

ELK GROVE PARKS:
WHERE HAVE ALL THE FLOWERS GONE?



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SUMMARY

In the summer of 2018, the Cosumnes Community Services District (CCSD) posted signs in 10 Elk Grove/West Vineyard community parks that services were being cut back due to funding shortages. CCSD is the special district responsible for, among other things, maintaining parks in the City of Elk Grove. That summer, water use was curtailed, grass turned brown, mowing was reduced, bushes went untrimmed and weeds flourished. Missing equipment was not replaced and broken equipment was not repaired.

All of these problems can be traced back to the issue of insufficient revenue for Elk Grove's parks maintenance program. That program has been saddled with costly inefficiencies and fragmentation into 13 separate benefit zones and six overlay districts, and widely differing assessment rates in each of these areas. A benefit zone is an area established by CCSD in which a specified assessment fee is collected to fund park maintenance within that area. An overlay district is an area within one or more benefit zones in which voters have approved a supplemental assessment for park maintenance within that area. Each increase to these rates for each benefit zone or overlay district, beyond a specified cost of living adjustment, must be separately approved by the voters in that area.

CCSD has actively sought to educate residents about the need to solve the problems created by the combination of funding mechanisms used for maintenance, Landscape and Lighting (L&L) district and Proposition 218, and the jurisdictional divisions between CCSD and the City of Elk Grove. However, the public has been reluctant to support initiatives to resolve these problems on a comprehensive basis.

The 2019-2020 Sacramento County Grand Jury investigated the Elk Grove parks program to better understand the causes of these service cutbacks in recent years, the outlook for the future, and possible solutions to bring long-term stability to that program. The Grand Jury recommends that CCSD and the City of Elk Grove, in cooperation with other stakeholders, explore the feasibility of replacing the existing funding mechanism with a simplified, equitable, streamlined and sustainable system. In such a new system, all residents would pay an annual assessment, based on property value, sufficient to adequately fund the total cost of park maintenance district-wide, the same way property taxes are assessed. To explore this feasibility, it is recommended that CCSD and the City of Elk Grove:

- Conduct an assessment of the adequacy of all combined revenue collected presently and projected over 10 years, measured against the combined funding required for all parks presently and projected over 10 years.
- Compare the revenue growth permitted by the cost of living index to the predicted cost increases required for the entire park system.

- Analyze the costs to the park program of the additional staffing and consultant services required by the practice of budgeting and managing 19 separate zones and districts, and the costs of conducting surveys and the prescribed election procedures as precursors to revenue increases exceeding the cost of living index.
- Evaluate the effect of reversing the existing practice of first transferring new revenues to district-wide and regional facilities, before budgeting for local park maintenance.

BACKGROUND

Around July 2018, CCSD posted signs at 10 parks in the Elk Grove/West Vineyard neighborhood (also known as Benefit Zone 3), warning that services at those parks could be cut due to funding shortages. That summer, water use was cut by 50 percent, grasses turned brown, mowing was reduced, bushes went untrimmed and weeds flourished. Missing equipment, such as a basketball hoop and backboard at Amundson Park, was not replaced. Broken fixtures, such as a drinking fountain at MacDonald Park, were not repaired.

News coverage at the time disclosed that CCSD’s use of L&L district assessments to pay for park maintenance was not sustainable in certain areas. While neighborhood elections approved additional funding for Perry Park and MacDonald Park in 2019, several other parks in the Elk Grove/West Vineyard area continue to face service cuts. CCSD’s 2019 10-year Park Maintenance Master Plan (PMMP) projected additional maintenance shortfalls for Elk Grove/West Vineyard parks as early as 2022-2023.

All of these problems can be traced to the issue of insufficient revenue for Elk Grove’s parks maintenance program. That program has been saddled with costly inefficiencies and fragmentation among 19 individual assessment areas (13 benefit zones and six overlay districts), widely differing assessment rates in each of these areas, and the requirement that any increases to these rates, beyond a specified cost of living adjustment, is subject to voter approval in each area. CCSD has actively sought to educate residents about the need to solve the problems created by the combination of the funding mechanism used for maintenance (L&L district fees), the strictures of Proposition 218 (the 1996 initiative requiring voter approval of certain rate increases, as discussed later in this report) and the jurisdictional divisions between CCSD and the City of Elk Grove. The public has been reluctant to support initiatives to resolve these problems on a comprehensive basis.

Parks Considered Part of Elk Grove’s Identity

Parks, trails, and open space together play an important role in the identity and lifestyle of the City of Elk Grove. Their prominence as valued community assets is reflected in the City’s 2019 General Plan:

- “Parks and trails in Elk Grove are a significant point of pride of the community and contribute to the health and quality of life of residents and visitors. Access and

proximity to recreational facilities is one of the most important ways to foster a livable community.”

- A primary goal of the General Plan is having “plentiful parks and open spaces that are safe, clean and high quality.”
- “Elk Grove’s parks and open space are essential assets that offer residents opportunities for recreation and contact with nature. The City will continue to work with the Cosumnes Community Services District to ensure there is an adequate amount of open space as Elk Grove grows, to maintain existing parks and recreational programming.”

Jurisdictional Responsibilities

To comprehend the funding challenges facing Elk Grove parks, it is important to understand who controls the parks, how their maintenance is funded and managed, and how additional revenue can be authorized. Following the establishment of Elk Grove’s first park in 1904, a series of park management districts was created, including the Elk Grove Park District, expanding into the Elk Grove Park and Recreation District in 1936, then the Elk Grove Community Services District (EGCSD) in 1985, and most recently, CCSD in 2006.

In the 20 years since the City of Elk Grove was incorporated in 2000, the number of parks has more than doubled: from 38 parks in 2000, to 69 parks in 2006 when EGCSD was replaced by CCSD, to 98 parks today. As a condition of Elk Grove’s incorporation in 2000, the Sacramento Local Agency Formation Commission (LAFCO) required that EGCSD would continue to provide park maintenance services. But soon after, EGCSD became concerned that Elk Grove was becoming too active in park planning and development. Upon annexation of the Laguna West area in 2003, the City took several actions viewed by EGCSD as challenging its authority:

- In 2004, Elk Grove approved the Laguna Ridge Specific Plan (LRSP) which included goals to develop parks in the LRSP area.
- In 2005, Elk Grove added a “Parks, Trails and Open Space” element to its 2003 General Plan, allowing the City to become more active in defining location, size and type of amenities of public parks, and calling for a parks and trails master plan.
- In 2005, Elk Grove contracted with a landscape architecture firm to design, construct, and maintain parks and open spaces in the LRSP.

