



BOARD OF DIRECTORS

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SOUTHGATE RECREATION & PARK DISTRICT

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GENERAL MANAGER

Patrick O'Brien

December 17, 1980

The City Council
City of Sacramento
City Hall
915 I Street, Room 202
Sacramento, CA 95814

FILED
By the City Council
Office of the City Clerk
*referred to
City Manager*
DEC 30 1980

Dear Honorable Council Members:

The Board of Directors of the Southgate Recreation and Park District has traditionally been concerned with the purveyance of water in the unincorporated area of south Sacramento. As a result of detachments from the District to the City of Sacramento which resulted from issues revolving around the purveyance of water, this Board along with other agencies of the area requested the Sacramento Area Local Agency Formation Commission to draft the South Area Water and Alternatives Structure Study which was completed in February 1978. At that time, the effected agencies became aware of the fact that the water issue was complicated due to the overdrafting of the ground water table. The South Area Water and Alternatives Structure Study, written by John Farrell of LAFCO, reports that:

"It has been a long standing but informal policy of the City of Sacramento not to extend new retail service to unincorporated area properties even though the City code allows for the retailing of water outside the City limits. There has been no indication that the City is willing to amend this policy.

Informal conversations with the City Manager's Office indicate that City policy (even though the City code allows it) on retailing water to unincorporated area properties will remain unchanged."

At your regular meeting of January 18, 1977, your Council adopted an official position relative to the then proposed Sacramento County-Wide Water Plan prepared by CH₂ M. Hill.

"...Willingness to participate in any action to improve the county-wide water situation consistent with high standards of effectiveness and equity. Such acts would include but not necessarily be limited to:

Ltr to Sacramento City Council
re: City Annexation Proposal

December 17, 1980

- a. The sale of water to retail purveyors within the City's water rights application area."

The Southgate Recreation and Park District's Board of Directors has identified two apparent conflicting policies of the City of Sacramento in respect to retailing water to the unincorporated south Sacramento area. Specifically, the Board requests that your Council address the following questions:

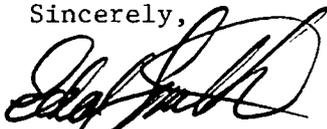
1. What is the official policy of the City of Sacramento in respect to retailing water to both private and public purveyors in the unincorporated South Sacramento Community Planning Area?

2. Specifically, what public purveyors of water and private water purveyors will the City of Sacramento retail purified water to in the South Sacramento Community Planning Area?

Our Board is requesting clarification on these items after considerable review of the issues of water purveyance in the area and recent reports and analysis by the City of Sacramento, LAFCO, and our agency. Our findings and conclusions in respect to these identified problems and analysis are contained within the attached report and resolution.

Our Board hereby requests that your Council formally address the above questions and respond to these inquiries prior to January 30, 1981. This request is based upon a unanimous consent by the Board of Directors of the Southgate Recreation and Park District.

Sincerely,

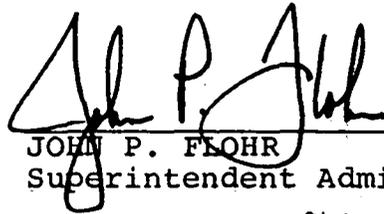


EDD SMITH
Chairman

ES:dt

SOUTHGATE RECREATION AND PARK DISTRICT
ANALYSIS OF REORGANIZATION/ANNEXATION
AND WATER PURVEYANCE IN THE
SOUTH SACRAMENTO COMMUNITY PLAN AREA

By:

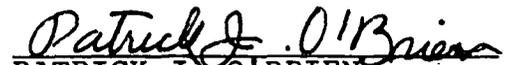


JOHN P. FLOHR
Superintendent Administration

Date:

12-10-80

Approved by:


PATRICK J. O'BRIEN
General Manager

Date:

12-10-80

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SECTION 1

INTRODUCTION

Recently, the impetus for water planning and community services rendering has taken on dramatic new perspectives. Local Sacramento papers have had a wealth of column space devoted to the deterioration of ground water through pollution and overdrafting. At the same time, consideration is being given to the construction of the Auburn Dam and the peripheral canal, both massive projects that will have dramatic consequences on one of California's most precious resources - water.

The same papers have detailed the efforts of the Sacramento Local Agency Formation Commission, special districts, and the City, to reorganize and annex to gain efficiencies of service in the wake of Proposition 13.

The City and the Southgate Recreation and Park District have long shared interests in water and annexations for different and similar reasons.

The purpose of this study shall be a descriptive and analytical look at both water and annexations/reorganizations; and to examine their possible effect on the unincorporated South Sacramento Community Planning Area, wherein the Southgate Recreation and Park District exists.

SECTION II

THE PURVEYANCE OF WATER

Sacramento is a community naturally rich with water from two major rivers, the Sacramento and the American, and has tremendous reserves of sub-surface ground water.

In recent years the demand for ground water by agriculture and residential communities in both northern and southern California has become substantially greater. At the same time a major drought, pollution and overdrafting of ground water has diminished the quality and quantity of this precious resource.

Water has always been a political issue, from small towns and cities all the way to the State Legislature's decisions to build the California Aqueduct and recently the peripheral canal.

From a much more limited perspective water has become a major issue to the unincorporated South Sacramento Community Planning Area and more specifically to the Southgate Recreation and Park District. Water purveyance in the area is accomplished through ground water wells which have rapidly begun to deplete the sub-surface water (ground or well water) in the area.

This current trend can be reversed by utilizing available surface (river) water which is readily available in the area through a main line water system. ① Unfortunately, due to

political and other constraints this water has gone untapped.

In the following sections, the politics of water and other service delivery in the planning area shall be explored beginning with detachments for water and ending with the current water plan.

Detachments

On November 27, 1978, the Board of Supervisors of Sacramento County approved Resolution #78-1406, which approved a proposal for the Massie detachment from the Southgate Recreation and Park District, the Florin Fire District, the Florin-Elder Creek Cemetary District and the Metropolitan Storm Drain District. This detachment involved a small commercially-zoned, uninhabited parcel of land from the aforementioned agencies to the City of Sacramento. This 14.05 acre parcel of land, owned by Charles Massie, was more economically feasible to develop with the detachment.

John S. Farrell, Executive Officer of the Sacramento Local Agency Formation Commission, in a memorandum dated November 4, 1977, stated:

"Initial findings in the South Area Study indicate that the City is the agency best capable of providing the needed water as well as coordinating the other urban services."¹

In the report which accompanied the aforementioned memorandum, Farrell noted that both the City of Sacramento and Citizens' Utilities, which is privately owned, P.U.C. sanctioned, water purveyor, were capable of providing water for Mr. Massie's

use. The significant difference was that the City of Sacramento had a water main line within 500 feet from the Massie property, while Citizens' Utilities service was some distance away from the property. Citizens' Utilities would have required that Mr. Massie pay all "up front" main line water extension costs and then be rebated his money as additional water users attached to the line extension.

In a letter dated September 21, 1976, Mr. Robert G. Overstreet, General Manager of the Southgate Recreation and Park District stated:

"As was stated in our letter of April 15, 1975, regarding a similar annexation to the City of Sacramento, the Southgate Recreation and Park District strongly opposes these types of "piecemeal land grabs". The park district has experienced several of these actions within the past few years. Each time the justification for annexation to the City has centered around the inability of the local water agency to properly serve the area. It is our understanding that this is again the justification for annexation.

While main line extensions by a private water purveyor such as Citizens' is seen as inappropriate and unallowable by the Public Utilities Commission, the City of Sacramento continues to expand its' water systems into unincorporated, uninhabited, undeveloped areas of the County. The answer to our particular problem does not appear to be with the developer, who has every right to fully develop his property, but with the policies of the City of Sacramento regarding annexations and with the inability of Citizens' Utilities to provide adequate service at a reasonable cost..."²

In a letter dated September 20, 1976, Mr. Keith Roberts, Fire Chief of the Florin Fire Protection District stated:

"...our agency has been providing service to this area for many years, as is true for the surrounding residential areas. Every governmental agency relying on property taxes for operation looks for commercial property to help offset the cost of providing services

for the balance of the area.

Therefore, until an area annexation that will also absorb those that require higher than average services is proposed, we feel that LAFCO should refrain from this type of action. The City of Sacramento should be forced to absorb the adjacent non-tax-paying mobile home parks, if they are willing to strip our agency of the prime commercial land. LAFCO should not be a party in bankrupting the homeowner and the tax supported agencies trying to serve the homeowner by taking away the agencies' revenue generating property..."³

William B. Stradley, General Manager of Citizens' Utilities, responded to LAFCO's request for input to the issue in a letter dated September 10, 1976. Mr. Stadley stated:

"The requested annexation is based at least in part, upon the fact that it could cost the developer 'as much as \$150,000 for water'. This parallels the reasoning used on the annexation several months ago by the same individual of a parcel containing about 14 acres immediately north of the subject parcel..."

"...The developer again is applying the cost of water facilities, which are capable of servicing a much larger area, to the 'spot' development he is now planning. This is the same erroneous approach taken preliminary to the development of the earlier 14 acres parcel, at which time all costs of water service were allocated to the development of that single parcel..."⁴

The issue simply and summarily stated then was that the park and fire districts were opposed to detachments and reorganizations because their revenue and service bases were being eroded because private industry needed cost efficient water which could only be provided by the City. The City and not Citizens' Utilities can provide line extensions without requiring up-front money from the developer.

More specifically, the fire and park districts objected to losing commercial property through piecemeal detachments that left them with non-producing revenue land which required high levels of service from their respective agencies.

Considering the masterplanning of their services and facilities, it was apparent that such arguments had great validity from their perspective.

In February of 1978, another reorganization study by private concerns was instituted again through LAFCO. The Hewitt Subdivision detachment, again, like other previous detachments, was for the purpose of getting cheaper water.

The Chairman of the Board of Directors of the Southgate Recreation and Park District, Howard P. Tillotson, stated in a letter to LAFCO dated April 18, 1978:

"... The proposed detachment, as per past detachments, centers around two issues. First the land is vacant and being considered for development. Second, that the need for City water is, and has been, the only issue for the detachment of the unincorporated area of South Sacramento. Therefore, in terms of financial impact to the District, the detachment would be minimal since it is presently vacant land. However, if you add up the total detachments to date and then consider the development that has occurred within those attached areas, especially along Stockton Boulevard, the financial loss to the District is significant. Taking these factors into consideration, this annexation to the City, along with past annexations, violates the LAFCO Rule #4, relative to criteria for City annexation: 'The proposed annexation must not represent an attempt by a city to annex only revenue producing properties.'"

"...This piecemeal approach by the City in annexing the South Sacramento Area has created illogical boundaries and does not provide the long term govern-

mental solution relative to the needs of the people..."⁵

The Hewitt detachment was stopped, essentially, by Proposition 13. Essentially, the bureaucratic system was attempting to measure its policies, goals, and financing relative to all decision-making, especially territorial boundaries, at least that was the basic consideration expressed by City staff relative to the issue.

L.A.F.C.O. ANALYSIS

In May of 1977, the Southgate Recreation and Park District, the Florin Fire Protection District and the South-area Community Advisory Council requested that LAFCO study the specific problems of water service experienced by South Sacramento area special districts and develop logical service alternative growth patterns for the South Sacramento Area.

On February 9, 1978, John S. Farrell formally submitted the requested study to his Commission.

In Farrell's analysis, he states the problem as follows:

"There remain large areas of developable property located within the South Sacramento Community planning area designated for urban uses, without either public or private water. The cost of constructing a new public water supply system or extending existing lines to the unserved properties within the South Sacramento community is, in most instances, extremely high.

The problem stated in very simple terms is how to provide water that is a sufficient quantity of good quality, and economical to the unserved properties south of the Florin Mall, west of Stockton Boulevard, and east of the Freeway."⁶

Farrell goes on to list six specific alternative means

for extending water service to unserved properties.

Farrell's alternatives are listed according to practicality rather than political feasibility.

1. Annex the unserved properties and generally all the unincorporated territory east of Stockton Boulevard to the City of Sacramento in order to provide the area with water and all other municipal services.
2. If the City is unwilling or unable to annex the unserved territory and/or the remainder of the Fruitridge Pocket, encourage the City to retail water outside of its' corporate boundary.
3. If the City cannot, or is unwilling to, provide the necessary water, for one reason or another, extend the actual service capability of Citizens' Utilities into the unserved area.
4. If Citizens' is unwilling or unable to serve the area, annex the territory to an existing special district or private purveyor capable of providing water service.
5. If the first four alternatives are not viable, attempt to provide water service through the use of 'latent powers' of an existing special district within the community plan area.
6. If all else fails, create a new, independent water district.⁷

Farrell goes on to recommend,

"The City of Sacramento is still the one agency best capable of providing all the service needs for the South Sacramento Community. It could provide the needed water for development and possibly could assist property owners with the financing of a distribution system."⁸

The major impetus for Farrell's report was the detachments that the special districts in the area were objecting to. Specifically, the special districts were concerned about unserved areas at least on paper but the boards of directors and members of the South Sacramento Community Planning Advisory

Council were discussing an even broader issue, the delivery of surface water (purified river water) to residents of the planning area.

It must be briefly noted here that the obvious solution of annexation to the City was not viewed as feasible at that time and very possibly now. Again John Farrell;

"...For various social, economic and political reasons, however, proposed annexations to the City have not been successful in the past. On at least three different occasions a majority of the registered voters and property owners affected by proposed City Annexation, rejected such annexation to the City through either applicable protest provisions in the law or at the polls."⁹

Farrell lists those actions as the Bowling Green Annex of 1965, the Fruitridge Annex of 1968, and the Fruitridge Reorganization of 1970. More recently, in November of 1974, the electorate of Sacramento County voted against a City/County consolidation.

