services or use a full-service City model.
- The supplemental memorandum analyzes a higher level of municipal services than the level analyzed in the incorporation analysis. This makes it difficult to analyze an apples-to-apples comparison.

C-11 *Overall Comment: The analysis assumes that each of the special districts would continue to provide municipal services post-annexation. As a result, the City of Sacramento would not be able to exercise the coordinated delivery of municipal services, nor could the City "pool revenues" to reallocate according to a comprehensive budget strategy.*


Memo, p. 1 states: "The analysis finds that, based on the City's current level of services, the annexation of the Study Area to the City would result in a net deficit to the City's General Fund unless new sources of revenue were identified or the City provided a lower level of service to the Study Area than to residents within the current boundaries of the City. Moreover, this finding does not take into account any revenue sharing with the County of Sacramento that would be required under Revenue and Taxation code section 99. If property, sales, and/or transient occupancy taxes were shared with the County based on a revenue tax sharing agreement, the fiscal impact on the City would be even more negative." *[Comment: The City of Sacramento provides a higher level of service - in particular police - than the residents of Arden Arcade currently receive from the County Sheriff.]*

C-12 Memo, p. 2 states: "For most revenues and costs, the analysis uses current average per capita factors applied to population and employment generated by the reorganization." *[Comment: The analysis assumes the continuation of the special districts - e.g., fire and parks/ recreation. Thus, these costs are not included in the per capita averages.]*

C-14 Memo, p. 5 states: "Tax Allocation Factor (post ERAF) estimated to be approximately 18.1%." *[Comment: The City currently receives about 24% tax allocation factor on a citywide basis, which includes fire & parks, whereas the analysis of annexation assumes that parks & fire retain their current taxes. For the purposes of comparison, the City of Sacramento receives only about 12% tax allocation factor on a citywide basis adjusted for fire and parks (assumes 4% for parks, 8% for fire). As a point of comparison, the tax allocation factor for Arden Arcade is relatively higher than typical adjusted TAF's for the City of Sacramento.*

Please contact me at (916) 808-4756 if you have any questions about these comments.

Sincerely,



Scot Mende  
New Growth & Infill Manager



INVESTING IN COMMUNITIES

April 8, 2010

**A Joint Powers Agency**

**MEMBERS**

City of Sacramento

County of Sacramento

Redevelopment Agency of  
the City of Sacramento

Redevelopment Agency of  
the County of Sacramento

Housing Authority of the  
City of Sacramento

Housing Authority of the  
County of Sacramento

Peter Brundage, Executive Officer  
Donald Lockhart, Assistant Executive Officer  
Sacramento Local Agency Formation Commission  
1112 I Street Suite 100  
Sacramento, CA 95814

Dear Mr. Brundage and Mr. Lockhart:


The Sacramento Housing and Redevelopment Agency (SHRA) has reviewed the Draft Environmental Impact Report (DEIR), prepared by Michael Brandman Associates, and the Draft Comprehensive Fiscal Analysis (DCFA), prepared by Willdan Financial Services, for the proposed Incorporation of Arden Arcade (LAFC 07-03). The proposed area of incorporation includes a portion of the existing Auburn Boulevard Redevelopment Area (Auburn RDA) (see attached map).

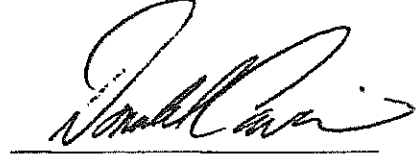
Both the DEIR and the DCFA failed to analyze impacts associated with incorporating a portion of the existing Auburn RDA. The Auburn RDA currently includes approximately 118 acres and \$99.8 million in assessed property value. As previously outlined in our response dated November 30, 2009 (Attached) to LAFCo's October 29, 2009 request for fiscal information on the incorporation, the Auburn RDA is jointly administered by the City and County of Sacramento. The Draft EIR (April 1992) and Final EIR (July 1992) for the Auburn Boulevard Redevelopment Project and the attached response memo from SHRA should be reviewed and referenced before continuing with analyses for the proposed incorporation.

D-1

If you have any questions regarding these comments, please contact Rochelle Amrhein at (916) 440-1312 or [ramrhein@shra.org](mailto:ramrhein@shra.org).

Sincerely,

  
Rochelle Amrhein  
Environmental Coordinator

  
Donald Cavier  
Director of Finance

Cc: Tia Boatman Patterson, Chief General Counsel, SHRA

Enclosures: Auburn Boulevard Redevelopment Area Map  
SHRA November 30, 2009 response to LAFCo October 29, 2009 request  
for fiscal information

# Arden Arcade Public Review Draft CFA - Comment Matrix

April 27, 2010

Comment Reference	Report Location (in Pub. Review Draft)	Response
A.1	p.13	The <i>values</i> to which p. 13 and 32 <i>are</i> actual FY2008-09 expenditures. "Budget" is used to signify the document, not the proposed amount. Language has been revised to suggest actual expenditures where appropriate.
A.2	p. 13	Potential impact fee revenues are revenue from any development fees currently charged by the County collected within the boundaries of Arden Arcade. Impact fee revenue is not general fund revenue. It is meant to fund capital improvements, including infrastructure. Any impact fee revenue collected by the new city would not factor into this analysis, as the CFA examines operations and maintenance costs, not capital costs. As a condition of incorporation the County will be required to transfer impact fees collected prior to the incorporation solely within and intended for use in the territory of the new city.
A.3	p.13	Citation section error is correct. Will change to section 56815. Discussion has been updated as appropriate. The results of revenue neutrality negotiations are included in the analysis.
A.4	p.15	The data used in the CFA is based on Census 2000 data supplemented by a reasonable growth rate through 2009. The population and employment data used in the Brandman EIR is not clearly attributable to a January 2009 date. January 2009 is the midpoint of the CFA's Base Budget Year.
A.5	Table 3.1	Change made as requested.
A.6	Table 3.1	Change made as requested.
A.7	Table 3.1	Changes made as appropriate.
A.8	Table 3.1	Changes made as appropriate.
A.9	Table 3.1	Changes made as appropriate.