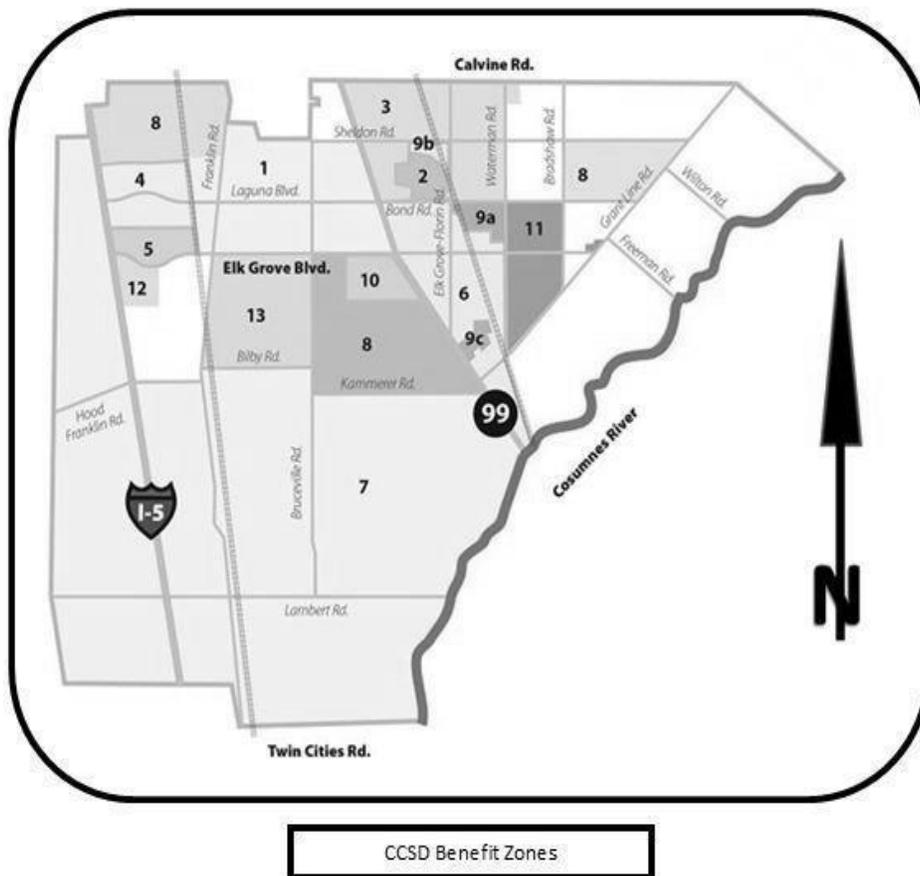
Lawsuits and Memoranda of Understanding

In 2005, EGCSD, replaced by CCSD the following year, filed a lawsuit against the City of Elk Grove. EGCSD accused the City of usurping the District’s authority to design, build and maintain parks and trails, as well as to collect fees and accept land dedications for park use. Elk Grove countersued, claiming it was acting within its authority. Two years later, the lawsuits were settled and a Memorandum of Understanding (MOU) between CCSD and Elk Grove was executed in 2007, with others executed in 2011, 2012 and 2015. In 2019, these earlier MOUs were incorporated into one master agreement touching on development, maintenance, funding and naming rights.

Funding for Elk Grove Parks

A variety of revenue sources are used to build, maintain, and operate parks in Elk Grove. Quimby Act fees and Park Impact fees are the principal sources used to build parks. Landscape and Lighting (L&L) district fees and Mello-Roos Community Funding District (CFD) taxes are used to fund park maintenance costs. There are 13 L&L benefit zones and six L&L overlay districts in Elk Grove. Each must be budgeted and managed independently of each other. Moreover, shortages in L&L revenue to meet the costs of maintaining, repairing and restoring parks can only be addressed through public votes within each individual assessment area.

A *benefit zone* (BZ) is an area established by CCSD in which a specified assessment fee is collected to fund park maintenance within that area. An *overlay district* is an area within one or more benefit zones in which voters have approved a supplemental assessment for park maintenance within that area. For administrative purposes, CCSD numbers all benefit zones and overlay districts consecutively, using the common designation of BZ. The 13 benefit zones are numbered BZ1 through BZ13; the six overlay districts are numbered BZ14 through BZ20, with the exception of BZ17, which is a placeholder to track expenditures for parks in the Laguna Ridge area which are funded by the City of Elk Grove using Mello-Roos CDF funds and does not involve any L&L funds.



METHODOLOGY

The Grand Jury conducted interviews, attended community meetings and reviewed documents during the course of this investigation.

Interviews:

Eight individuals, including elected officials and senior administrators, were interviewed from the following entities:

- Cosumnes Community Services District (CCSD)
- City of Elk Grove

Note: Three of these individuals also responded to written inquiries after their interviews.