Since the annexation of territory to the City seems less than feasible, the next best solution⁵ would be to have the City retail surface water to the private⁴ and public water agencies in the area who would then transmit the water to households and businesses. This involves Farrell's second alternative but Farrell explains;

✓ "The assumption (based on conversations with the City Manager's Office) has been made that the City will not change its retailing policy for unincorporated properties, therefore, alternative No. 2 cannot be considered."¹⁰ ³

In correspondence from Walter J. Slipe, City Manager to Brian Richter, then Director of Public Works and now County

Executive of Sacramento County, dated January 27, 1977;

Slippe states;

"At its regular meeting of January 18, 1977, the Sacramento City adopted an official position relative to the proposed Sacramento County-wide Water Plan prepared by CH2 M Hill."

"...Willingness to participate in any action to improve the county-wide water situation consistent with high standards of effectiveness and equity. Such acts would include but not necessarily be limited to:

- a. The sale of water to retail purveyors within the City's water rights application area.
- b. Participation in any regional planning effort relative to the adequate provision of surface water to prospective consumers.
- c. Continuing to plan and provide excellent water supply and distribution systems within the City's water rights application area.
- d. Participating in interties and standby systems that improve or expand the capacity, capability or safety of urban and agricultural water users."¹¹

Clearly there is definable discrepancy ^(P) between what John Farrell states is the informal policy of the City on retailing water outside of the City's limits and the official policy of the City on retailing water as has been quoted by Walter Slippe, City Manager. Farrell has noted the discrepancy and states;

"The City's response to the CH2 M Hill plan reinforces its earlier policy to wholesale water to retailers but does not mention retailing directly to unincorporated customers."

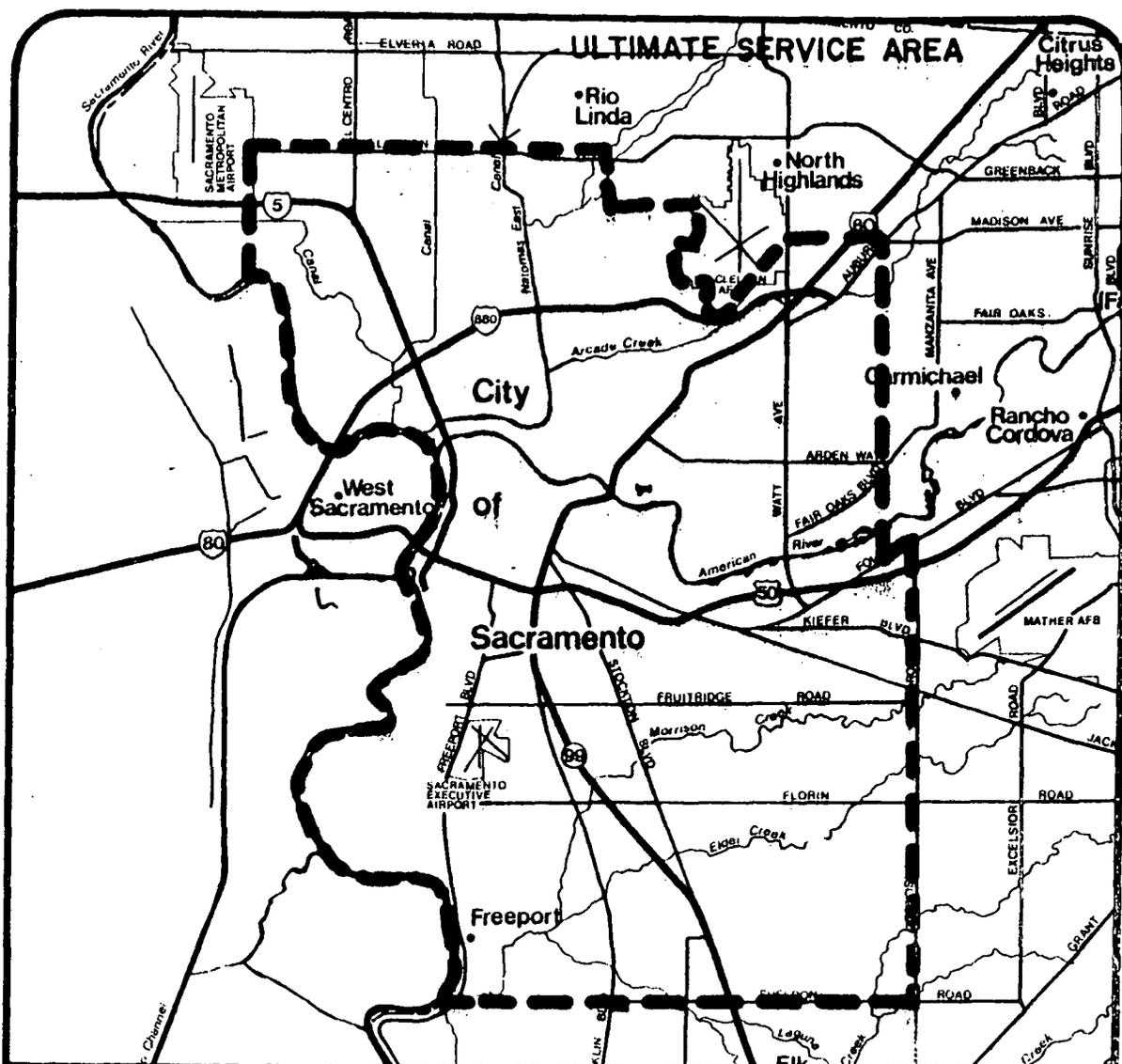
The questions which obviously arise and need to be directly answered are:

1. Why does the City appear to have two different policies in respect to the sale of surface water to other entities within the City's Water Rights Application Area?

2. What working policy will the City use in respect to retailing surface water within the City Water Rights application area and specifically to which entities will the City wholesale said water?

Within the unincorporated area of Sacramento County known as the Arden-Arcade Area, the Arcade County Water District purveys raw water to a majority of residents of the area. (See map, page 12). This independent special district provides both surface and ground water to its customers. The surface water is part of the City's water rights application area. Also within the Fruitridge Pocket Area of unincorporated South Sacramento residents are sold surface water from the City. It should be noted that the water available in the planning area is purified and ready to be tapped. Ultimately, the City's right to surface water is based upon permits granted by the State Water Resources Control Board (SWRCB) which issues permits to agencies diverting surface water until such time that the agency has determined and is utilizing the maximum amount of water that it deems necessary. At that time the SWRCB reviews and may grant a license to the agency diverting water. This license has a greater weight in assuring water diversion over other water needs.

The City annually reports to the SWRCB on its progress in utilizing the surface water that it has permits for. According to Farrell, the City uses only 30% of its total



Legend

Water Purveyor

- 1 - Natomas Central Mutual Water Company
- 2 - Rio Linda County Water District
- 3 - Citizens Utilities Company of California
- 4 - Northgate 880 Water Maintenance District
- 5 - Arden Water Service-Southern California Water Company
- 6 - Arcade County Water District
- 7 - Del Paso Manor County Water District
- 8 - Arden Park Vista Water Maintenance District
- 9 - Carmichael Irrigation District
- 10 - Northridge Park County Water District
- 11 - Fruitridge Vista Water Company
- 12 - Florin County Water District

6 City of Sacramento
Service Area

water entitlements. The City's permits require that they utilize due diligence in improving and increasing the facilities necessary to deliver that water which they are permitted to divert. According to Earnest Miller, Senior Engineer within the Permits and Licenses section of the State Water Resources Control Board, the City and other agencies base their permit application and extensions on the projected needs of their Water Rights Service Areas.¹³

The Board, in granting water permits and extensions, considers the progress of the entity in delivering water. The Board acts in a judicial mode in hearing water entitlement disputes. The Board also hears testimony and takes under consideration facts concerning the status of current water permit holders.

The City Council on November 12, 1980, adopted a recommendation from Anne Rudin, Chairperson of the Planning and Community Development Committee, which stated the South Sacramento Community Planning Area Annexation not be adopted for a variety of reasons.¹⁴

This fact coupled with the opposition to annexation to the City by residents of the area provide a basis for estimating that annexation will not occur in the short run. At the same time ground water is being depleted to new lows and a City water main which contains ample surface water continues to go untapped. The issue is complicated somewhat by the fact that to utilize this surface water would require

some new facilities. However, these facilities would be less costly than establishing new well pumping and purification sites.

The intent here is to clarify the existing problem in respect to water purveyance and the City's policies. The goal of this report is to evaluate the City's service ability, service costs and the ultimate disposition of surface water delivery to the Unincorporated South Sacramento Community Planning Area.

Farrell has presented six alternatives within the South Area Water and Alternative Structures Study that provides a rational basis for exploring different options. To date, none of those options have been acted on possibly because of the lack of specific clarification by the City of its policy regarding wholesaling water to this specific area.

Sacramento County Water Plan

On February 14, 1978, the Board of Supervisors of Sacramento County acting ex officio as the Board of Directors of Sacramento County Water Agency adopted the following policies;

- "1. Ground water overdraft must be halted by the year 2000 or earlier.
2. Unused City of Sacramento water entitlements must be put to use.

A comprehensive plan must be developed to serve water to the area outside the City limits but

within the City's water rights application area. The plan must provide for orderly development of water supply facilities for treated surface water through the City system or for raw water City's entitlement. Contracts must be executed between the City and various purveyors or overlying agencies desiring treated water in blocks of sufficient quantity to warrant expansion of the City's water treatment facilities."¹⁵

The adoption of these policies was made possible through reports prepared by CH2 M Hill who as part of the policy report states:

"...Although the City is only using 85,000 acre feet of water annually, it has been assured entitlements of 326,000 acre feet annually. Because of this, the City is opposed to being included in a county-wide water agency and to the prospect of being taxed by that agency. The City believes it will receive no direct benefit from implementation of a county-wide water plan."

This report and the adopted policies affirms the need to retail water to public and private water purveyors in the South Sacramento Area. It should be understood that the hookup to the City's main line systems in the area must help to defray the City Water Departments cost for both purification and transmission of water. Further, that the systems in the area would require substantial modification but without the clarification of City policy and intent, these matters are worthy of further consideration.

SECTION III

ANNEXATIONS, REORGANIZATIONS AND GOVERNMENTAL STRUCTURES

The Southgate Recreation and Park District has historically taken an active role in studying, planning, and proposing alternative governmental structures in the Unincorporated South Sacramento Community Planning Area.

Prior to 1970 the District had evolved through a number of annexations and detachments at the request of the voters in the affected areas. The District was integrally involved in the development of the Park Agency Reorganization Report of 1970, in opposing piecemeal land detachments to the City based upon the need for water, in seeking annexation of County Service Area #4B to the east of the District in requesting the LAFCO report entitled, South Area Water and Alternative Structures Study, in developing a contract maintenance program for the Fruitridge Recreation and Park Service Area (CSA #4A), and currently in assisting the development of the Recreation and Park Reorganization report to the LAFCO Reorganization Commission.

Current Considerations

The District's Board has continually emphasized the importance of studying the efficiencies of reorganizing

service and has in the past attempted to carefully review all proposals for consolidations, annexations, and detachments.

The Board of Directors has recently gone on record in opposing the annexation of the Unincorporated South Sacramento Community Planning Area to the City for two reasons:

- 1) the additional cost to the taxpayers for providing most services. (P)
- 2) that the recreation and park services to be provided by the City will be more costly and do not guarantee the same level of services currently provided by the District. 17 (R)

This response was directly related to the annexation of territory to the City report composed by Assistant City Manager Mac Mailes.

Currently, scheduled for review by the Board of Supervisors is the LAFCO Reorganization Commission's report which recommends the reorganization of the Fruitridge Park and Recreation Service area, the Southgate Recreation and Park District, and a portion of County Service Area #4B. The Board of Supervisors is ultimately responsible for both the Fruitridge Service Area and CSA #4B.

Very recently, the fire districts in the area by Unanimous vote of their respective independent boards voted to consolidate effective July 1, 1981. This consolidation would involve the Fruitridge, Pacific, Florin and Rancho Cordova Fire Districts.

Also, the just recently completed Draft City of Sacramento Sphere of Influence drafted by David Wade, Assistant Executive Officer of the Sacramento Local Agency Formation Commission, is under study by the City and affected agencies inclusive of the South Sacramento Area Planning Council.

All of this extensive planning and report writing has gained additional impetus by the fiscal impacts created by the Jarvis-Gann/Proposition 13 Initiative which reduced property tax revenues to all local governments by fifty percent (50%).

Essentially, special district consolidation has been viewed as a solution to creating efficiencies of service and thereby allowing for cost reductions. At the same time, City annexation would create some of the same efficiencies but more importantly would provide a more diverse and capable revenue base for providing current services, as well as and more importantly, the delivery of surface water to the area.

Reorganization of Park and Fire Services In The Area

The California State Legislature through Assembly Bills 154 and 8 created and, in fact, mandated that County Boards of Supervisors throughout the State distribute additional revenues realized by the Counties through the State subventions of school districts. The legislation specifically encouraged the reorganization of local agencies to effect necessary cost savings in respect to the revenue curtailment imposed by Proposition 13.

As the result of that legislative direction, the Sacramento County Board of Supervisors formed a special LAFCO Reorganization Commission headed by Cortus Koehler, Chairman.

This Commission's efforts have been responsible for the reorganization of the Pacific, Florin, Fruitridge, and Cordova Districts effective July 1, 1981.

Annexation to the City of Sacramento

The City of Sacramento Sphere of Influence by David Wade, the Annexation of Territory to the City Report by Mac Mailes, the South Area Water and Alternative Structures Study by John Farrell, and other memorandum from LAFCO all focus on one central concept which is best summarized by Farrell in the water study:

"The City of Sacramento is still the one agency best capable of providing for all the service needs for the South Sacramento Community. It could best provide the needed water for development and possibly could assist the property owners with the financing of the distribution system. It would provide a single planning authority for both land use and municipal service delivery."¹⁸

The geographical logistics of service in the South Sacramento Community Planning area exemplify fragmentation and illogical boundaries. Fragmentation of service can be partially solved by the reorganization efforts of fire and park districts as has been noted, however, there still exists the problem of geographical service rendering. The Planning Area is bounded by the City, and in the event of annexation, it has been hypothesized that efficiencies of geographic logistics

of planning and of administration could be realized.

