

**MINUTES OF THE CITY COUNCIL
SPECIAL MEETING
Wednesday, January 23, 2008**

CALL TO ORDER/ROLL CALL

Mayor Davis called to order the special City Council meeting of January 23, 2008 at 5:06 p.m.

Present: Mayor Davis, Vice Mayor Hume, and Council Member Scherman

Absent: Council Members Cooper (arrived at 5:12 p.m.); Leary

REGULAR AGENDA ACTION ITEMS/RECOMMENDATIONS

SUBJECT: Workshop regarding Development Impact Fees and other revenue sources

With the aid of an overhead presentation (filed), Finance Director **Rebecca Craig** reviewed the City's operating revenues. She reported that property tax is the most stable of the tax sources. It was estimated in the 2007-08 budget that \$11 million in property tax revenue would be generated. One of the conditions of Elk Grove's incorporation was a Revenue Neutrality Agreement with Sacramento County. It is a 25 year declining apportionment, currently at 85% give-back of collections (within original city boundaries) which equals \$7 million for fiscal year 2007-08. The Laguna West annexation was not part of the original boundary agreement. Less than \$4 million is reflected in net property tax revenue for the General Fund's operations.

Ms. Craig explained that the State Mandated Triple-Flip Agreement is the mechanism by which the State reimburses cities and counties with property tax for local sales tax taken to pay off the Economic Recovery Bonds under Proposition 57. One-third of the City's sales tax is derived from automobile sales, which is subject to economic volatility. Sales tax revenue for fiscal year 2007-08 is estimated at \$20.5 million. Sales tax from the Promenade Mall will not be experienced for at least two more fiscal years.

The Measure A Transportation Expenditure Agreement and the gas tax are restricted uses for road improvement and maintenance. Gas tax is just over \$2 million annually and Measure A revenue is \$7 million, with approximately half of that going toward maintenance and the remainder to construction. General purpose taxes include Transient Occupancy Tax, Property Transfer Tax, and Utility Tax/Franchise Fees. Other revenue sources include the Vehicle Licensing Fee, which is received as property tax in lieu. The City charges for services and recovers its cost for Development Services activity, Integrated Waste, and Transit. State and Federal grants include Community Development Block Grants and Community Oriented Policing Services. In addition, other revenue sources includes fines and forfeitures, licenses, fees and permits for building inspections and mitigation programs, interest, and miscellaneous.

Alternatives for infrastructure financing include direct developer funding, issuing debt, or establishing fee programs. The City utilizes assessment districts, as conditions of development, for the maintenance of infrastructure. The formation documents identify allowable expenses for each district.

Heather Ross, Management Analyst, described the history and effects of Propositions 13 and 218 and Assembly Bill 1600. She defined a nexus study and its purpose of ensuring that rates charged to new development represent the fair share cost on infrastructure improvements for each land use type based on the impacts created. Development fees serve to equalize the cost of infrastructure improvements across all new development. Development Impact Fee Programs in the City of Elk Grove include:

- City administered impact fees;
- Roadway;
- Affordable housing (charged to residential development);
- Very-low income housing (charged to non-residential development);
- East Franklin specific fees that fund supplemental drainage and landscape corridors; and
- Capital Facilities Fee, which includes the following facilities: Civic Center, Police, Corporation Yard, Rapid Transit, Library, railroad overcrossings, bus facilities and the Intelligent Transportation System.

Development Impact Fee Programs through other agencies, applicable within Elk Grove include:

- Elk Grove Water;
- Sacramento Area Sewer District charges a fee for local trunk pipelines and pumping facilities;
- Sacramento Regional County Sanitation District charges a fee for interceptor sewer pipelines and treatment facilities;
- Zone 11A charges a fee for regional drainage facilities;
- Zone 40 charges a fee for regional water facilities as well as special service area facilities in East Franklin and Laguna Ridge;
- Elk Grove Unified School District charges impact fees; and
- Cosumnes Community Service District charges fees for fire and park facilities.

Ms. Craig noted that, if Elk Grove had a Charter form of government, it would not be limited to state law regarding the types of assessments and special tax districts, or the services/infrastructure funded by them. AB1600 and Proposition 218 would still be applicable, however, when setting fees.

Mayor Davis asked the City Attorney to provide examples as to allowances offered by a Charter form of government, to which City Attorney Susan Cochran explained that a Charter city would not be bound by specific uses outlined in the Landscaping and Lighting Act of 1972 or the Streets and Highways Code, which limit uses to parks, parkways, and open space. Charter cities can create their own type of assessment or special tax. It would create more flexibility in terms of the types of facilities built and maintained by various assessment districts.

Ms. Craig reported that staff is in the process of developing a cost allocation plan to capture the overhead that other funds are utilizing of the General Fund, which will be allocated accordingly in the 2008-09 budget. A zero-based budgeting process will be implemented for operating requests in the 2008-09 budget. Staff will be recommending an update of the City's fee programs following review of nexus studies.

Mayor Davis asked that, when review of nexus studies and fee programs is undertaken, consideration be made of the effect of impact fees on spurring economic development. He had heard that Elk Grove has some fees that are higher than other jurisdictions. He asked that options be presented regarding prioritizing certain types of development by establishing a lower fee program, or being area specific.

PUBLIC COMMENTS:

None.

CLOSED SESSION

With no public comment requests to speak, the Council adjourned to closed session at 5:26 p.m. to consider the following announced items:

A) PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Title: City Clerk

Pursuant to Government Code Sections 54954.5(e) and 54957

B) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code §54956.9(a)

One (1) case:

1. City of Elk Grove v. John M. Jackson, Jr., et. al.
Sacramento County Superior Court Case No. 05AS04331

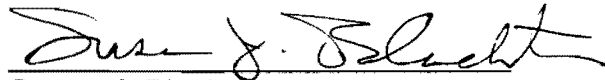
The Council reconvened the open session of the special City Council meeting at 6:04 p.m., with Council Member Leary absent.

Mayor Davis stated that no reportable action was taken relative to the existing litigation. He announced that City Clerk Peggy Jackson submitted notice that she would be retiring effective May 24, 2008. He mentioned that Ms. Jackson had served as City Clerk for seven years and had done an excellent job of organizing the City Clerk's Office, beginning just after the City incorporated, and would be greatly missed.

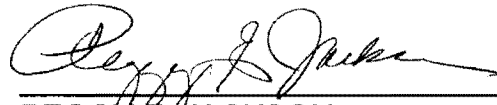
ADJOURNMENT

With no additional business to report, the Special City Council meeting of January 23 adjourned at 6:05 p.m.

Minutes prepared by:



Susan J. Blackston
Chief Deputy City Clerk



PEGGY E. JACKSON
CITY CLERK

ATTEST:



GARY DAVIS, MAYOR