Meetings attended:

- Two CCSD community outreach meetings
- Park Maintenance 101 workshop

CCSD documents reviewed:

- “Benefit Zone 3 Elk Grove/West Vineyard Park and Landscape Fact Sheet” (2019)
- Staff report on “Benefit Zones 3 and 6 Funding Plan” (December 21, 2016)
- Staff report on “Local Funding Plan for Benefit Zones 3 and 6 Update” (February 21, 2018)
- Staff report on “Landscape and Lighting Funding Sustainability” (August 7, 2019)
- Staff report for “Public hearing – Proposed Camden Pointe and Camden Estates Improvement District, Tabulation of Ballots, and (if measure passes), Resolution Ordering the Levy of Assessments for Fiscal Year 2019-2020” (June 19, 2019)
- Staff report for “Public hearing – Proposed Perry Ranch Improvement District, Tabulation of Ballots, and (if measure passes), Resolution Ordering the Levy of Assessments for Fiscal Year 2019-2020” (June 19, 2019)
- Staff report for “Public hearing – Resolutions Levying Annual Assessment, Approval of the Final Engineer’s Reports for Fiscal Year 2019-2020” (July 17, 2019)
- Engineer’s Reports for District-wide L&L assessments for Fiscal Years 1994-1995, 2000-2001, 2019-2020
- 2019-2020 Landscape and Lighting budget
- 2016-2017 Park Maintenance Master Plan (PMMP) and 2019-2020 update of the PMMP
- 2018 Plan for Play – Parks, Recreation and Facilities Master Plan
- 2019-2020 Parks and Recreation Strategic Plan
- “Landscape Maintenance Funding 101” publication
- Original and amended complaints cross complaints and settlement agreement, *Elk Grove Community Services District v. City of Elk Grove (Sacramento County Superior Court case number 05AS00612)*
- Memorandum of Understanding between CCSD and the City of Elk Grove (2007)
- Memorandum of Understanding between CCSD and the City of Elk Grove Concerning Development of Parks and Recreation Facilities (2019)

- 2019 Park and Landscape Surveys for seven parks in Benefit Zone 3 (Elk Grove/West Vineyard) and accompanying fact sheets
- Internal report of 2019 Elk Grove/West Vineyard Park and Landscape Survey results

City of Elk Grove documents reviewed:

- Staff report on resolution adopting Supplemental Park Fee for Laguna Ridge Specific Plan Area
- City of Elk Grove Southeast Policy Area, Park and Trails Impact Fees Nexus Study (February 13, 2019)
- City of Elk Grove General Plan (adopted February 27, 2019)

Other documents reviewed:

- “Funding shortages put repairs at Elk Grove parks on hold,” KCRA 3, September 21, 2018. <https://www.kcra.com/article/funding-shortages-put-repairs-at-elk-grove-parks-on-hold/23052074#>
- “Services Cut at 10 Elk Grove Parks Due to Lack of Funding,” Elk Grove Tribune, October 29, 2018. <https://elkgrovetribune.com/services-cut-10-elk-grove-parks-due-lack-funding/>
- California Tax Data flier, “What is a 1972 Landscape and Lighting District?”
- Mello-Roos Community Facilities Act of 1982, California Legislative Information website
- Proposition 218 Guide to Special Districts, published by California Special Districts Association
- “Hume asks for CCSD merger proposal be dropped from two-year initiatives”, ElkGroveNews.Net, March 12, 2015. <http://www.elkgrovenews.net/2015/03/elk-grove-city-council-drops-merger.html>
- “Hume suggests city take over parks from CCSD,” Elk Grove Citizen, March 13, 2015. http://www.egcitizen.com/news/hume-suggests-city-take-over-parks-from-csd/article_e43c3c13-e58a-5da3-9c03-dcbb051a5cd5.html
- “City seeks agreement with CCSD”, Elk Grove Citizen, March 24, 2015. http://www.egcitizen.com/news/city-seeks-agreement-with-csd/article_2a53bfff-10ca-5400-8acd-43b000da55c3.html
- “Remembering Jennie McConnell”, Elk Grove Citizen, November 13, 2015. http://www.egcitizen.com/lifestyle/remembering-jennie-mcconnell/article_af76519b-10fb-554d-8287-851b4cd4b906.html
- “Is it time for City of Elk Grove to take over parks?”, Elk Grove Laguna News, December 19, 2018. <https://elkgrovelagunanews.com/2018/12/19/editorial-is-it-time-for-the-city-of-elk-grove-to-take-over-parks/>

DISCUSSION

CCSD is a special district, as was its predecessor, EGCSO. Pursuant to California Government Code Section 56036a, a special district is an agency of the State, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries. According to the California Special Districts Association, California has over 4,000 special districts, of which 13 percent are community service districts. CCSD provides not

only park and recreation services to the City of Elk Grove, but also fire protection services to Elk Grove, the City of Galt, and unincorporated areas in southern Sacramento County.

Funding for Parks

In keeping with Elk Grove's population growth, outdoor image and lifestyle, the park program in Elk Grove was able to expand rapidly over the past quarter century, increasing nearly four-fold from 25 parks in 1994 to 98 parks today. This expansion relied on Quimby fees and Park Impact fees to pay the capital costs of these parks. But once built, CCSD relied upon the Landscape and Lighting (L&L) district mechanism to fund on-going maintenance costs while the City preferred to use Mello-Roos taxes. These activities include watering and mowing lawns, trimming hedges, controlling weeds, aerating and fertilizing the soil, repaving asphalt, repairing broken equipment, revitalizing playgrounds, replacing aging structures, and adding amenities such as park benches.

Quimby fees - These fees were authorized in 1975 by the Quimby Act. They are collected from developers in lieu of land dedication for developing or rehabilitating neighborhood or community parks or recreation facilities to serve the subdivision. They must be committed within five years of payment or issuance of building permits on half of the lots in the subdivision. There is no time limit for expending committed funds.

Park Impact fees – These fees were authorized in 1987 by the Mitigation Fee Act (AB 1600). They are considered a development impact fee and are collected from developers when building permits are issued. Funds are restricted for use in a Specific Plan Area where the fees are paid and for identified facilities. In Elk Grove, there are six Specific Plan Areas. The fees are collected by the City and passed through to CCSD.

L&L assessment fees – These fees were authorized in 1972 by the Landscape and Lighting Act. They can be levied by cities, counties, or special districts to acquire land for parks and open space. They can also be used to install and maintain landscaping, statues, fountains, general lighting, traffic lights, recreational and playground courts and equipment and public bathrooms. Bonds can be issued against L&L revenues to build community centers, auditoriums and halls. Proposed L&L districts and assessments must be approved by a majority of property owners who live within the district. Assessments cannot be based on land value but rather on benefits received as determined by an Engineer's Report. Funds collected in a benefit zone or overlay district must be spent in that area, and cannot be used in another benefit zone or overlay district area. Once approved, assessments are paid annually via property tax bills.