The Board of Directors of the Southgate Recreation and Park District along with their constituents and other taxpayers in the unincorporated planning area now possess a better opportunity to study City annexation due to the wealth of current published information which allows for some analysis of the questions of service delivery and cost.

The following sections devote themselves to just such an analysis using the City's Annexation of Territory report by Mac Mailes.

It should be noted that the City Council has not adopted the report ^(II) due to local constituents objections, however the report does provide a basis for analysis.

Specifically the analysis shall examine the net differences in financing the City's operation first from a cost or service perspective and secondly from a revenue viewpoint.

Comparative Analysis of Expenditures

Exhibit #II is based upon an attachment to Mailes' report, which delineates both costs and revenues, the intent herein is to measure the before and after annexation effects to be realized through City annexation.

EXHIBIT II

SOUTH SACRAMENTO COMMUNITY PLANNING AREA
COMPARATIVE ANALYSIS OF EXPENDITURES

Under Reorganized City and Under Present
Governmental Structure

	<u>Present</u>	<u>City Reorganized</u>	<u>Net Difference</u>
Police	2,975,000	3,192,864	217,864
Fire	3,221,187	1,926,621	(1,294,566)
General Government	150,000	150,000	-0-
(CETA Financed)		183,994	183,994
Recreation and Parks (Operations)	882,448	754,682	(127,766)
Recreation and Parks (Capital)	1,364,489	1,364,489	-0-
Planning	315,000	50,000	(265,000)
Building Inspection	150,000	50,000	(100,000)
Street Maintenance	860,000	1,010,000	150,000
Engineering	510,000	614,000	104,000
Water and Sewer (Capital)	-0-	650,000	650,000
Library	250,000	254,590	4,590
	<hr/>	<hr/>	<hr/>
TOTALS	<u>\$10,678,124</u>	<u>\$10,201,240</u>	<u>\$ 476,884</u>

Police Services

The present cost of police services in the planning area is based upon a projected cost of sheriff's services using the South Area Water and Alternative Structures Study wherein costs in 1978 were estimated to be \$1,750,000. Farrell, in his Analysis of Hypothetical Reorganization, estimated the cost of sheriff services to be \$2,000,000. Farrell also points out that under the present governmental structure the Highway Patrol provides service to the area which would be discontinued should annexation to the City occur. Farrell projects the cost of this service to be \$975,000.¹⁹

Mac Mailes' report on Annexation of Territory to the City identifies a cost of \$3,192,864 for police services in the planning area.²⁰

Although the net increase in police service costs is shown to be \$217,864, the actual cost attributable to the planning area is much greater because Highway Patrol service costs are financed through California-wide vehicle registration fee revenues. Considering the estimated loss of Highway Patrol Services at \$975,000 and the additional cost of City services at \$217,864, the net additional estimated cost of reorganized police services in the planning area could be estimated to be \$1,192,864. No determination of increases in the quality of police services can be estimated from present available information.

Fire Services

The City's staff projects a cost savings of approximately 40% or \$1,294,466 in providing fire services to the planning area which is presently served by the Florin, Pacific, and Fruitridge Fire Districts.²¹

Within the Draft City of Sacramento Sphere of Influence, David Wade of LAFCO notes that the Insurance Service Organization (ISO) provides a valuable rating tool for assessing the level of quality of fire service provided based on a number of factors including manpower, water requirements, equipment, and station location. Wade notes that the City plans fire stations so as to assure the availability of fire houses within two-mile service radiuses. According to ISO ratings, which utilize a descending value scale, the City's Fire Service provides a Class 2 rating while the Special Fire Districts provided between a Class 4 and 5 rating.²²

The significant cost savings and improved fire service rendered by the City could be due to all of the following reasons to some degree: Reductions in management overhead costs; improved utilization and coordination of equipment, manpower, and station houses; and elimination of overlapping services. The City and Special Districts currently traverse boundaries to provide fire services.

Within Mac Mailes report entitled Annexation of Territory to the City, a good example of the elimination of overlapping services is provided. In the report, which also examines the

reorganization of the Fruitridge Area, costs for Fire services prior to annexation are estimated to be \$316,493 and after City annexation to be \$0.²³ In essence, the report is saying that the City could eliminate the present Fruitridge Fire District and provide a better level of service to the area with the present in-City fire station logistics. This fact alone accounts for 10% of the 40% cost savings previously mentioned and provides a basis for hypothesizing that savings would result from eliminating some of the overlapping services of the City and Florin and Pacific Fire Districts while at the same time improving the ISO ratings of the areas.

Recreation and Parks (Operations and
Capital Improvements)

The City estimates that a savings of \$127,766 or 15% could be realized in Park and Recreation operational services currently provided by the Southgate Recreation and Park District and Fruitridge Area. The savings attributable to reorganizing services in the Fruitridge Area would amount to \$11,934 or 1% of the total projected 15% savings.²⁴ Since City maintenance and recreation personnel are paid considerably more than the same personnel at the Southgate Recreation and Park District many efficiencies would be necessary to realize such a significant cost reduction.

Solon Wisham, Jr., Director of the Department of Community Services, in a memorandum dated August 14, 1980 states that, the City's level of maintenance services for landscaped

areas exceeds that of Southgate and Fruitridge. Further, that buildings owned and operated by Southgate and Fruitridge are well maintained.²⁵ In the Draft City of Sacramento Sphere of Influence, David Wade of LAFCO states that Southgate has a reputation for excellent programming and facilities.²⁶ In John Farrell's, memorandum of May 21, 1980 entitled "Analysis of the Hypothetical Reorganization of the South Sacramento Community Planning Area" he states,

"It is assumed that the City's cost to provide services would be the same as or less than the district cost for such services. In all probability, the City cost may well be reduced because it could eliminate some, if not all, of the administrative overhead of these agencies."²⁷

If the City envisions better landscape maintenance services, then the savings must come from administrative services, recreational programming, and/or more effective and efficient utilization of maintenance manpower.

The District's Board has proposed consolidation with the Fruitridge service area to gain some of these efficiencies but in reviewing the City's annexation report has questioned such a significant cost reduction without a cutback in services. The Board could not conceive of such a dramatic reduction in cost (\$127,000) without some loss of service.

Capital development and acquisition for the Southgate Recreation and Park District has been financed since Proposition 13 almost exclusively through the County Land Dedication Ordinance and Federal and State Grants. The same is essentially true for the Fruitridge Service Area. The City

estimates that it would be able to secure the same types of acquisition and development grants for the area. In addition, the City would institute a park development revenue fee to finance capital improvements which would secure according to estimates, \$450,000 per annum.

Building Inspection, Street Maintenance
and Engineering

Herein, a substantial redistribution of funds is planned. It is impossible to make any evaluation of service differences from the present information.

Comparative Analysis of Revenues

Exhibit III compares the revenue differences before and after the hypothetical annexation of the Unincorporated South Sacramento Community Planning Area to the City.

EXHIBIT III

SOUTH SACRAMENTO COMMUNITY PLANNING AREA
COMPARATIVE ANALYSIS OF DIFFERING REVENUES

Under Reorganized City and Under Present
Governmental Structure

	<u>Present</u>	<u>City Reorganized</u>	<u>Net Difference</u>
Southgate Rec & Park District	475,055	521,590	46,535
Southgate Service Charges	134,359	144,010	9,651
Southgate Other Charges	33,590	41,300	7,710
Augmentation	72,261	-0-	(72,261)
Park Development Fees	-0-	450,000	450,000
Federal Funds CETA	339,591	-0-	(339,591)
Business License Tax	66,000	300,000	234,000
Franchise Tax	18,000	350,000	332,000
Utility Users Tax	-0-	1,200,000	1,200,000
License and Permits	432,000	450,000	18,000
Gas Tax	585,000	300,000	(285,000)
Cigarette Tax	300,000	165,000	(135,000)
Water Debt-Service	-0-	650,000	650,000
Unchanged Other Revenues	10,821,191	10,821,191	-0-
	<u>10,821,191</u>	<u>10,821,191</u>	<u>-0-</u>
TOTALS	<u>\$13,277,047</u>	<u>\$15,393,091</u>	<u>\$2,116,044</u>

The majority of revenues (approximately \$11 million) are estimated to remain constant in the hypothetical City annexation model. In John Farrell's Analysis of the Hypothetical Reorganization of the South Sacramento Community Planning Area, he identifies the fact that cities have a better revenue generating capacity and that cities receive a better distribution of state subventions than counties.²⁸

Some of the more significant revenue fluctuations that are responsible for the City realizing \$2.1 million in additional revenues are as follows:

Park Development Fees + 450,000

Provides for capital acquisition, development and improvements for parks and recreational facilities. The majority of current park development in the Southgate and Fruitridge Recreation Areas are accomplished through state and federal grants as well as the county's Land Dedication Ordinance.

Federal Funds CETA (\$339,591)

The City report indicates that no Comprehensive Employment and Training Act (CETA) revenues are to be utilized under the planning areas reorganization to the City. These are federal manpower funds that are easily accessible for the City's use.

Business License and Franchise Taxes + \$566,000

Farrell, in his Hypothetical Reorganization report, states that a charter or general law city has the capacity to use

these taxes as a revenue generating device rather than merely a regulatory device as it is for counties. Farrell's estimates were based on revenues in similar size cities. Inherently, this means a greater cost to business and ultimately consumers.

Water and Sewer (Capital)

Within the report on Annexation of Territory to the City, the annual cost for water and sewer services is estimated to be \$650,000. This per annum cost is a 30 year debt service fund based on \$8 million to acquire, replace and rehabilitate the existing privately and publicly owned water systems. The report notes that the cost could be financed through an additional monthly service charge of \$6 per month.

Given the annual projected costs of \$650,000 and annual per customer charges of \$72.00, the estimated number of water customers would be 9,028. Herein, the City is considering something less than the total planning area.

Utility Users Tax + \$1,200,000

Homeowners could expect to pay a five percent tax (5%) on their utility services including electricity, gas, and telephone. Estimates made by Farrell were based on similar sized cities.

Gas and Cigarette Taxes (\$420,000)

The state subvention through these taxes would be reduced as the result of incorporating the area into the City of Sacramento.

Water Debt-Service \$650,000

It is unclear which residents of the planning area would be taxed since the estimate clearly indicates a consumer base of 9,028 customers which would represent only a portion of the planning area.

Individual Taxpayer Costs

Based on a hypothetical household consumer, the residents of the planning area might experience the following additional costs relative to incorporation to the City.

<u>Cost Category</u>	<u>Monthly Cost</u>
Water (Additional Development)	\$6.00
Garden Refuse (Additional Service)	\$4.00
Utilities	\$5.00
Parks & Recreation Fees	(Unknown)

Annexation and Reorganization

Reorganization as Farrell has pointed out and as has been attempted by the District is critical to reducing costs. This concept should be further expanded on to include a Community Services District approach for uniting Fire, Recreation and Parks, Cemetary, Public Water and other governmental service districts in the South Sacramento Community Planning Area and beyond. The current status of the Fire District reorganization emphasizes this need and commitment.

Annexation to the City would provide an improved ISO fire rating, guarantee the delivery of surface water and possibly assure the delivery of quality services in the area. In the short run the political climate of the citizenry would need to be enhanced to assure a successful City annexation. From this perspective it would require the endorsements of the special districts and the Community Advisory Council to assure success.

The configuration of the Planning Area attests to the political consternation of the voters of the area. As district's become harder pressed in future years to finance their operations, this option will undoubtedly become more viable and politically palatable.

In the short run, the minimal increase that can be defined in relation to the City's probable operation in the area does not seem to prove to be an effective cost benefit decision at least as has preliminarily been decided by the Board of Directors of the Southgate Recreation and Park District.

The City's policy on retailing water must be clarified before any further planning or decisions can be made. Specifically, the City Council must be asked:

What working policy will the City use in respect to ⁽¹²⁾ retailing surface water within the City's Water Rights Application Area and to which water purveyors (public or private) will the City wholesale said water?

Should the City refuse to retail water to the unincorporated South Sacramento Planning Area, a local district or districts, the County, the South Sacramento Area Planning Council or a combination thereof may wish to bring said refusal to the attention of the State Water Resources Control Board. The Board has the clout in determining the lack of due diligence to require more effort on the part of the City by limiting or revoking their license.

Should the City respond by indicating a willingness to wholesale water only to public purveyors, Farrell's report should be utilized as a basis for determining other viable options such as the latent powers of a Community Services District.

FOOTNOTES

Section II

¹John S. Farrell, Executive Officer, Sacramento Local Agency Formation Commission (L.A.F.C.O.), Memorandum to the Commission regarding Massie detachment, Sacramento, CA 4 November '77.

²Robert G. Overstreet, General Manager, Southgate Recreation and Park District, letter to L.A.F.Co regarding Massie detachment, Sacramento, CA 20 September '76.

³Keith L. Roberts, Fire Chief, Florin Fire District, letter to L.A.F.Co regarding Massie detachment, Sacramento, CA 20 September '76.

⁴William B. Stradley, General Manager, Citizens Utilities, letter to L.A.F.Co regarding the Massie detachment, Sacramento, CA 10 September '76.

⁵Howard P. Tillotson, Chairman of the Board of Directors, Southgate Recreation and Park District, letter to L.A.F.Co regarding Hewitt detachment, Sacramento, CA 18 April '78.

⁶John S. Farrell, Executive Officer, Sacramento Local Agency Formation Commission (L.A.F.Co), Southarea Water and Alternative Structures Study, Sacramento, CA 9 February '78 p. 6-8.

