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Arden Arcade cityhood at risk

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Arden Arcade cityhood proponents' goal of a November 2008 incorporation vote is in jeopardy -- a development that could derail the cityhood push and make forming a new municipality financially untenable.

If the cityhood vote is delayed and incorporation is not complete by July 1, 2009, Arden Arcade will miss out on millions of state dollars, a budget hit that could prove fatal to the effort.

Joel Archer, chairman of the cityhood effort, acknowledged this week that if the group misses its deadline and loses out on the extra state money, he's not sure if incorporating would still be viable.

For now, Archer said he still hopes to get the incorporation question on the ballot in 2008.

"We have known it's not going to be easy," Archer said.

Archer and his team missed a July 1 deadline to fund their share of the fiscal and environmental studies needed before the issue can be put before voters.

Consequently, the studies have not started, said Peter Brundage, executive director of the Local Agency Formation Commission, the local body in charge of political boundaries. That delay, and possible future hiccups, prompted Brundage to throw out the old timetable.

"We can't guarantee a November 2008 election," said Brundage. He said that consultants would make "every reasonable effort" to get the work done in time -- but added that neither he nor the contractors can be held responsible for meeting the deadline.

The incorporation group was expected to pay \$33,000 by July 1. To date, they have paid \$17,000, Brundage said.

He said the contractors won't start until the group makes a \$25,000 deposit.

The incorporation backers' total share is expected to be about \$200,000. LAFCO is expected to kick in about \$100,000.

Archer said several companies and organizations have made verbal commitments to contribute to the effort, but the funds have not yet materialized.

Unlike earlier incorporation efforts, LAFCO's board members are insisting that the proponents pay their share on time, rather than at the end of the process, Brundage said.

Archer said he's still aiming for November 2008, but the group has quietly begun to consider ways to keep the drive alive, should they miss the election.

One option might be to request -- and pay for -- a special election in early 2009 so the new city might still

be able to qualify for the state funds it wants.

The second possibility is persuading the state to change the rule, allowing cities formed after July 1, 2009, to get the extra state money.

Under the current state rules, if Arden Arcade were incorporated by July 1, 2009, it would collect \$6.7 million in state aid (given as a substitute for vehicle license fee revenue) in 2010. The aid would decrease annually to \$4.5 million in 2017, according to an initial fiscal analysis.

But if the city incorporates after July 1, 2009, the most it would be eligible for is \$420,000 annually between 2010 and 2017.

After looking at other cities' revenue and spending, the 2005 analysis, performed by Economic and Planning Systems, put city spending at \$26.6 million in 2010 to match existing service levels. With the larger share of state money, the city would have a \$14 million surplus in 2010, enabling it to return \$13 million to the county in required revenue neutrality payments.

Without the extra state money, the EPS analysis suggests the city would be \$5.4 million in the hole.

The analysis was only preliminary, was based on some dated information and does not take into account the proponents' decision to eliminate some areas south of Fair Oaks Boulevard from the proposed city.

As configured, the new city would be 13 square miles of unincorporated area east of Arden Fair mall. The area includes Fulton Avenue's auto dealers row, which generates millions of dollars in sales tax revenue.

Committee member Trish Harrington said cityhood becomes a hard sell without the the state money. "I personally feel that we can still do it, but I don't know if we can sell it to people," she said.

Geoff Davey, Sacramento County's outgoing chief financial officer, said Arden Arcade can't make it without the extra money.

"There is virtually no question that the city of Arden Arcade would not be fiscally viable without the higher VLF amount," Davey said. "I don't think that even the cityhood proponents would argue that their proposed city is fiscally viable without the extra VLF revenue."

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