Mello-Roos Community Facilities District (CFD) taxes – These taxes were authorized in 1982 by the Mello-Roos Community Facilities Act. Cities, counties, school and special districts and joint power authorities can create a Mello-Roos (CFD) district to finance public improvements and services, such as parks, cultural facilities, streets, and sewer systems. CFDs must be approved by two-thirds of the property owners in the proposed district. Once approved, a tax lien is placed on each parcel. Taxes are not based on valuation, but rather use, structure and lot size.

In Elk Grove, L&L fees and Mello-Roos taxes are primarily used to fund maintenance costs. There are 19 separate L&L assessment districts in Elk Grove. Each must be budgeted and managed independently of all the others. Furthermore, shortages in L&L revenue to meet the costs of maintaining, repairing and restoring parks can only be addressed through public votes within each individual benefit zone.

Elk Grove’s Landscape and Lighting District

While the legislation authorizing L&L districts was enacted in 1972, EGCS&D did not implement such a district until 1994. That year, EGCS&D initiated the required Engineer’s Report. That Report called for eight benefit zones (BZ). It stated that assessment fees in each BZ would go toward the “cost of maintaining the landscaped corridors, medians, parkways and mini-parks” within each zone, with a portion of each BZ’s revenue going to district-wide amenities.

In the Engineer’s Report, properties were assigned a weighted value, the Equivalent Dwelling Unit (EDU) with the single-family home given the highest value, 1.0 EDU, with other structures, such as mobile homes, counted at 0.75 EDU. Multi-family buildings were assigned 1.0 EDU per unit. Mapped commercial and industrial each received 1.5 EDU per acre. The L&L assessment fee would vary, as it was based on the costs of improvements and the number of EDUs in a specific benefit zone. Annual fee increases are pegged to the Consumer Price Index (CPI). Once approved, assessments are listed separately on the property tax bill.

The assessment rates called for in the 1994 Engineer’s Report varied widely. For example:

- \$0.00 in BZ7 (Southern Agriculture, with no amenities or EDUs)
- \$0.00 in BZ8 (‘other rural’, with 2,396 EDUs)
- \$96.60 in BZ3* (Elk Grove/West Vineyard, with 4,301 EDUs, requiring \$85,882 for its many mini-parks and \$32,731 for corridors and medians)
- \$178.42 in BZ4** (West Laguna, with 2,096 EDUs, requiring \$18,000 for mini-parks and \$124,791 for corridors and medians)
- \$258.12 in BZ2 (Camden, with 592 EDUs)

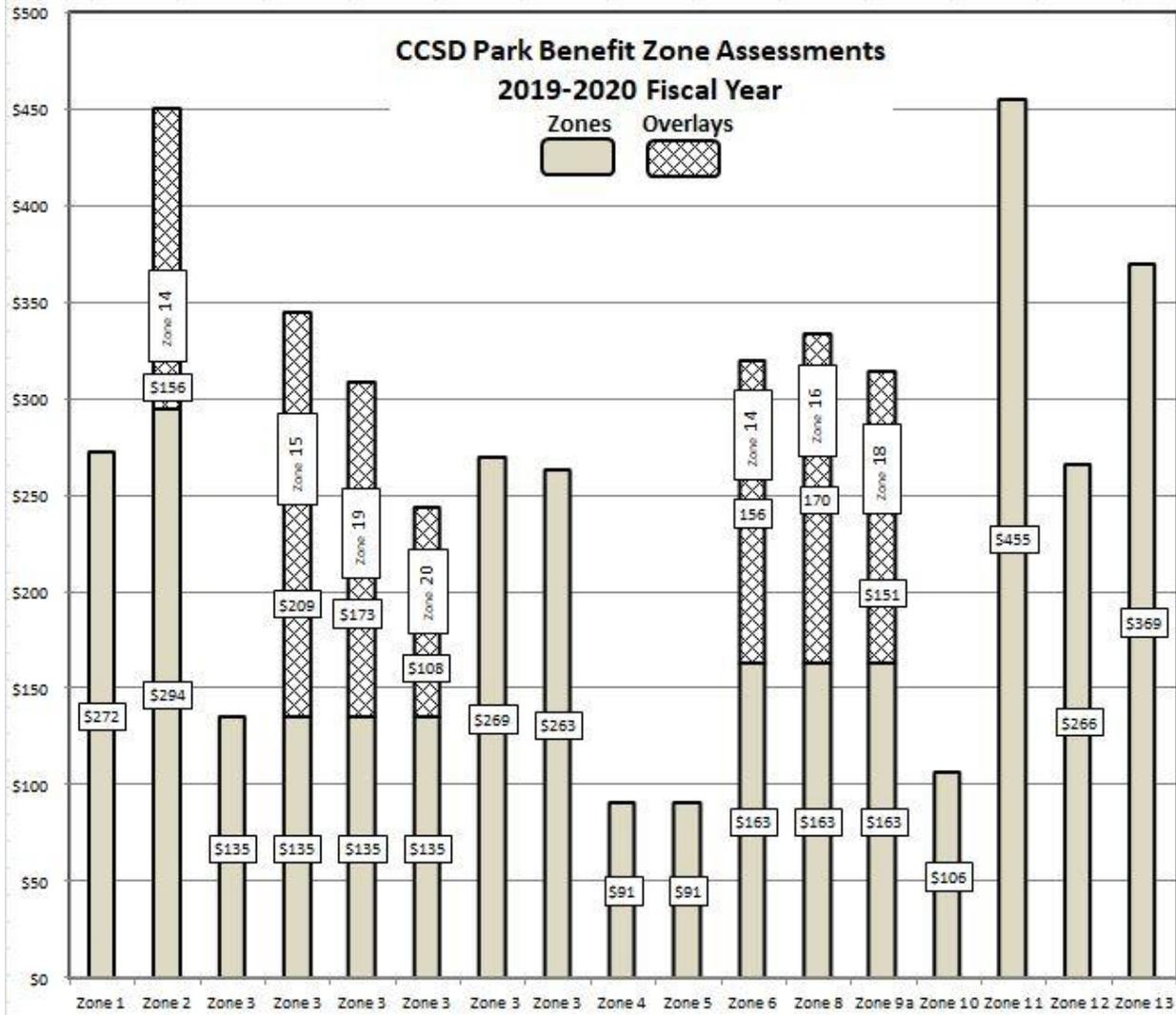
*-experiencing deferred maintenance since 2018

**-facing funding shortfall in 2022-2023

In total, the 1994 Engineer’s Report projected total L&L assessment revenues of \$3,848,102 with the largest share, \$1,564,043, going to district-wide costs, and \$1,510,034 for combined maintenance costs within all BZs, leaving \$774,095 in reserve.