⁷Ibid., p. 20.

⁸Ibid., p. 21

⁹Ibid., p. 20

¹⁰Ibid., p. 21

¹¹Water J. Slipe, City Manager, City of Sacramento, letter regarding official City water policy, Sacramento 27 January '77.

¹²John S. Farrell, Executive Officer, Sacramento Local Agency Formation Commission (L.A.F.Co), Southarea Water and Alternative Structures Study, Sacramento, CA 9 February '78, p.13.

¹³ Earnest Miller, Senior Engineer, Permits and Licenses, State Water Resources Control Board (S.W.R.C.B.), interview regarding (S.W.R.C.B.) policies and procedures, Sacramento, CA 16 October '80.

¹⁴ Anne Rudin, City Councilperson, Chair of the Planning and Community Development Committee, memorandum recommending that the unincorporated south Sacramento area annexation not be adopted, Sacramento, CA 12 November '80.

¹⁵ Board of Directors of the Sacramento County Water Agency, CH₂ M Hill Plan, Sacramento County Water Plan, Sacramento, CA 14 February '78, p. 1-2.

¹⁶ Ibid., p. 11.

Section III

¹⁷ Board of Directors of the Southgate Recreation and Park District; minutes of Regular Board Meeting, Sacramento, CA 7 October '80.

¹⁸ John S. Farrell, Executive Director, Sacramento Local Agency Formation Commission (L.A.F.Co), Southarea Water and Alternative Structures Study, Sacramento, CA 9 February '78, p. 20.

¹⁹ John S. Farrell, Executive Director, Sacramento Local Agency Formation Commission (L.A.F.Co), Analysis of the Hypothetical Reorganization of the South Sacramento Community Planning Area, Sacramento, CA 21 May '80, p.3-4.

²⁰ Mac Mailes, Assistant City Manager for Community Development, City of Sacramento, Annexation of Territory to the City, Sacramento, CA 29 September '80, p. 9.

²¹ Ibid., p. 9

²² David A. Wade, Assistant Executive Officer, Sacramento Local Agency Formation Commission (L.A.F.Co), Draft City of Sacramento Sphere of Influence, Sacramento, CA 15 October '80, p. 171.

²³ Mac Mailes, Assistant City Manager for Community Development, City of Sacramento, Annexation of Territory to the City, Sacramento, CA 29 September '80 p. 9.

²⁴ Ibid., p. 9-10.

²⁵ Solon Wisham Jr., Director of the Department of Community Services, City of Sacramento, memorandum regarding recreation and park services in the unincorporated south Sacramento area, Sacramento, CA 14 August '80.

²⁶ David A. Wade, Assistant Executive Officer, Sacramento Local Agency Formation Commission (L.A.F.Co), Draft City of Sacramento Sphere of Influence, Sacramento, CA 15 October '80, p. 172.

²⁷ John S. Farrell, Executive Director, Sacramento Local Agency Formation Commission, (L.A.F.Co), Analysis of Hypothetical Reorganization of the South Sacramento Community Planning Area, Sacramento, CA 21 May '80, p. 3.

²⁸ Ibid., p. 1-10.

REPORTS AND OTHER RELATED INFORMATION



RESOLUTION NO. 80-20

TITLE: RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTHGATE RECREATION AND PARK DISTRICT OPPOSING THE DRAFT CITY OF SACRAMENTO SPHERE OF INFLUENCE

WHEREAS, the Board of Directors of the Southgate Recreation and Park District upon thorough study and review of the draft report entitled City of Sacramento Sphere of Influence, hereby formally opposes said report in terms of its application to the unincorporated area of south Sacramento; and

WHEREAS, the Board has a responsibility to its constituents to review and analyze such proposals in respect to efficiencies of services and cost/revenue constraints; and

WHEREAS, the Board has traditionally reviewed and proposed reorganizations, consolidations and annexations in attempts to gain said efficiencies; and

WHEREAS, the Board reaffirms its commitment to analyzing and reviewing such proposals.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Southgate Recreation and Park District hereby formally opposes the draft City Sphere of Influence report developed by the Local Agency Formation Commission of Sacramento based upon the following considerations:

1. That the report identifies immediate annexation to the City from the unincorporated area of south Sacramento and as such may be viewed as a recommendation for annexation rather than merely a study of its feasibility.

2. That the report does not adequately identify the efforts to reorganize services by districts in the area which would gain efficiencies and effect the immediate timetable as set forth in the report for annexation to the City.

3. The report does not identify voter opposition to City annexation in the south Sacramento area while it does identify voter opposition in the Arden/Arcade area.

4. The citizenry of the unincorporated area of south Sacramento have traditionally opposed annexations to the City of Sacramento.

5. Annexation to the City will require additional costs to taxpayers with no guarantee of an appreciable increase in services.

6. The report identifies water as a critical issue to the south Sacramento area but does not identify the apparent conflicting policies of the City on retailing water to the area which is a part of the City Water Rights Application area.

7. City annexation provides no guarantee that recreation and park services would increase or maintain the same level.

8. Although ISO ratings for fire services would increase from a rating of 4 to a rating of 2 on an ascending scale, this factor is not significant in respect to negligible decreases in insurance costs.

PASSED AND ADOPTED, by the Board of Directors of Southgate Recreation and Park District this 16th day of December 1980, by the following vote to wit:

AYES:

EDD SMITH, CHAIRMAN

NOES:

ABSENT:

ROBERT COCHRAN, CLERK



BOARD OF DIRECTORS

Robert D. Cochran
Kathryn J. Donohue
Jack N. Sheldon
Edwin A. Smith
Howard P. Tillotson

SOUTHGATE RECREATION & PARK DISTRICT

DISTRICT HEADQUARTERS / TRAILHEAD PARK / POST OFFICE BOX 8635
6000 ORANGE AVENUE / SACRAMENTO 95823 / (916) 428-1171

GENERAL MANAGER

Patrick O'Brien

December 17, 1980

The City Council
City of Sacramento
City Hall
915 I Street, Room 202
Sacramento, CA 95814

Dear Honorable Council Members:

The Board of Directors of the Southgate Recreation and Park District has traditionally been concerned with the purveyance of water in the unincorporated area of south Sacramento. As a result of detachments from the District to the City of Sacramento which resulted from issues revolving around the purveyance of water, this Board along with other agencies of the area requested the Sacramento Area Local Agency Formation Commission to draft the South Area Water and Alternatives Structure Study which was completed in February 1978. At that time, the effected agencies became aware of the fact that the water issue was complicated due to the overdrafting of the ground water table. The South Area Water and Alternatives Structure Study, written by John Farrell of LAFCO, reports that:

"It has been a long standing but informal policy of the City of Sacramento not to extend new retail service to unincorporated area properties even though the City code allows for the retailing of water outside the City limits. There has been no indication that the City is willing to amend this policy.

Informal conversations with the City Manager's Office indicate that City policy (even though the City code allows it) on retailing water to unincorporated area properties will remain unchanged."

At your regular meeting of January 18, 1977, your Council adopted an official position relative to the then proposed Sacramento County-Wide Water Plan prepared by CH₂ M. Hill.

"...Willingness to participate in any action to improve the county-wide water situation consistent with high standards of effectiveness and equity. Such acts would include but not necessarily be limited to:

Ltr to Sacramento City Council
re: City Annexation Proposal

December 17, 1980

- a. The sale of water to retail purveyors within the City's water rights application area."

The Southgate Recreation and Park District's Board of Directors has identified two apparent conflicting policies of the City of Sacramento in respect to retailing water to the unincorporated south Sacramento area. Specifically, the Board requests that your Council address the following questions:

1. What is the official policy of the City of Sacramento in respect to retailing water to both private and public purveyors in the unincorporated South Sacramento Community Planning Area?
2. Specifically, what public purveyors of water and private water purveyors will the City of Sacramento retail purified water to in the South Sacramento Community Planning Area?

Our Board is requesting clarification on these items after considerable review of the issues of water purveyance in the area and recent reports and analysis by the City of Sacramento, LAFCO, and our agency. Our findings and conclusions in respect to these identified problems and analysis are contained within the attached report and resolution.

Our Board hereby requests that your Council formally address the above questions and respond to these inquiries prior to January 30, 1981. This request is based upon a unanimous consent by the Board of Directors of the Southgate Recreation and Park District.

Sincerely,

EDD SMITH
Chairman

ES:dt

SOUTH AREA WATER
AND
ALTERNATIVE STRUCTURES STUDY

John S. Farrell
Executive Officer
SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

ALTERNATIVE MEANS AVAILABLE FOR EXTENDING WATER SERVICE TO UNSERVED PROPERTIES

There are several alternatives available, some more reasonable than others, for the extension of water service to the area.

The alternatives are as follows, and listed in terms of what might be considered practical and logical, not in terms of political feasibility.

1. Annex the unserved properties and generally all the unincorporated territory east of Stockton Boulevard to the City of Sacramento in order to provide the area with water and all other municipal services.
2. If the City is unwilling or unable to annex the unserved territory and/or the remainder of the Fruitridge Pocket, encourage the City to retail water outside of its corporate boundary.
3. If the City cannot or is unwilling to provide the necessary water, for one reason or another, extend the actual service capability of Citizens Utilities into the unserved area.
4. If Citizens is unable or unwilling to serve the area, annex the territory to an existing special district or private purveyor capable of providing water service.
5. If the first four alternatives are not viable, attempt to provide water service through the use of the "latent powers" of an existing special district within the community plan area.
6. If all else fails, create a new dependent water district.

Regardless of which alternative is selected, a water assessment district or similar device should be formed to finance and construct the water supply and distribution system for the unserved properties. The Water Resources Division of the Department of Public Works has estimated that it could cost \$ to construct a distribution system for the unserved area. This is the capital cost of constructing the system only and does not include the cost of developing a source; i.e., either purchasing water from the City or raising the water from wells.*

EXAMINATION OF ALTERNATIVES

ALTERNATIVE NO. 1 - ANNEXATION TO THE CITY OF SACRAMENTO FOR WATER AS WELL AS FOR OTHER MUNICIPAL SERVICES

Annexation to the City has long been discussed and proposed as a reasonable and efficient method of providing water as well as other municipal services (fire, police, park and recreation, etc.) to the unserved properties, the "Pocket", ** and other unincorporated properties within the community plan area.*** This is still a reasonable and feasible method of extending all municipal services to the unserved area and the remainder of the planning area.

Water Rights

The City of Sacramento has surface water rights from both the Sacramento and the American Rivers. The City's surface water rights are of two types: historical appropriative rights and permits from the State Water Resources Control Board.

* NOTE: The only reasonable alternative to the formation of an assessment district or similar device would be a commitment by either the County or City (if annexed) to utilize general revenue sharing, C.D. block grant funding or other monies, to finance the distribution system.

** Fruitridge Pocket.

*** Preliminary findings indicate that the entire South Sacramento planning area will logically fall within the sphere of influence for the City of Sacramento.

The differences between the two types of surface water rights and the overall significance of the City's permits from the State Water Resources Control Board are explained in the following extract* in the text and under Alternative No. 2.

Historical Appropriative Rights

Stated simply, the historical basis of surface water rights law in California is whoever diverts water from its natural course of flow and puts it to a beneficial use is entitled to that quantity of water. Courts recognize and protect such a right on a "first come, first serve" basis. Since the City has diverted water from the Sacramento River for domestic uses since 1854, it has been estimated that we have the right to approximately 36.8 cubic feet per second (CFS) in this manner. In view of our rights under State Water Resources Control Board permits, this historical right is of little significance.

Permits From the State Water Resources Control Board (SWRCB)

Since the 1920's, the procedure for gaining surface water rights has been formalized through a system of permits and licenses issued by the SWRCB, indicating, inter alia, the maximum rate of water they anticipate diverting, the manner in which the water will be diverted, how long it will take to reach the maximum rate, the beneficial use to which the water will be put, etc. Following an opportunity for interested parties to make a formal protest and following a hearing, the SWRCB will issue a permit specifying the maximum rate of water which can be diverted, and the date by which the application of the water to the proposed use must be completed.

* Memo from Terence Brown, City Attorney to Mac Mailes, Assistant City Manager, C.D.

Diversion Permit Area

The City's water diversion permit area (water rights application area)--the territory which the City can ultimately service--encompasses a much larger area than the corporate boundary of the City of Sacramento. The diversion permit area is shown on the map in Table of the Appendix. It is generally bounded on the north by the City Limits, Bell Avenue and Myrtle Avenue; on the east by Walnut Avenue and Bradshaw Road; on the south by Sheldon Road; and on the west by the County Line.

The southern portion of the City's diversion permit area includes the entire unserved triangle and much of the area under study.

City Water Entitlement

The City is currently utilizing about 100,000 acre feet of water per year. The total entitlement is 326,800 acre feet* for the entire water rights application area. The City is using slightly over 30% of that authorized. But, it must be stated that the City is not serving its entire application area (approximately 60%). It would appear, nevertheless, as if the City has ample water to provide for its own current needs, enough water to meet its immediate future needs and to serve the territory in question.

* Permit #992 has a priority of March 30, 1920. It authorizes a maximum rate of diversion from the Sacramento River of 225 CFS all year round, subject to an annual limitation of 81,800 acre feet (a constant flow of 225 CFS for a year would equal 160,000 acre feet). The application of the water to the proposed uses must be made by December 1, 1978.

Permits #11358 and 11361 have priorities of October 29, 1947 and September 22, 1954, respectively. They authorize maximum rates of diversion from the American River of 500 CFS and 175 CFS respectively, from November 1 to August 1 of each year. The application of the water to the proposed use must be made by December of 2030.

Permits #11359 and 11360, which were assigned to the City by SMUD, have priorities of February 13, 1948 and July 29, 1948, respectively. Permit 11359 authorizes a maximum diversion of 310 CFS from November 1 to

Infrastructure

The City has a 30 inch transmission line near the study area. It runs down Power Inn Road to Elsie Avenue and follows Elsie Avenue to Mack Road. It is conceivable that the City could tap into this line at any of several points and provide a source of water to unserved properties.