Comment Reference	Report Location (in Pub. Review Draft)	Response
A.10	p.24, top of page	Based on the experience of other cities, not all development services costs are recoverable. Some overhead can never be recovered. 80% is a reasonable assumption of development services costs that can be recovered, based on Willdan's experience with providing contract engineering (including development services) staff to cities throughout the state.
A.11	Table 4.3	The benefits rate has been revised to 45% of salary costs, based on review on other local city budgets.
A.12	p.29	This analysis must assume that data provided by the County and the State Board of Equalization is accurate, because in many cases there is no way to validate the data provided using publicly available data sources.
A.13	p.26	Text has been changed as needed. The costs shown in Tables 14.6 and 14.7 don't match the base year figures because they have been increased for contract cost increases (above inflation). Costs are also increase relative to increase in service population. The base year is FY2008-09 and the transition year is FY2011-12.
A.14	p.26	See A.13
A.15	p.26	See A.13
A.16	Tables 4.13 and 4.14	Added a 6 <sup>th</sup> City Council member to the analysis.
A.17	EIR	The costs used in this analysis only include the costs identified by the County to maintain the current level of service, as required by statute.
A.18	EIR	This analysis assumes that stormdrain services are funded through enterprise funds and that adverse impacts to those funds will be mitigated by rate increases. As such, these costs are not included in this analysis.
A.19	EIR	The costs reported by the county are used as the basis for the costs in the Draft CFA.
A.20	p.51	Change made as requested.
A.21	Table 5.10	Property tax revenue declines because real assessed value (AV) declines, even though nominal AV rises. Due to the constraints of Proposition 13, and small growth potential, real assessed value growth declines through out the analysis period.



<b>Comment Reference</b>	<b>Report Location (in Pub. Review Draft)</b>	<b>Response</b>
A.22	p.54	The revenue would be split based upon the pro rata share of the underlying tax rate; it's a common occurrence in the event of incorporation and consistent with prior incorporations approved by Sacramento LAFCo.
A.23	p.57	County estimate uses the figure \$16,069,236, which is the 2008/2009 actual, rather than the 2009-2010 adopted. The CFA is bound to use FY2008/09 budget actuals by statute.
A.24	EIR	These revenues are not included in the CFA.
A.25		These revenues are not included in the CFA.
A.26	Tables 6.2 and 6.3	Yes, these tables correspond to the current level of service, as indicated in the most recently published budget "actuals" from FY2008-09.
A.27	Table 6.3	The differences you note do not relate to demand for revenue; rather, the figures you are comparing are the estimated revenues collected by the County during the transition year for each scenario.
A.28	p.68	Government Code section 57384 provides that the new city is obligated to reimburse the County within 5 years of the date of incorporation unless a longer term is agreed to by the County Board of Supervisors.
A.29	Table 6.5	The differences in property tax revenue are based on the actual assessed value of each Scenario from FY 2008-09.
A.30	EIR	No response needed.
A.31	Table 7.1	No response: conservative projection deliberate.
A.32	p.24	See A.10.
A.33	Tables 7.1 and 7.2	See A.21.
A.34	p.57	See A.23.
A.35	Tables 7.1 and 7.2	No response needed.
B.1	Overview	The Fulton El Camino Recreation and Park District will maintain control of its operations without transferring duties to the City.
B.2	Overview	The new city may contract with any suitable law enforcement service provider. In all cases reviewed, this provider is a public agency.

<b>Comment Reference</b>	<b>Report Location (in Pub. Review Draft)</b>	<b>Response</b>
C.1	p.8	Arden Arcade will consider contracting with any suitable service provider. The City of Sacramento is certainly an option.
C.2	p.9	Language has been changed to clarify that each scenario may be feasible.
C.3	p.15	Arden Arcade is largely built out. Growth estimates are noted in Chapter 2.
C.4	p.22	See C.1. Revised as appropriate.
C.5	p.29	The CFA is bound by statute to examine the costs of maintaining the current level of service, as indicated the most recent budget 'actuals,' in this case FY2008-09. To the extent that the new city has an operating reserve, the additional revenues can be used to raise the level of service.
C.6	p.43	This analysis does not assume any downward adjustments in post-publication assessed value decreases in order to maintain consistency with the cost basis assumed in the County's estimates of FY2008-09 costs.
C.7	p.54	The data used is 'actual' FY2008-09 sales tax revenue for each boundary, as provided by the State Board of Equalization. This analysis does not assume any downward adjustments in post-publication sales tax decreases in order to maintain consistency with the cost basis assumed in the County's estimates of FY2008-09 costs.
C.8	p.54	Mitigation for the impacts on the County's General Fund was negotiated in a revenue neutrality agreement. Anticipated results of this negotiation are included in this analysis.
C.9	p.58	No change needed.
C.10	p.B-1	Table updated.
C.11	All	Noted.
C.12	Memo: p.1	See C.1
C.13	Memo: p.2	No response. Assumption correct.
C.14	Memo, p.5	No response.

<b>Comment Reference</b>	<b>Report Location</b> (in Pub. Review Draft)	<b>Response</b>
D.1	All	To account for the effect of the Auburn RDA on property tax revenues, assessed value from the RDA has been excluded from the base year. Additionally, growth from parcels in the RDA has been excluded from the projections of new development.