Today, CCSD’s L&L district has evolved into a complex array of 13 benefit zones and six overlay districts, each separately budgeted and managed, and each with widely differing assessment rates. The number of parks maintained by CCSD has grown to 98, distributed among these 19 areas, with half concentrated in just three benefit zones: BZ1, BZ3, and BZ13. L&L assessment rates vary from a low of \$91 (BZ6 and BZ8) to a high of \$455 (BZ11). Each overlay district has its

own assessment fee, from a low of \$108 (BZ20) to a high of \$209 (BZ15). Residents in overlay districts must pay dual fees, for both the overlay district and the underlying benefit zone, with the combined rates ranging from \$243 (BZ3/20) to \$450 (BZ2/14.) Several benefit zones (BZ3 and BZ4) are facing deferred maintenance, repair or restoration due to revenue shortages and are facing elaborate electoral procedures to increase revenue. In short, CCSD's L&L district is a complex inefficient mechanism for the maintenance of parks in Elk Grove.



Source: Cosumnes Community Services District

Proposition 218 – The Right to Vote on Taxes Act (1996)

Two years after what was then EGCS D’s initial use of an L&L district, California voters approved Proposition 218 in November 1996. That initiative was a follow-up to Proposition 13 (1978) which restricted California’s property taxation system. According to the California Special Districts Association, Proposition 218 was meant to curb local government attempts to circumvent Proposition 13 by charging additional taxes, assessments and fees.

Under Proposition 218, increases to benefit-based assessments, such as L&L fees, are limited by a CPI. Unless increases with a higher CPI were already approved by property owners when the fee was assessed, greater increases in the future would require voter approval following a very detailed specified process:

- An Engineer's Report would be required to determine the amount that each property owner would pay. The amount of benefit must be calculated by a set formula and not be less than the cost of providing the benefit or service to the property owner.
- A public hearing would be required so property owners could protest the assessment.
- A ballot must be sent out with a 45-day notice. That ballot must contain specific information about the rates, the use of the revenue, and the duration of the tax.
- A simple majority would be required to approve an assessment increase; a two-thirds majority would be required to approve a tax increase.

Early attempts to raise L&L fees after passage of Proposition 218

In 2009, CCSD embarked on an aggressive campaign to educate Elk Grove residents as to the constraints of the existing L&L assessment fees and the need for additional revenue, especially in two neighborhoods: BZ3 (Elk Grove/West Vineyard) and BZ6 (Central Elk Grove). CCSD held approximately four dozen community meetings with community groups and commercial property owners; made extensive use of local newspapers, TV and radio stations; distributed signs, newsletters, and activity guides; mailed postcards to all property owners; and utilized the CCSD website to further educate. Despite this concerted effort, property owners in both benefit zones voted down the proposed zone-wide increases by large margins of 2 to 1 and 3 to 1, respectively.

Nevertheless, there were some successes. Property owners in BZ2 (Camden) and what was then in Part A of BZ9 (Waterman Park/Village) approved an increase for a new overlay district, BZ14 (Camden Park). Revenues collected in an overlay district can only be used toward maintaining a specific park or amenity. In the case of BZ14, the overlay provided maintenance for the Camden Creek Greenbelt, as well as Mix and Underwood parks. One advantage of establishing overlay districts is that they do not have to contribute to district-wide costs. Another is that a higher CPI could be used to calculate future annual increases. In 2019, CCSD used the San Francisco Bay Area CPI of 3.526 percent for the overlay districts, instead of the Pacific West Cities CPI of 2.295 percent for the other L&L assessment zones.

Later in 2009, some property owners in BZ3 near Jordan Park approved an increase for another new overlay zone, BZ15 (Vista Creek). That same year, property owners near Van Doren and Hill parks, spanning BZ2 and Part B of BZ9, approved an increase for yet another new overlay zone, BZ16 (Fallbrook/Park Lane/Britschigi). Then seven years later, in 2016, another group of property owners in BZ9 approved an additional overlay district BZ18 (Hampton Village).

Even with these successes, the creation of every new benefit zone and overlay district carries the requirement for an additional separate budget and separate program to manage. Today,

there are 19 separate assessment areas with 19 separate budgets and maintenance programs. In BZ3 alone, there are four assessment areas: the benefit zone itself and three overlay districts. This has fragmented Elk Grove's parks into a parcel-based and neighborhood-based program, further restricting how and where available revenue can be used, and posing added administrative costs for budgeting and management of each zone, educating and surveying the community and conducting the prescribed election process.

2016 Park Maintenance Master Plan (PMMP)

In 2014, CCSD created a Park Maintenance Master Plan (PMMP) to help budget and plan what would need to be done to ensure the longevity of park assets as well as protecting the people who use those assets. The initial PMMP took two years to complete. It confirmed that L&L funding in BZ3 and BZ6 was not sustainable because projected costs increased at a greater rate than the allowable increases in revenue. By the time that the PMMP was released in 2016, CCSD had 13 benefit zones and four overlay zones and was managing 94 parks totaling 703 acres, as well as streetscapes with 340 acres.

The 2016 PMMP included a 10-year Asset Life Cycle Plan (ALCP) that identified which assets needed to be repaired or replaced by a certain date, and how much each would cost. The ALCP showed that the greatest cost was for playgrounds, at an estimated \$365,000 for its design, construction management, and the purchase and installation of equipment. The ALCP further stated that while most playgrounds are built to last 25 years, as they approach the end of that period, they are considered unplayable and should be retired. The current estimated cost to revitalize a playground is \$401,000 per park.

Trouble Spots

The Grand Jury looked more closely at the following fiscally challenged benefit zones: BZ3, BZ6, and BZ4. They provided important insight and understanding into the causes of problems that might eventually spill over into other benefit zones in CCSD.