In sum, the source is available, the infrastructure is reasonably close and the City can legally serve the area. Alternative No. 1 is the most logical solution to the problem, but political feasibility still remains questionable.

August 1 of each year, plus 275,000 acre feet per annum storage from Silver Creek and the South Fork of Silver Creek. Permit #11360 authorizes a maximum diversion of 500 CFS from November 1 to August 1 of each year, plus 314,000 acre feet per annum storage from the South Fork Rubicon River, the Rubicon River, and Rock Bound Creek. The application of the water to the proposed uses must be made by December 1, 1980.

ALTERNATIVE NO. 2 - REQUEST A CHANGE IN THE CITY'S INFORMAL
RETAILING POLICY TO UNINCORPORATED AREA PROPERTIES

If annexation is not a viable alternative for one reason or another, the City of Sacramento could agree to retail water to the unserved area properties. It currently serves three small areas of the Fruitridge Pocket.*

Sacramento's Policy on Retailing City Water to the Unincorporated
Area Properties

It has been a long-standing but informal policy of the City of Sacramento not to extend new retail service to unincorporated area properties even though the City Code allows for the retailing of water outside the City limits.** There has been no indication that the City is willing to amend this policy.

Informal conversations with the City Manager's Office indicate that City policy (even though the City Code allows it) on retailing water to unincorporated area properties will remain unchanged.

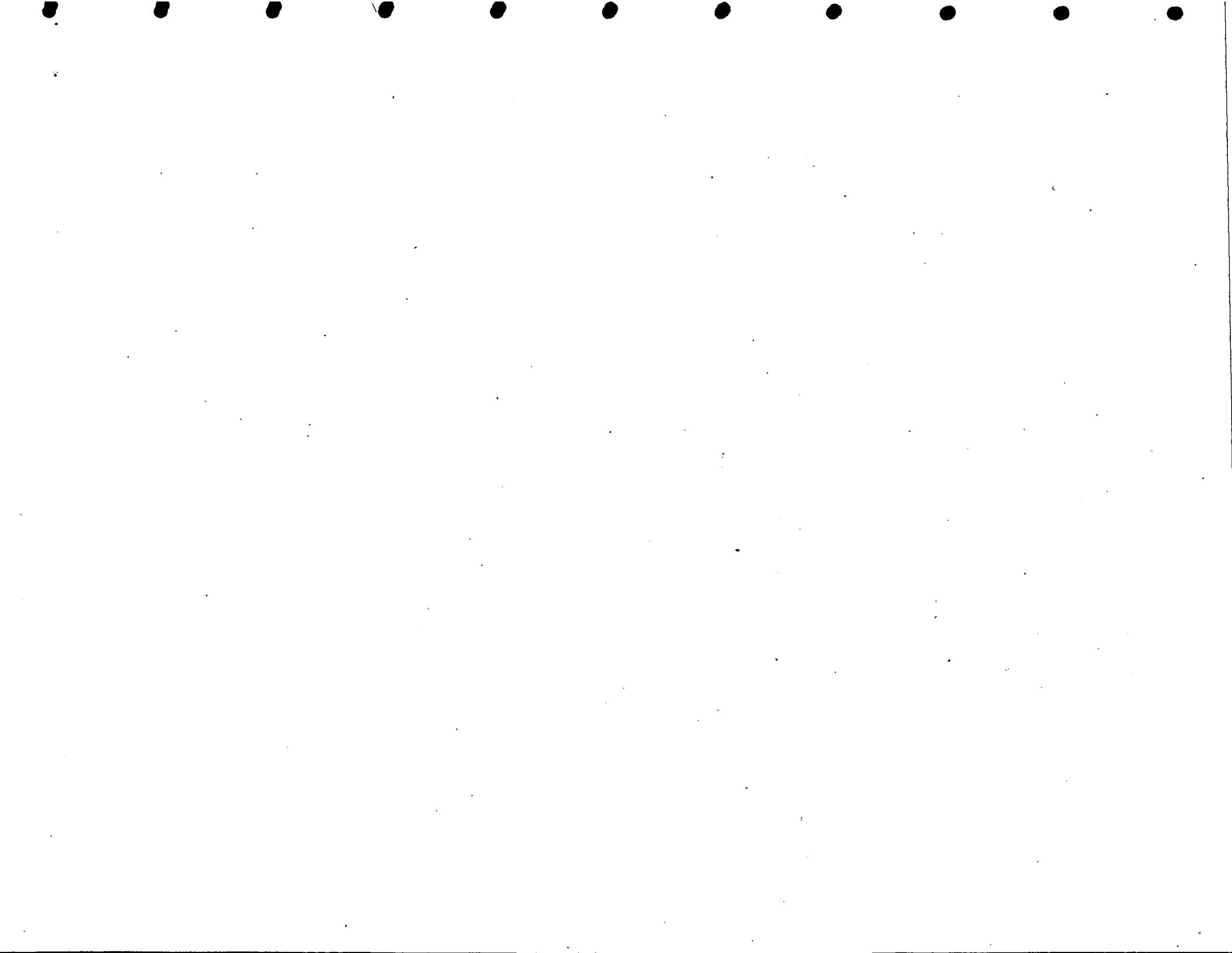
The City Council recently issued the following statement in response to the Sacramento Countywide Water Plan:

"Willingness to participate in any action to improve the countywide water situation consistent with high standards of effectiveness and equity. Such act would include but not necessarily be limited to:

- a. The sale of water to retail purveyors within the City water rights application area.
- b. Participation in any regional planning effort relative to the adequate provision of surface water to prospective customers.

* There are three small areas (approximately 1,600 customers) within the Fruitridge Pocket which receive retail City water. These cases are the exception to the policy. Two of the areas were previously served by the Southern California Water Company and the third by the Kirchgater Water Company. Annexations to the City during the 1950's and 1960's caused the City to purchase the two water companies. Unfortunately, the entire service area of each purveyor was not annexed to the City. The City agreed at the time to provide water service to those areas not annexed but formerly served by the two water companies.

** Provisions within the Sacramento City Code (Section 47.303) allow for the sale of water outside the City limits.



- c. Continuing to plan and provide excellent supply and distribution systems within the City's water rights application area.
- d. Participating in interties and stand-by systems that improve or expand the capacity, capability or safety of urban and agricultural water users."

The City's response to the CH2M Hill Plan reinforces its earlier policy to wholesale water* to retailers but does not mention retailing directly to unincorporated area customers.

Preserving and Perfecting the City's Water Rights

It has been assumed by some that provisions within the City's water rights permit might force the City to retail water directly to unincorporated area customers. The City's water rights permit indicates that "the permittee must 'perfect' his rights by building the necessary facilities, diverting the water, and putting it to beneficial use within an allotted time."** The time specified in the permit often expire, however, before the permittee can use the full amount of water authorized. In this case, an extension is normally granted if the permittee can show that he is exercising due diligence in developing the facilities necessary to divert the water, and that it is reasonable to believe that the amount of water he will need is greater than that which is presently used. The City has been successful in preserving its water rights by invoking this clause. Each time one of its permits was about to expire, the City projected additional growth. Since it had not used the full amount of water authorized by the permit, the City has sought and been granted further time in which to put the surplus to beneficial use."***

* City Code Section 47.

** Permit No. 992 - December 1, 1978; Permit Nos. 11358 and 11361 - December 2030; Permit Nos. 11359 and 11360 - December 1, 1980.

*** Terence Brown, Deputy City Attorney.

The City is not, therefore, under either a time constraint or actual mandate to perfect its water rights by the various deadlines. If the City was "under the gun" to perfect its rights by the deadlines, then it would be a prudent move on the part of the City to begin retailing water outside of its corporate boundary.

Thus, if the City changes its policy on retailing water to unincorporated area customers, it will do so at its own discretion and not as a result of the need to perfect its water rights within the diversion permit area.

Alternative No. 2 would appear viable at this time if the City could not annex, and if the City would amend its informal policy and agree to retail water in the unincorporated area.

ALTERNATIVE No. 3 - EXTEND THE SERVICE AREA OF CITIZENS UTILITIES COMPANY

The extension of Citizens Utilities service area is a reasonable and logical method of providing water to the unserved area if the area is to remain unincorporated and if the City is unwilling to retail water outside of the City limits.

Firstly, the subject territory lies within the franchise area of Citizens Utilities. Secondly, Citizens Utilities has filed an application with the State Public Utilities Commission (PUC) to extend service to the subject territories.* Finally, Citizens Utilities serves all of the surrounding unincorporated area properties.

Water Extension and the Private Utility (Public Utilities Commission Rule 15)

PUC Rule 15, the main extension rule, is an administrative regulation governing the expansion of private water utilities and, therefore, would control the expansion of water service within Citizens' franchise area.** Rule 15 states that any individual requesting an extension of service is required to pay full up-front costs for the new service. He is then reimbursed incrementally, over a period of time, (20 years), as new users tie onto the line.***

* The application has been approved by the Public Utilities Commission.

** PUC Rule 15 does not apply where assessment districts have been established to finance water distribution systems.

*** The requirement that the developer provide full up-front costs for main extensions protects the private purveyor and its existing customers; i.e., the purveyor does not have to borrow the funds necessary for the main extension if the developer is required to provide the capital. If the purveyor had to borrow the funds, the ensuing loan plus interest would then be amortized by all users in the service area through increased water rates. This approach would benefit the requestor at the expense of all other users in the service area.



CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

January 27, 1977

CITY HALL
915 I STREET - 95814
(916) 449-5704

Mr. Brian H. Richter, Director
Public Works
827 - 7th Street, Room 304
Sacramento, California 95814

Dear Mr. Richter:

At its regular meeting of January 18, 1977 the Sacramento City Council adopted an official position relative to the proposed Sacramento County-Wide Water Plan prepared by CH2M Hill.

That position is set forth in the following elements:

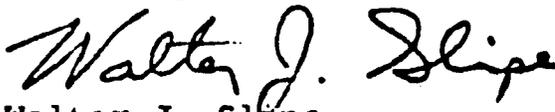
1. Opposition to any externally imposed erosion of city water rights. There is no surplus within the Water Rights Application Area of the City of Sacramento. All water rights are planned for and in the process of being perfected and put to beneficial use within the application area.
2. Opposition to the imposition of any taxes or charges which provide no demonstrable benefit to residents of the City of Sacramento including regional administrative costs and charges for facilities of any kind which don't directly provide water in adequate amount and quality to residents of the city.
3. Opposition to erosion of the city's autonomous control of the expansion, operation, and maintenance of its water supply system, or its water rights.
4. Support of realistic, regional water plans consistent with the requirements set forth above.
5. Support of the County Water Agency or other regional entity in procuring and perfecting water rights for those areas deficient in such rights outside of the Sacramento City Water Rights Application Area.
6. Support of any equitable system for providing necessary water distribution facility development outside the City of Sacramento.

7. Willingness to participate in any action to improve the county-wide water situation consistent with high standards of effectiveness and equity. Such acts would include but not necessarily be limited to:

- (a) The sale of water to retail purveyors within the city's water rights application area.
- (b) Participation in any regional planning effort relative to the adequate provision of surface water to prospective consumers.
- (c) Continuing to plan and provide excellent supply and distribution systems within the city's water rights application area.
- (d) Participating in interties and stand by systems that improve or expand the capacity, capability or safety of urban and agricultural water users.

If you wish to discuss this matter or need further information, please call Mac Mailes, Assistant City Manager for Community Development, at 449-5704.

Sincerely,



Walter J. Slipe
City Manager



Sacramento

COUNTY WATER PLAN

Policy Report

ADOPTED
FEBRUARY 1978

BOARD OF DIRECTORS
SACRAMENTO COUNTY
WATER AGENCY

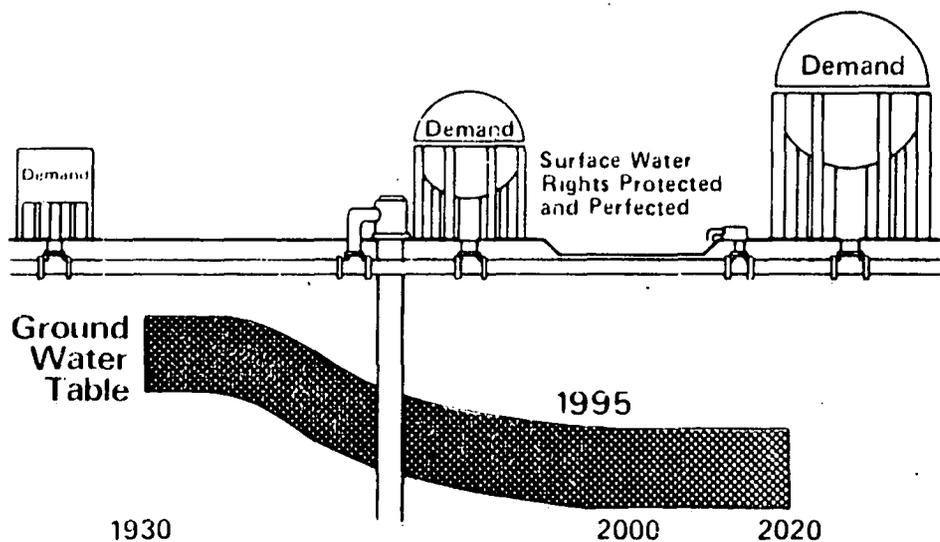
1 - The Adopted County Water Plan

On 14 February 1978, the Board of Supervisors of Sacramento County acting ex officio as Board of Directors of the Sacramento County Water Agency adopted the following policies:

1. *Ground water overdraft must be halted by the year 2000 or earlier.*

This is the key to the water plan, and from this policy stem the remaining provisions of the adopted water plan. Conjunctive use of ground and surface waters with the objective of stabilizing ground water levels is therefore the primary water management objective within Sacramento County. Contracting for surface water must proceed immediately to assure its availability for future generations. Further, planning for facilities and financing to distribute surface water to areas dependent solely on ground water must be completed in the near future. Conjunctive use operations throughout the County must be implemented to ensure that water rights obtained will be perfected and retained.

1 Safe Yield Operation



2. *Unused City of Sacramento water entitlements must be put to beneficial use.*

A comprehensive plan must be developed to serve water to the area outside the City limits but within the City's water rights application area. The plan must provide for orderly development of water supply facilities for treated surface water through the City system or for raw water from the City's entitlement. Contracts must be executed between the City and various purveyors or overlying agencies desiring treated water in blocks of sufficient quantity to warrant expansion of the City's water treatment facilities.

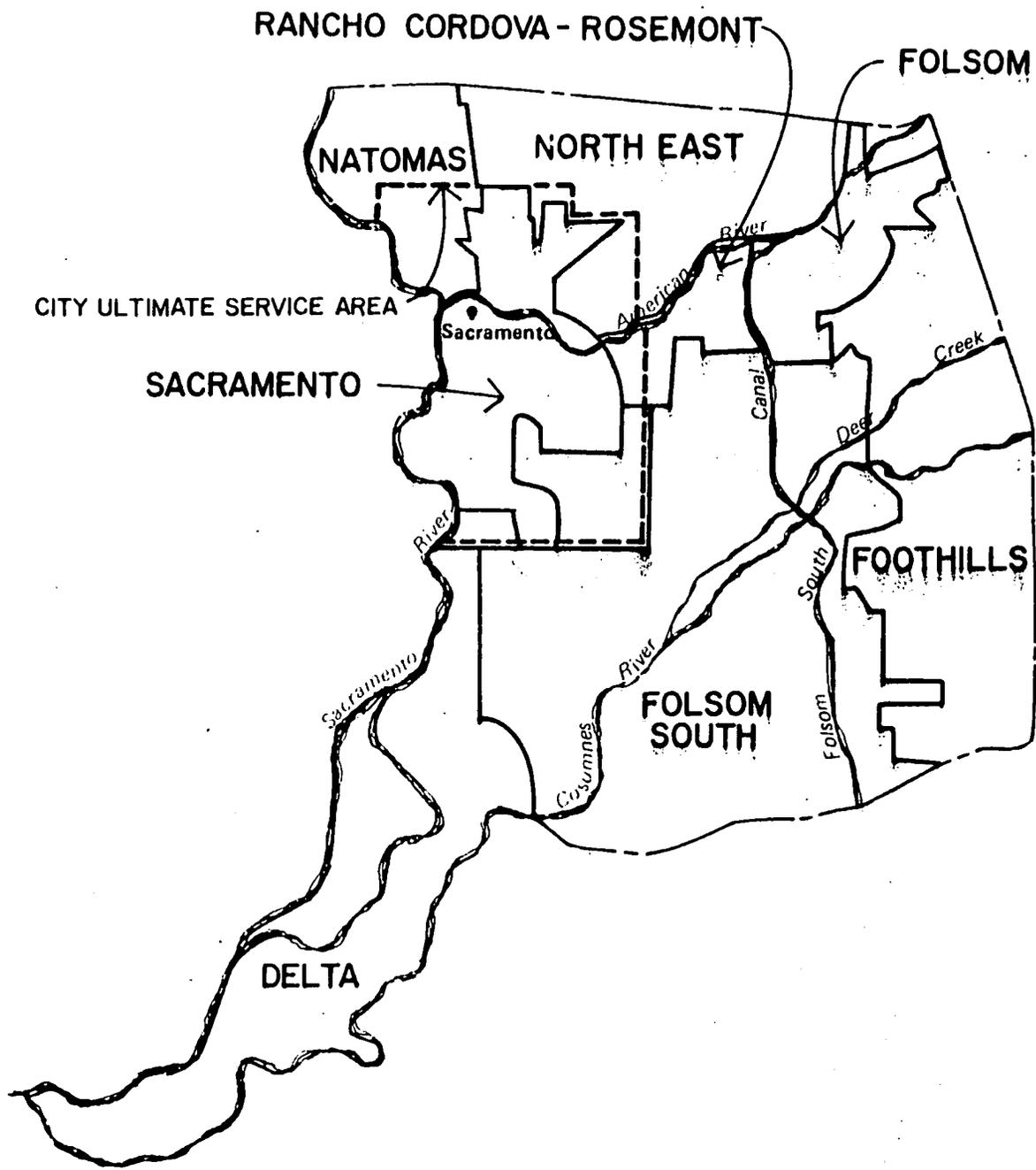
3. *The City of Folsom must provide water to its ultimate service area.*

The City of Folsom is undertaking a study to provide water service to its entire service area, including the former service area of the Natomas Company east of Sunrise Boulevard and north of White Rock Road. The City is also planning for service to the McDonnell-Douglas property east of Sunrise Boulevard and north of Douglas Road. The ultimate water supply and management plan for this area must be consistent with the conjunctive use objectives of the adopted County Water Plan.

4. *A water management and supply plan for the northeast area of Sacramento County must be completed before July 1980.*

The water purveyors in the northeast area shall develop their own water plan for that area, including the Arden-Arcade area, Arcade County Water District's North Highlands area, Northridge Park County Water District, Arvin Water Company, Citizens Utilities Company, and Carmichael Irrigation District in addition to the present San Juan Suburban Water District wholesale area (Citrus Heights Irrigation District, Fair Oaks Irrigation District, Orangevale Mutual Water Company, and San Juan Suburban's retail areas). The plan shall contain all the organizational, physical, financial, and environmental elements necessary for its implementation.

Should the agencies in the northeast area be unable to agree on a plan by July 1980, a zone of the Sacramento County Water Agency will be formed in the area because of the urgent need to secure surface water rights for parts of the area along with a plan to perfect those rights. The Sacramento County Water Agency will then prepare a detailed plan, execute necessary water contracts, obtain from



2 Geographic Areas

2 - Discussion

INTRODUCTION

Historically, Sacramento County has enjoyed an enviable wealth of water resources. Two of the State's major rivers, the Sacramento and the American, converge in the northern portion of the County while the Cosumnes River traverses the south area. In addition, there has existed an abundance of high quality ground water throughout most of the County. This water was inexpensive to develop and contributed significantly to both domestic and commercial development.

*Ground
water
levels
are
falling...*

Since the late 1940's, however, Sacramento County has experienced rapid urbanization generally, as well as an expansion of agricultural operations in the south area. For the most part, the growing water demands associated with this development were met from ground water resources. As a result, large portions of the County are now using ground water faster than it can be replenished. In these areas of ground water overdraft, the water table has fallen more than a foot each year since 1940. This problem was further aggravated by the drought of 1976-1977. Although voluntary conservation measures taken by homeowners and water purveyors softened the detrimental impact of the drought in urban areas, ground water tables in the southeast area dropped significantly due to the year-round pumping which became necessary to maintain crops.

*Studies
confirm a
need for
action...*

In 1969, concern for falling water tables prompted the Sacramento County Board of Supervisors to execute an agreement with the State Department of Water Resources to undertake a comprehensive study of the County's water resources. The study was completed in 1975, with the publication of Department of Water Resources Bulletins 118-3, *Evaluation of Ground Water Resources in Sacramento County* (July 1974), and 104-11, *Meeting Water Demands in Sacramento County* (June 1975). The study recommended that a county-wide conjunctive use water plan be developed to stabilize ground water levels.

In May of 1975, the Board authorized the hiring of a consultant to develop the county-wide plan and established a Technical Advisory Committee (TAC), composed of representatives from 24 major water purveyors in the county. On the recommendation of the TAC, the consulting firm of CH2M HILL was retained by the Board of Supervisors to develop the plan.

the Folsom South agricultural area for delivering water to 40-acre parcels. Expand the three existing districts and create a fourth to retail water in the Folsom South service area.

4. Financing. Utilize a combination of county-wide ad valorem taxes for administration and zone ad valorem taxes and ground water extraction charges in areas benefiting from the importation of additional surface water.

More input followed...

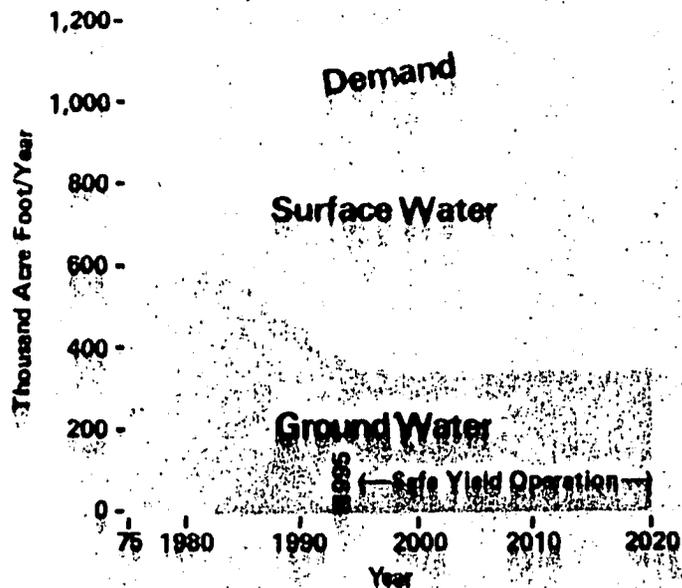
The members of the Technical Advisory Committee supported the proposed water plan by a majority of those voting. But testimony presented by organizations and individuals attending the 19 October hearing revealed a formidable body of opposition to a county-wide water management agency and to county-wide ad valorem taxes. Many valid alternatives were suggested.

The urbanized northeast area of the County had begun to develop its own plan to provide surface water through the San Juan Suburban Water District's facilities to areas solely on ground water, including Arcade County Water District's North Highlands area, Northridge Park County Water District, Arvin Water Company, and Citizens Utilities Company. In addition, Carmichael Irrigation District and Northridge were exploring surface water supply alternatives.

The City of Sacramento felt that there would be no benefit to the City from implementation of a county-wide water plan warranting taxation of City residents. The City indicated willingness to make its surface water available to areas outside the City.

Spokesmen for the agricultural Folsom South area indicated there is a need for a mechanism to recover costs of surface water percolating to recharge the ground water basin and to coordinate the activities of the agricultural water districts. Any water management agency formed should be responsive to agriculture; landowners are opposed to conditioning water delivery on access to private lands along the Cosumnes River and other streams in the area.

The Natomas Central Mutual Water Company in the northwest part of the County and the North Delta Water Agency in the southwest both felt that they had taken care of their water supply problems; they are multi-county agencies, and they felt that they should not be part of a county-wide water management agency.



5 Conjunctive Use Plan

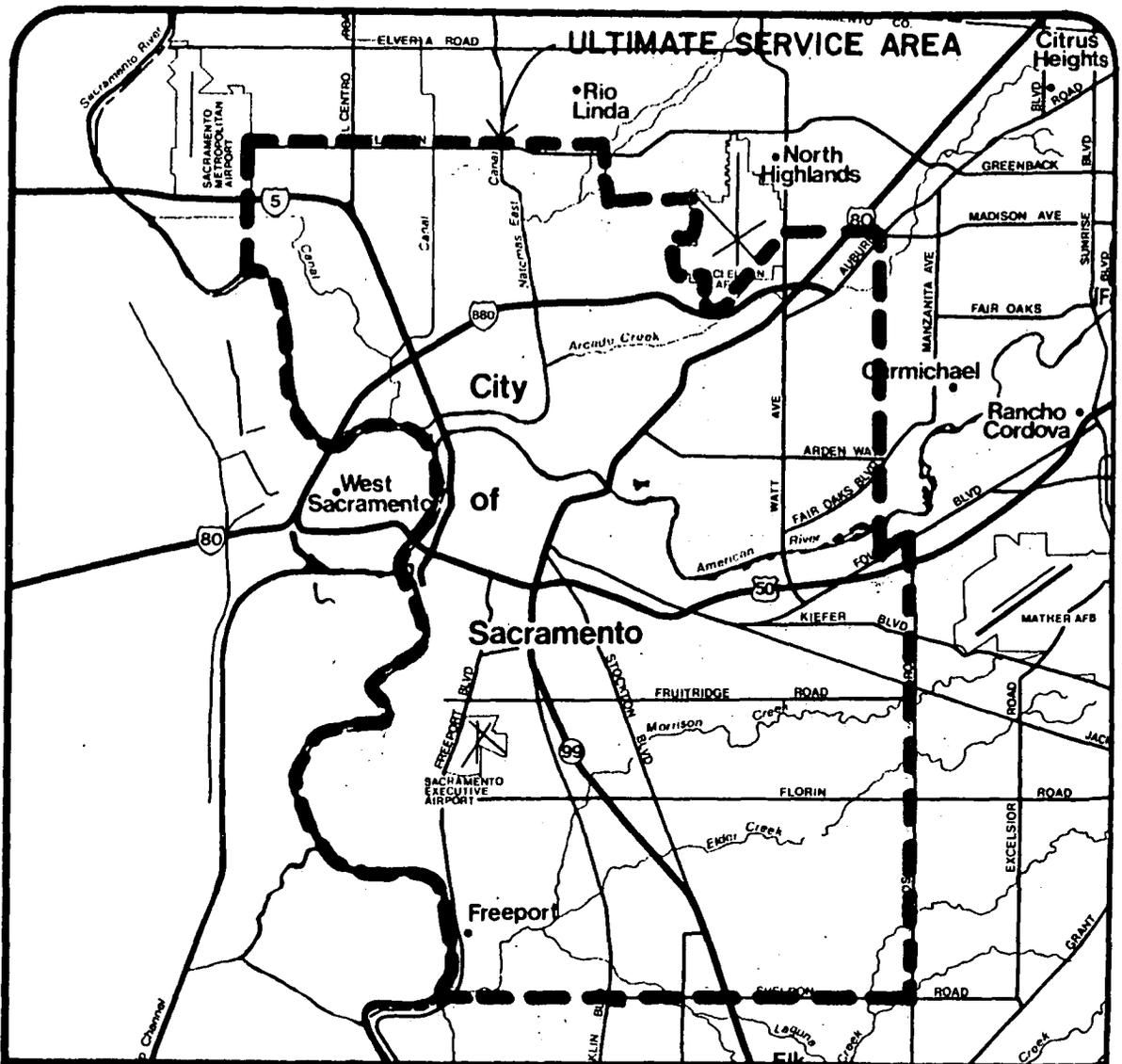
planning for facilities and for financing to distribute surface water to areas dependent solely on ground water must be completed in the near future. Conjunctive use operations throughout the County must be implemented to ensure that water rights obtained will be perfected and retained.