Parks in BZ3

In 2016, the L&L assessment rate for BZ3 was \$63, generating \$885,550 per year; but it faced \$88,244 in ALCP costs and \$6,167,164 in capital improvement projects (CIP) planned between 2016 and 2021. At the time, BZ3 had 11 parks and 29 high use assets like baseball diamonds, multi-use fields, and sports courts. Moreover, it had 12 high-cost playgrounds. CCSD staff estimated BZ3 was facing a five-year outlay of \$6,255,408 just to replace worn assets. They projected BZ3's reserves would be depleted by 2021, leaving it in the red by \$120,713. Part of the reason for the shortfall in BZ3 is that maintenance costs quickly outstripped revenue. Annual increases in the L&L assessments were pegged to the CPI. According to a CCSD fact sheet on BZ3, the annual CPI adjustment has averaged 2.5 percent since 1997. The number of parks also jumped from two to 10 since then. The cost of maintaining those parks has increased dramatically. Between 2008 and 2018, the cost of concrete paving increased by 112

percent per square foot, and the price of water increased by 55 percent. But the L&L assessment fee only increased by 20 percent during that same time period.

Due to BZ3's funding shortfall, three planned parks were never completed: Phase II of MacDonald Park, Arcadian Village and Sheldon Place. Although Quimby fees and Park Impact fees were collected to build all three, there was no funding to maintain them. The delay of the completion of MacDonald Park's Phase II was the subject of a Sacramento County Grand Jury investigation in 2018-2019. This project requires \$752,557 for its completion. Sheldon Place and Arcadian Village require \$1,137,401 and \$3,939,702, respectively. All three projects were pushed back by CCSD to 2022-2023 at the earliest.

In November 2017, CCSD initiated a survey to determine support for new overlay zones and assessment rate increases within BZ3 and BZ6. Unfortunately, the survey results showed little support for an increase. So, in February 2018, CCSD suspended any move toward a vote and instead directed staff to concentrate on public education and community outreach. Despite this setback, pockets of support for revenue increases existed within BZ3 around MacDonald Park and Perry Park. These property owners organized and secured elections last year to establish overlay zones and rate increases. Both votes passed overwhelmingly: 84.1 percent to establish BZ19 (Camden Estates and Camden Pointe) and 72.2 percent to establish BZ20 (Perry Ranch).

CCSD updates the 10-year PMMP annually. The 2019-2020 PMMP showed that even with the establishment of two new overlay zones (BZ19 and BZ20) in 2019, BZ3 would still be underfunded by 2022-2023. Around this time, CCSD removed Rau Community Park from BZ3, and reclassified it as a district-wide amenity. CCSD justified shifting Rau Park from BZ3 to a district-wide asset because it is a sports-programmed park, removed from any neighborhoods, and used more by baseball and soccer leagues than by local residents. Nevertheless, since its reclassification, Rau Park has had its turf renovated, its basketball court resurfaced, a vandalized basketball hoop replaced, along with the acquisition of some metal benches and trash cans. Moreover, its parking lot is being swept for the first time in over 10 years. This is an example of park maintenance inequity.

Last year, seven parks in BZ3 remained without the added financial support of an overlay zone or reclassification as a district-wide facility. Accordingly, CCSD initiated another concerted outreach effort with the hope that greater community understanding would lead to the necessary support for additional revenue. Several underfunded parks (Jones, Karamanos, and Lombardi) enjoyed support from "community champions" who could lead the way in support of L&L fee increases. CCSD conducted community outreach meetings at the under-maintained parks as well as at the sites of the two as-yet unbuilt parks, Arcadian Village and Sheldon Place. Building upon these meetings, in November 2019, CCSD initiated a six-week survey process to see if BZ3 property owners would be more receptive to another ballot measure. The surveys were to be returned by December 16, 2019; but the rate of return and support for revenue increases were mixed at best, leaving CCSD staff uncertain how to proceed.

Parks in BZ6

In the 2016 PMMP, BZ6 (Central Elk Grove) was projected to have a deficit of \$17,125 by this fiscal year (2019-2020). That was primarily due to an expected increase of \$42,258 in operating costs, wiping out its reserve of \$25,133 from 2018-2019. This deficit occurred despite the fact that BZ6 has a district-wide amenity, Elk Grove Regional Park, within its borders, requiring all the other benefit zones to contribute to its upkeep. The projected 2019-2020 operating costs were \$667,158.

But in the 2019-2020 update of the PMMP, operating costs for BZ6 (Central Elk Grove) were reduced almost by one-half, to \$310,422. Even with \$8,852 in ALCP expenses this year, BZ6 was able to put money back into its reserves. Although the PMMP now shows that it is on track to be funded sustainably in the near future, it is only because CCSD is giving BZ6 time to build up its reserves so that it can pay for revitalization projects. The current L&L budget shows that Central Elk Grove still has \$2.1 million in unfunded PMMP projects, so only ALCP projects that are related to health and safety would be undertaken for the next few years.

Parks in BZ4

In the 2019-2020 update of the 10-year PMMP, there was a projection that BZ4 (West Laguna) would be in financial trouble by 2022-2023, despite the fact that it has one of the higher L&L assessment rates, at \$263. Within its borders, BZ4 also has a district-wide facility, Bartholomew Sports Park, which pulls revenue from other benefit zones. The PMMP shows that BZ4 will face a \$509,051 ALCP expense in 2022-2023, a 10-fold increase from the \$56,617 expense the year before. In 2022-2023, BZ4 will face another \$70,117 in ALCP expenses, leaving BZ4 even further in arrears (-\$404,170).

CCSD staff has started to prepare BZ4 residents and property owners for the pending funding shortfalls and educate them on the need to increase the L&L assessment fee. A series of community outreach meetings was initiated in March 2020, but most had to be deferred due to COVID-19 restrictions on public meetings.