City of Sacramento

The City of Sacramento relies on surface water for its municipal and industrial water supply, since it has rights to an abundance of such water. Although the City is currently using only about 85,000 acre-feet of water annually, it has assured entitlements to a total of 326,000 acre-feet annually. Because of this, the City is opposed to being included in a county-wide water agency and to the prospect of being taxed by that agency. The City believes it will receive no direct benefit from implementation of a county-wide water plan.

City opts out of agency, but offers surface water...

However, through the Mayor's testimony at the 19 October hearing and the City Manager's 27 January 1977 letter to the Board of Supervisors, the City affirmed its willingness and intent to provide surface water from its entitlements to areas outside the city limits, with no annexation conditions attached.



Legend

Water Purveyor

- 1 - Natomas Central Mutual Water Company
- 2 - Rio Linda County Water District
- 3 - Citizens Utilities Company of California
- 4 - Northgate 880 Water Maintenance District
- 5 - Arden Water Service-Southern California Water Company
- 6 - Arcade County Water District
- 7 - Del Paso Manor County Water District
- 8 - Arden Park Vista Water Maintenance District
- 9 - Carmichael Irrigation District
- 10 - Northridge Park County Water District
- 11 - Fruitridge Vista Water Company
- 12 - Florin County Water District

6 City of Sacramento Service Area

The County Department of Public Works believes a county-wide water management plan will benefit the City by stabilizing the ground water in neighboring areas and enhancing the quality of life and the economy throughout the county. It is agreed, however, that the City has an abundance of water for its own needs and has no ground water overdraft problem. For that reason, there is no need to include it within a water management agency.

The City of Sacramento should wholesale water, transfer water, and/or allow surface water to be wheeled or diverted through its or other facilities to areas within and adjacent to its ultimate planned service area. Negotiations should begin immediately to secure contracts with the City and any amendments of the City's rights or contracts, if any should be required, to allow the foregoing arrangements to be made.

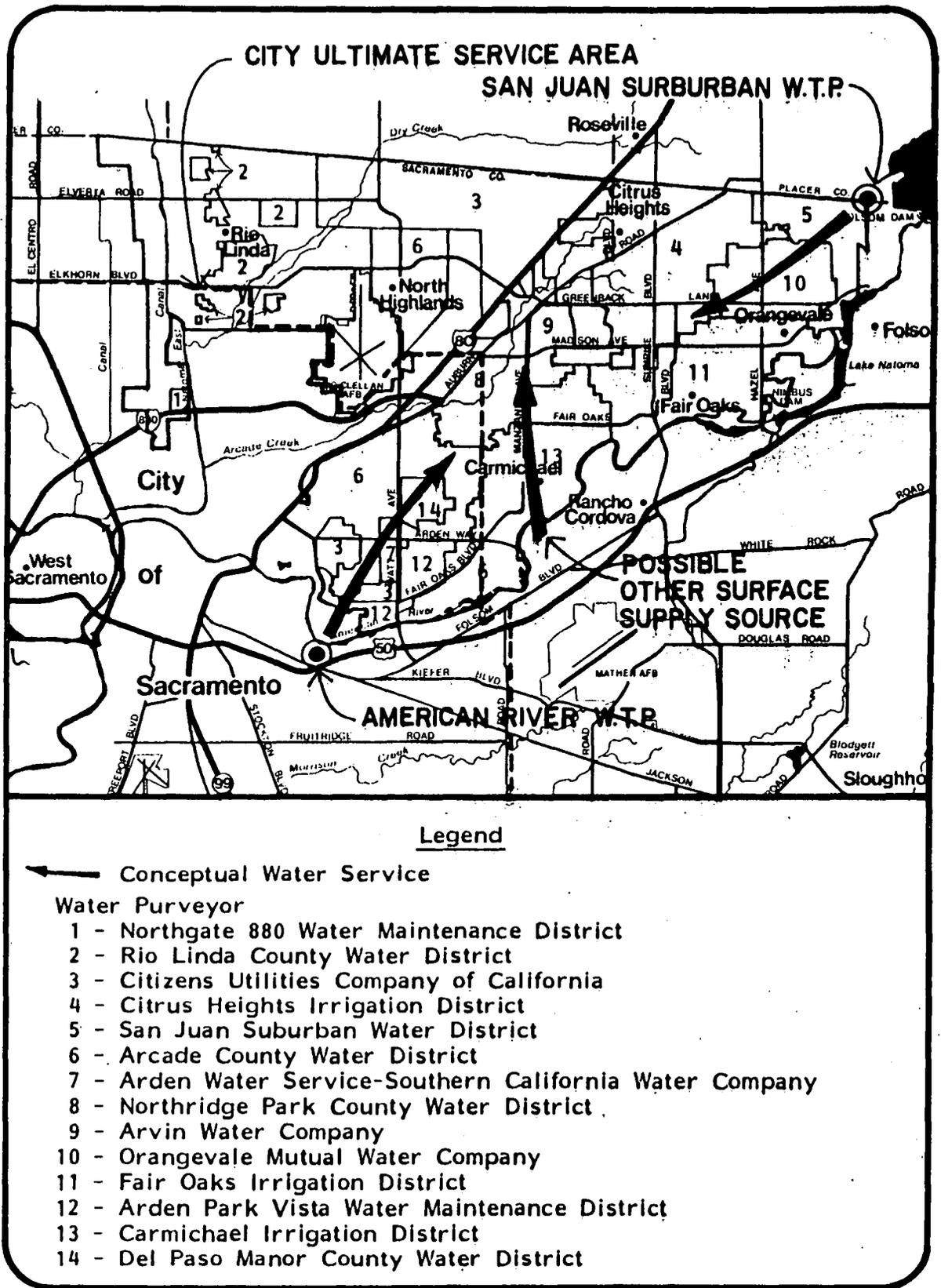
A water supply plan must be developed...

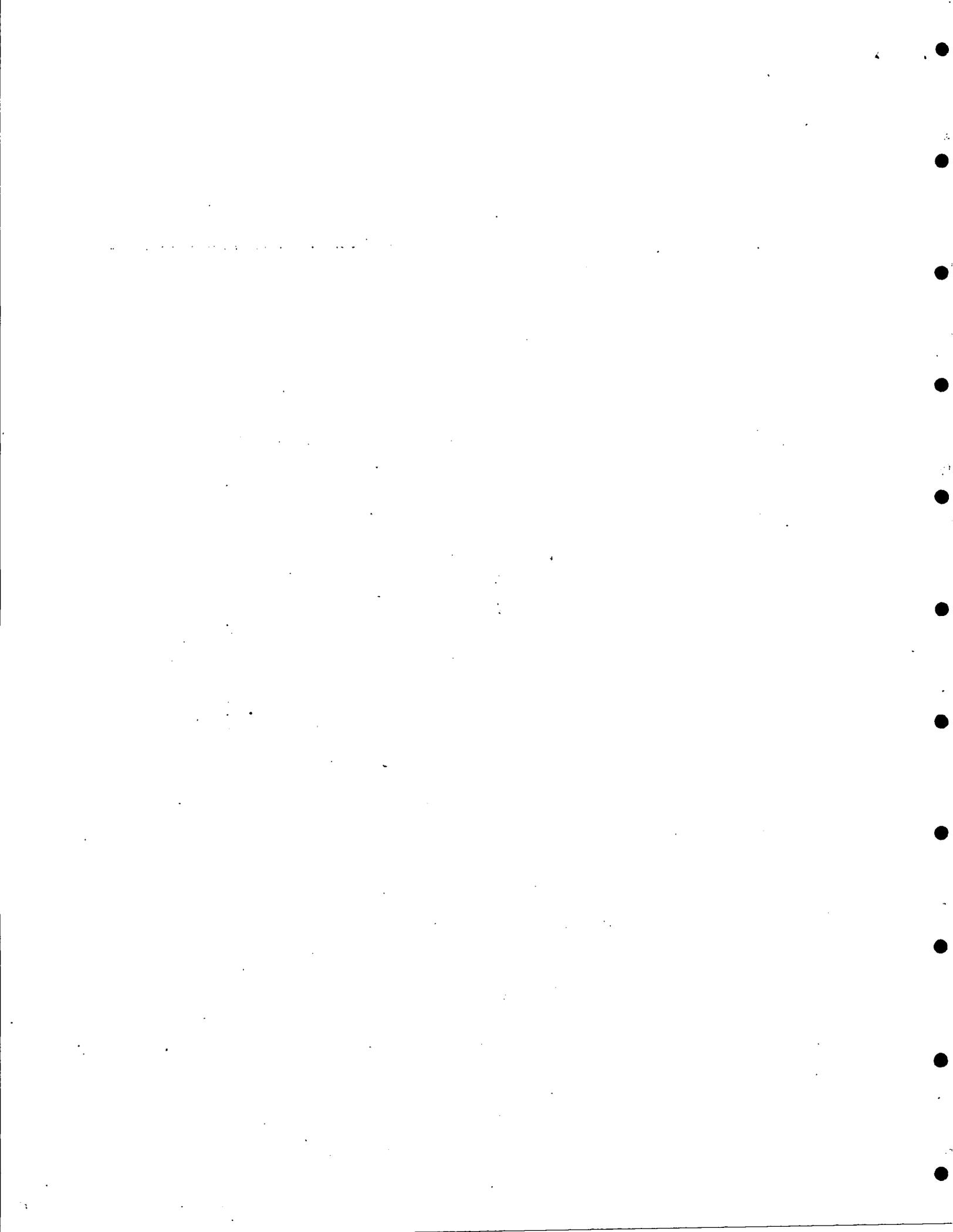
A comprehensive plan should be developed to guide the orderly development of water supply facilities that would provide treated surface water from the City system or raw surface water from the City's entitlement to areas that are outside of the city limits, but within the City's water rights application area. Plans for the north area will be discussed later. A plan for the area south and east of the city limits must be drafted to determine specific water needs, timing of water deliveries, costs and repayment schedules, and feasibility. The earlier TAC County-Wide Water Plan found that this area, excluding a portion between the most easterly city limits and Mather Field, could remain on ground water, but ground water quality considerations may promote surface water importation. Contracts must be executed with the City by various purveyors or overlying agencies desiring treated water in blocks of sufficient quantity to warrant expansion of the City's water treatment facilities. Operation and maintenance of new facilities should be provided by the purveyor receiving the water, or, where no purveyor or district exists, by a county water maintenance district or zone of the Water Agency.

The City of Folsom

Folsom study is underway...

The City of Folsom is undertaking a study to provide water service to its entire service area including the former service area of the Natomas Company east of Sunrise Boulevard and north of White Rock Road. The City is also planning for service to the McDonnell-Douglas property east of Sunrise Boulevard and north of Douglas Road. Discussions with City staff and the City's consultant indicate that the study will be completed in 1978.





2-14-18

S-9-H

BRIAN H. RICHTER Director
D. W. MCKENZIE Deputy Director
W. C. WANDERER, JR. Deputy Director



COUNTY OF SACRAMENTO

DEPARTMENT OF PUBLIC WORKS

COUNTY ADMINISTRATION BUILDING • ROOM 304 • 827 SEVENTH STREET
SACRAMENTO, CALIFORNIA, 95814

February 14, 1978

APPROVED
BOARD OF DIRECTORS

34

Honorable Board of Supervisors, ex-officio
Board of Directors
Sacramento County Water Agency
Sacramento, California

FEB 14 1978
Petty & Parker
BY
CLERK OF THE BOARD

Members in Session:

RECOMMENDATION:

That your Board adopt the recommendations of the Department of Public Works as stated herein and direct that the Department prepare a final report for incorporation into the Countywide Water Plan.

DISCUSSION:

Background:

On October 19, 1977 your Board heard the Sacramento Countywide Water Plan and directed that the Department of Public Works report back with its recommendations on February 13th. The Countywide Water Plan was developed by CH2M Hill in coordination with the Technical Advisory Committee, composed of 24 of the major water purveyors operating within Sacramento County. The plan recommended the following:

1. Conjunctive use - Adopt a safe yield plan to import surface water into areas experiencing groundwater overdraft, ultimately allowing groundwater levels to stabilize.
2. Organization - Modify the existing Sacramento County Water Agency to:
 - a. Change its name to Sacramento Regional Water Agency.
 - b. Change its governing board from the Board of Supervisors to five directly elected representatives and four appointed representatives.
 - c. Remove flood control and drainage functions for retention by the County.
 - d. Obtain authority to levy ground water extraction charges.
3. Facilities - Provide for water treatment and transmission facilities to the water purveyors' service areas in the urban north central area of the County and for water delivery facilities to 40-acre parcels in the Folsom-South agricultural area. Expand the three existing districts and create a fourth to retail water in the Folsom South service area.

4. Financing - Utilize a combination of County-wide ad valorem taxes for administration and zone ad valorem taxes and ground water extraction charges in areas benefiting from the importation of additional surface water.