District-wide Parks

As of 2019, CCSD has four district-wide parks: Elk Grove Regional Park, Camden Creek Greenbelt, Bartholomew Sports Park and Rau Community Park. As noted, these district-wide parks represent a funding outlay obligation for all benefit zones. When EGCSO formed an L&L district in 1994, one of the requirements was that each benefit zone would contribute assessment fee revenues to maintain district-wide amenities. The amount that each benefit zone would contribute was based on a formula that involved the number of EDUs and the amount of acreage of parks and trails maintained within each zone. Overlay zones do not contribute to district-wide facilities because property owners in these overlays already contribute through their underlying benefit zones.

CCSD maintains a separate budget for district-wide parks. In 2018-2019, the cost of maintaining three of these parks, prior to Rau Park's reclassification into a district-wide facility, was \$4,609,805. For 2019-2020, the budget for all four parks has dropped to \$3,920,331. The main reason for the drop is that the turf replacement project in Bartholomew Sports Park was completed last year.

Even if a benefit zone does not have sufficient funds to maintain its own parks, such as BZ3 in 2018, it still has an obligation to contribute toward the maintenance costs of district-wide parks. CCSD's rationale for this practice was that because all Elk Grove residents enjoy the benefits of district-wide parks, everyone should pay for their upkeep.

In 2018-2019, BZ3 contributed \$410,617 to district-wide expenses, with that amount dropping to \$303,139 in 2019-2020, due to a reduction in district-wide projects this year. BZ4 and BZ6 both experienced similar declines from \$334,633 and \$125,253, respectively, in 2018-2019 to \$308,689 and \$97,065, respectively, in 2019-2020. Nevertheless, even with reductions in district-wide expenditures, significant funding is diverted each year to district-wide parks, from benefit zones including those that are contending with their own funding shortfalls.

Lessons Learned

The above history of attempts to fund park maintenance in BZ3 and BZ6 sets forth the challenges of providing adequate revenue in a timely way to assure that these public assets are protected, preserved and fully available for public use. The administrative costs of annual Engineer's Reports, annual updates of the 10-year PMMP, the budgeting and management of 19 individual benefit zones and overlay districts, the extensive investment in public education of the program's detailed complexities, and the costs of surveying and conducting recurring localized elections all add to the difficulty and inflexibility of managing and preserving Elk Grove's parks.

The Balance in Authority over Parks Between CCSD and the City of Elk Grove

Despite LAFCO's stipulation regarding park services when it approved the incorporation of the City of Elk Grove in 2000, the legal challenges between CCSD and Elk Grove during 2005-2007, and the recurring renewal and expansion of MOUs between these two entities, there have been occasional suggestions that the City of Elk Grove should assume responsibility for Elk Grove's park and recreation functions.

As recently as December 19, 2018, while residents were still considering why CCSD had cut back on park services in BZ3, the Elk Grove Laguna News ran an editorial entitled "Is it time for the City of Elk Grove to take over parks?" The author noted that since the CCSD board had decided to hold by-district instead of at-large elections, the CCSD board would need to have one person represent Galt, since CCSD also provides fire protection services there. However, that would mean that there would be one board member who would not be elected by Elk Grove residents but would be making decisions exclusively affecting Elk Grove.

The editorial writer suggested that if that were the case, he would rather have the City take over the parks program, since all Elk Grove City Council members are elected by Elk Grove residents. The writer also criticized CCSD for not working with residents to ensure that parks were adequately maintained. The author also stated that administrative costs would be reduced because there were redundancies in staff between the City and CCSD.

According to several news reports, during a March 4, 2015 Elk Grove City Council retreat meeting, the then Vice-Mayor suggested that the City take over the parks and recreation functions from CCSD. At the time, the focus was on governance, and the Vice-Mayor observed there was overlap between the City and CCSD in providing services.

He also noted that since all the parks managed by CCSD were within the city limits, it would be easier for the City to take over that function and leave the fire protection services, which extended beyond Elk Grove into Galt, to CCSD. At that time, the City was actively engaged in park development by pursuing an aquatics complex at the proposed civic center site, and a softball complex at a 100-acre parcel near the City's eastern border. CCSD quickly responded that they were not interested in relinquishing its responsibilities to the City and defended CCSD's stewardship.

Three weeks later, this concept appears to have been set aside as the City Council was considering an MOU with CCSD that dealt with park development, an update from the 2011 MOU. Currently, seven of the parks managed by CCSD are funded by the City. CCSD tracks the expenses of these parks under the BZ17 designation, even though no L&L fees are involved. The MOU states that Elk Grove uses Mello-Roos taxes, or CFDs, to pay CCSD for services. Mello-Roos taxes are more flexible in that any increases are not subject to the restrictions imposed by Proposition 218. The creation of the Mello-Roos CFD must be approved by two-thirds majority of the people who will be paying the taxes. Elk Grove currently has three CFDs for funding park development.

FINDINGS

F1. The current multiple funding mechanisms are neither effective nor sustainable for managing Elk Grove's parks.

F2. Public confusion and misunderstanding are evidenced by the need for extensive and repeated community outreach meetings and the mixed success in securing timely voter approval for needed revenue increases. Contributing to this confusion are: the division in roles for Elk Grove's parks between the City of Elk Grove and Cosumnes Community Services District (CCSD); priorities among neighborhood and district-wide facilities; and the challenge of managing and understanding the park system as an integrated program.

F3. The 19 different Landscape and Lighting (L&L) district assessment rates, varying by as much as a factor of four, cause significant inequities for Elk Grove residents in terms of payments they make and benefits they derive from Elk Grove parks.

F4. The practice of contributing revenue from individual benefit zones to district-wide facilities as a priority ahead of funding parks within each benefit zone compounds the revenue shortages experienced by certain benefit zones.

F5. The requirement in Proposition 218 to secure a public vote in order to increase funding in excess of a Consumer Price Index (CPI) index is an unwieldy restraint that impedes adequate funding to maintain, repair and restore Elk Grove parks.

F6. The existing L&L assessment rates are insufficient to sustain maintenance, repair, and restoration for parks indefinitely. Specifically, in the short term, revenue from L&L assessment rates in BZ3 and BZ4 is insufficient to maintain, repair, and restore all parks in those benefit zones.

F7. The emphasis on individual benefit zones and overlay districts creates a complex and costly administrative burden requiring fragmented budgeting and management, and voter approvals to generate adequate revenue.

F8. The baseline budget for park maintenance, repair and restoration does not take into account, nor is it adequate to fund future park modifications or maintenance associated with new parks and programs.

F9. CCSD's practice of attempting to increase voter understanding and acceptance of financial responsibility for the parks program through various outreach efforts has had uneven results in terms of gaining greater voter participation and potentially influencing additional funding for this program.

F10. The City of Elk Grove and CCSD have not collaborated effectively to reform and restructure the system.

RECOMMENDATIONS

R1. CCSD and the City of Elk Grove, with the support of Sacramento County, should establish a Regional Task Force to examine the feasibility of replacing the existing system of funding park maintenance. The Regional Task Force membership should include all public officials whose constituents are directly affected. Observers may include representatives of all other related and interested agencies and constituencies such as Sacramento Local Agency Formation Commission (LAFCO), public and private advocates, etc. This recommendation should be completed by December 31, 2020.

R2. This task force should identify all relevant laws, ordinances, regulations, policies and procedures that might need to be amended, revised or abolished to replace the existing system with a more simplified, streamlined, equitable and sustainable funding mechanism, such as an annual assessment on all real property in the area based on the assessed value of each parcel. This recommendation should be implemented by June 30, 2021.

R3. CCSD and the City of Elk Grove together should evaluate and report to the Regional Task Force on the effect of reversing the existing practice of first transferring new revenues to district-wide and regional facilities, before budgeting for local park maintenance. This recommendation should be implemented by June 30, 2021.

R4. CCSD and the City of Elk Grove together should analyze and report to the Regional Task Force on the added short-term and long-term costs of the additional staffing and consultant services required for the practice of budgeting and managing 19 individual benefit zones and overlay districts in comparison with budgeting and managing these zones on an integrated basis. That analysis should include an examination of the additional costs for any new parks and zones created over the next decade. That analysis should also examine the costs of conducting educational sessions, surveys and elections, as well as preparing Engineer’s Reports to authorize L&L assessment fee increases. This recommendation should be implemented by June 30, 2021.

R5. CCSD and the City of Elk Grove together should conduct and report to the Regional Task Force an integrated analysis of all current revenue and projected revenue over 10 years to be collected for park maintenance, repair and restoration over the same period. Such an assessment will help gauge the adequacy of current and projected revenue without regard to the fragmentation of those resources under the current management structure. This recommendation should be implemented by June 30, 2021.

R6. CCSD and the City of Elk Grove together should analyze and report to the Regional Task Force on the 10-year growth of revenue permitted under the CPI growth factor, compared with a 10-year forecast of costs associated with park maintenance, repair and restoration. This recommendation should be implemented by June 30, 2021.

R7. CCSD and the City of Elk Grove should adopt the plan developed by the Regional Task Force for implementation of a new system including relevant MOUs to enable agencies responsible for collecting appropriate tax revenues sufficient to provide park services and maintenance within all neighborhoods. This recommendation should be completed by June 30, 2021.

GLOSSARY

ALCP	Asset Life Cycle Plan
Benefits Received	The basis for establishing assessment rates within a benefit zone or an overlay district as determined by the Engineer’s Report.
BZ	Benefit Zone: an area established by CCSD in which a specified assessment fee is collected to fund park maintenance in that area.
CCSD	Cosumnes Community Service District – A special district under California Code Section 56036a -- A special district is an agency of the State, formed pursuant to general law or special act, for the local performance of government or proprietary functions within boundaries. A special district

	may cross city boundaries and county boundaries.
CFD	Community Facilities Districts, also known as Mello-Roos
CIP	Capital Improvement Projects
CPI	Consumer Price Index
EDU	Equivalent Dwelling Unit: a value based on type of use - single-family home is 1.0 EDU, mobile home is 0.75 EDU
EGCSD	Elk Grove Community Services District
LAFCO	Local Agency Formation Commission
LRSP	Laguna Ridge Specific Plan
L&L	Landscape and Lighting (District)
MOU	Memorandum of Understanding
Overlay District	An area within one or more benefit zones in which voters have approved a supplemental assessment for park maintenance within that area.
PMMP	Park Maintenance Master Plan
Proposition 218	California Proposition 218 Ballot Initiative - A California Constitutional Amendment that redefined local and regional government finance in California. Effective November 6, 1996.
Quimby fees	The Quimby Act, within the Subdivision Map Act, authorizes the legislative body of a city or county to require the dedication of land or the imposition of fees for park or recreational purposes as a condition of the approval of a tentative or parcel subdivision map.

REQUIRED RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the 2019-2020 Sacramento County Grand Jury requests responses from the following elected officials within 60 days:

- Mayor Steve Ly
City of Elk Grove
8401 Laguna Palms Way
Elk Grove, CA 95758
- Orlando Fuentes
President
Cosumnes Community Services District, Board of Directors
8820 Elk Grove Boulevard
Elk Grove, CA 95624

Pursuant to Penal Code sections 933 and 933.05, the 2019-2020 Sacramento County Grand Jury requests responses from the following entities within 90 days:

- City of Elk Grove, City Council
8401 Laguna Palms Way
Elk Grove, CA 95758
- Cosumnes Community Service District, Board of Directors
8820 Elk Grove Blvd.
Elk Grove, CA 95624

Mail or deliver a hard copy response to:

- Hon. Russell Hom
Presiding Judge
Sacramento County Superior Court
720 9th Street
Sacramento, CA 95814

Please email a copy of this response to:

- Paul Thorn
Jury Commissioner
ThornP@saccourt.ca.gov
- Ms. Erendira Tapia-Bouthillier
Grand Jury
TapiaE@saccourt.ca.gov

INVITED RESPONSES

- Phil Serna
Chairman
Sacramento County Board of Supervisors
700 H Street, Suite 2450
Sacramento, CA 95814
- Jason Behrmann
City Manager
City of Elk Grove
8401 Laguna Palms Way
Elk Grove, CA 95758

- Joshua Green, CCSD General Manager
Cosumnes Community Services District
8820 Elk Grove Boulevard
Elk Grove, CA 95624

Mail or deliver a hard copy response to:

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Grand Jury
TapiaE@saccourt.ca.gov

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.