The members of the Technical Advisory Committee supported the proposed plan by a majority of those voting.

Hearing Summary:

The testimony presented at the hearing by various organizations and individuals made it clear that portions of the plan as developed were not acceptable to certain interests, and many valid alternatives were suggested. There was significant opposition to a countywide water management agency and to countywide ad valorem taxes.

The urbanized northeast area of the County has begun to develop a plan to provide surface water through the San Juan Suburban Water District's facilities to areas solely on ground water including Arcade County Water District's North Highlands area, Northridge Park County Water District, Arvin Water Company, and Citizens Utilities Company. In addition, Carmichael Irrigation District and Northridge are exploring surface water supply alternatives.

The City of Sacramento feels that there will be no benefit to the City from implementation of the Countywide Water Plan warranting taxation of City residents. The City is willing to make its surface water available to areas outside the City.

The Folsom-South agricultural area has few surface water rights and needs surface water to balance its water supply and halt ground water overdraft. Rapid agricultural development in the area has aggravated the problem of ground water overdraft. There is a need for a mechanism to recover costs of surface water percolating to recharge the ground water basin and to coordinate the activities of the agricultural water districts. Any water management agency formed should be responsive to agriculture; landowners are opposed to conditioning water delivery on access to private lands along the Cosumnes River and other streams in the area.

The Natomas Central Mutual Water Company in the northwest part of the County and the North Delta Water Agency in the southwest both feel that they have taken care of their water supply problems; they are multi-county agencies, and they feel that they should not be part of a countywide water management agency.

There is unanimous support that a conjunctive use plan having as its objective the stabilization of ground water levels is needed and that rights must be obtained to surface water as soon as possible for those areas and agencies which do not now have such rights.

Issues and Recommendations:

Subsequent to the October 19 hearing, representatives of the Department of Public Works met with representatives of the various areas affected by the proposed water management plan. The recommendations of the Countywide Water Plan, the testimony presented at the October 19 hearing, and the discussions mentioned above were evaluated by the Department.

1. Issue

There is widespread acceptance of the proposition that groundwater overdraft must be curtailed and eventually halted. The need to import surface water to areas dependent solely on groundwater is generally supported. The need to contract for surface water supplies for these areas is generally regarded as a first priority in order to assure availability of surface water supply for the future. There are questions, however, regarding the time frame in which overdraft must be halted and the long-term effects of continued overdraft on water quality and subsidence.

Recommendation

Conjunctive use of ground and surface waters with the objective of stabilizing ground water levels should be established as the primary water management objective of all water purveyors within Sacramento County. Contracting for surface water must proceed immediately to assure its availability for future generations. Further, planning for facilities and for financing to distribute surface water to areas dependent solely on groundwater must be completed in the near future. Conjunctive use operations throughout the County must be implemented to ensure that water rights obtained will be perfected and retained.

2. Issue

The City of Sacramento, through the Mayor's testimony at the October 19 hearing and the City Manager's letter to the Board of Supervisors of January 27, 1977, has re-affirmed its willingness and intention to provide water from its entitlements to areas outside the City. There is no annexation condition attached to such water supply. The City of Sacramento has assured surface water supplies equal to 326 thousand acre feet annually but is currently using about 85 thousand acre feet annually.

The City is opposed to being included in a Countywide Water Agency and to the prospect of being subject to that agency's countywide taxing authority. They see no benefit accruing to the City from implementation of a countywide water plan. The Department of Public Works feels that a countywide water management plan will benefit the City through stabilizing and enhancing the area's economy; however, because the City itself has an abundance of water to meet all its conceivable water needs and has no groundwater overdraft problem, there is no need to include it in a water management agency.

Recommendation

The City of Sacramento should wholesale water to areas within and adjacent to its ultimate planned service area, transfer water and/or allow such water to be wheeled or diverted through its or other facilities. Negotiations should begin immediately to secure contracts with the City and any amendments of the City's rights or contracts, if any should be required, to allow the foregoing arrangements to be made. Newly developing areas adjacent to the City of Sacramento, such as the Laguna Meadows development, should construct water transmission and distribution facilities tying into the City system. Operation and maintenance should be provided by the existing purveyor or through a County Water Maintenance District or zone of the Water Agency where no purveyor or other district or franchise exists.

The water purveyors dependent on ground water in developed and developing areas on the periphery of the City of Sacramento such as Fruitridge, Parkway Estates and Southgate should invest money otherwise used for additional supply facilities into the purchase of water from the City and construction of transmission facilities into their service areas.

In order to provide for the orderly development of water supply facilities for treated surface water through the City system or for raw water from the City's entitlement to the area outside the City limits but within the City's water rights application area, a comprehensive plan for the area must be developed. Planning for the area north and east of the City is included in the north area plan recommendations. The plan for the area south and east of the city limits must determine specific water needs, timing of water deliveries, costs and repayment schedules, and feasibility; the Countywide Water Plan found that this area, except for that portion between the most easterly city limits and Mather Field, could remain on groundwater, but groundwater quality considerations may promote surface water importation. Contracts must be executed with the City between various purveyors or overlying agencies desiring treated water in blocks of sufficient quantity to warrant expansion of the City's water treatment facilities.

3. Issue

The Countywide Water Plan recommends formation of a North Central and a Folsom South zone within a reconstituted Countywide Water Agency.

It recognizes the unrelated character of the water problems in the two areas. It is evident from the hearing testimony and discussions with affected agencies that the Countywide approach to water management recommended in the Water Plan could not be implemented. The Department of Public Works feels that under the circumstances a more feasible alternative is to treat the North Central and the Folsom South areas as separate units.



CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

September 29, 1980

CITY HALL
915 I STREET - 95814
(916) 449-5704

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Annexation of Territory to the City

SUMMARY

RECEIVED
OCT 16 1980

SOUTHGATE
REC. & PARK DIST.

This report examines the history, recent development, and current situation relative to the annexation of territory to the City of Sacramento. Recommendations are made concerning three annexations being seriously considered by the Local Agency Formation Commission. These are:

- Fruitridge - which is not recommended
- Southgate-Fruitridge - which is tentatively recommended
- Natomas - which is tentatively not recommended

BACKGROUND

Past Practice

Prior to the passage of the Jarvis-Gann Initiative, annexation of inhabited territory to the City of Sacramento (and virtually every other City in the State) was a relatively difficult task due to the following factors:

- Property Taxation: The City property tax was added to the County basic property tax while the special district property taxes were subtracted from that total. The net result was, in most cases, a property tax increase. The amount of the increase was generally insignificant in fiscal terms (under \$30 per house per year) but very disruptive in political terms. Offsetting increases in service level or quality were difficult to demonstrate in the annexation process because the improvements were always a future event and therefore unobservable at the time of the annexation proceedings.

In the pre-Prop 13 environment, annexations were more desirable and less hazardous from a City perspective because the property tax rates could reflect City needs for financing service delivery. In the absence of the 1% Jarvis-Gann limitation rates could be adjusted to allow for new costs generated within an annexed area.

- Petition, Election, and Procedural Requirements: Annexations of inhabited territory had to pass three major tests: initiation by resolution of the Board of Supervisors or a Special District, LAFCO approval, and passage by the voters at a general election.
- Special District Opposition: A normal consequence of annexation was the dissolution or division of any special districts which occupied the territory to be annexed. Consequently, Fire Protection Districts, Recreation and Park Districts, and, to a lesser degree, all local special districts, vigorously and effectively opposed City annexations. An inhabited annexation to the City of Sacramento has not been accomplished since 1964.

Present Situation

- Property Taxation: With a 1%-of-market-value limitation on property taxation as a result of Proposition 13, an annexed property-owner pays the same property tax, regardless of his jurisdictional location. City annexations cannot increase property taxes. Property tax is no longer an adequate revenue source to support municipal services in the unincorporated area. The loss of property tax revenues has been somewhat offset by allocations of State funding but the net result has been serious downward pressure on the quality and quantity of services provided by special districts. Under AB 8, the allocation of the 1% property tax is negotiated between the annexing City and the effected County.
- Procedural Requirements: The Municipal Organization Act provides a less burdensome process for the annexation of territory to cities. The process now allows cities to initiate annexation and allows annexation without an election if protests are less than 25% of registered voters or 25% of the property owners who represent 25% of the assessed valuation of the annexing area.
- Special District Position: The financing structure of Special Districts has worsened significantly in the recent past. They now must depend mainly on a share of the 1% property tax and State "augmentation" funds which are distributed among them by the County Board of Supervisors. While the severely reduced property taxes are stable, they fall far short of providing even a much reduced level of service. The augmentation funds help somewhat but are clearly inadequate to maintain service levels. More importantly, the augmentation monies depend on State surpluses which are generally considered to be temporary. This financing structure has hurt all but a very few special districts. Some are on the verge of collapse; most have very uncertain futures.

The currently precarious existence of the districts has caused a reexamination of their prior opposition to City annexation.

Ironically, the same factors that have caused the unincorporated areas to look toward City annexation as a desirable solution, have also required cities to be much more cautious in annexing.

Annexation Criteria

Any proposed annexation should be examined on its own merits. The variety of service levels, land uses, and special districts on the periphery of the existing City boundary prohibit the rational use of a universal annexation policy.

In general, an annexation should result in:

1. A stronger overall City in terms of efficiency and quality of service.
2. An equitable combination of benefits and responsibilities to the existing City and the annexed area.
3. Viable special districts in the areas adjacent to but not included in the annexed areas.
4. An adequate transfer of financing capacity from pre-existing jurisdictions to the City.

Specific Proposed Annexations

The Local Agency Formation Commission, the South Sacramento Area Community Plan Advisory Committee and several fire protection districts have asked that the City of Sacramento adopt tentative positions on three potential annexations.

- Fruitridge - Exhibit A, Attachment 1

This proposal calls for the City to annex the territory of what is now the Fruitridge Fire Protection District. Exhibit A indicates that the City would lose at least \$753,818 per year by this annexation. The loss could be deeper than that if the figures shown for County basic property tax, County library tax, and County road tax were transferred to the City at less than the listed amount. The City would incur a substantial capital cost in order to bring the public water system up to City standards through purchase and renovation of the Fruitridge Vista Water Company System.

Means would have to be found by which the shortfall of \$753,818 could be made up without the existing City taxpayers subsidizing the annexed area.

County Service Area 4-A is also included. Treatment of that district is the same as is discussed below.

The City should not accept this annexation under the present circumstances.

- South Sacramento Community Plan Area - Exhibit B, Attachment 2

The territory includes:

- All of the Fruitridge Fire Protection District
- All of the Pacific Fire Protection District
- The urban portion of the Florin Fire Protection District
- All of County Service Area 4-A (Recreation and Parks)
- All of Southgate Recreation and Park District
- Portions of the Florin-Elder Creek Cemetery District

- Portions of the Elk Grove-Cosumnes Cemetery District
- All of Fruitridge Vista Water Company
- All of Tokay Park Water Company
- Portions of Citizens Utility Water Company
- All of the Southwest Tract Water Maintenance District
- All of the Florin County Water District
- A portion of the Elk Grove Fire District
- A portion of the Elk Grove Recreation and Park District

This appears to be a viable proposal because it would rationalize the City boundary in the greater South Area, preserve an adequate level of service in the area and preserve the fiscal integrity of the existing City. However, certain factors require more definitive analysis including:

1. AB 8 distribution of property tax. Although Attachment 2 indicates a surplus of \$5,191,851, that figure is not dependable because the AB 8 division of property tax has not been negotiated with the County. If the City did not receive as much as is listed in County Basic Tax, Road Tax, and Library operating funds, the surplus could be reduced to \$2,059,847.
2. The area contains a relatively new County Branch Library. If the County were to demand reimbursement of its capital costs for development of the library, the surplus would sink to about \$859,847.
3. The Southgate Recreation and Park District finances its programs from a variety of sources which may not be reliable. These include aid from County funds, \$70,000; CETA, \$183,000; delinquent property tax, \$7,400. The district has budgeted \$1,235,000 for capital projects to be funded from County CDBG funds. At this point, the surplus disappears and a deficit appears.
4. The portion of the Florin Fire Protection District that would remain following the annexation would be rural in nature. Such a massive modification of the district should be very carefully approached.
5. The branch library is staffed by ten County employees. A means should be developed to deal with them in an equitable manner if the area is to be annexed to the City.
6. County Service Area 4-A is staffed by County employees which require the same attention as the library employees.

Studies of governmental structure over many years have consistently found that most of the territory in question should be included in the City of Sacramento. The only significant changes in the interim have related to financing and have grown out of the Jarvis-Gann tax limitation, AB 8, and an increasing reliance on CETA as a means to staff local public agencies.

The City should adopt a position in favor of this annexation with the proviso that the factors listed 1 through 5 above be adequately examined and satisfactorily resolved.

This territory must be viewed as transitional with urbanization occurring at some future time. The Board of Supervisors has requested that the Natomas Fire Protection District be eliminated by dividing its service area between Rio Linda Fire Protection District and the City of Sacramento.

This proposal is not yet sufficiently well formed to provide an adequate base for evaluation. However, the sparse development and population minimize the potential hazard to the City. Since urbanization will occur in the future, the City may safely indicate approval of the tentative annexation pending more definite plans and timing for adequate fire protection.

CONCLUSIONS

As provision of municipal services becomes more costly and the ability of special districts to finance themselves declines, City annexations will be viewed with increasing favor by the unincorporated areas. A cursory examination of the current City boundary suggests that many such annexations will make sense. However, none may be adequately dealt with until the division of property tax revenues between the City and the County, at the time annexations take place, is settled. That negotiation has not been concluded in this jurisdiction. Because the property tax still supports a large share of special district, County, and City services, no adequate fiscal evaluation of potential annexation may be accomplished.

RECOMMENDATION

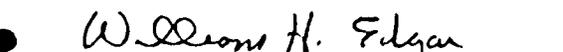
It is recommended that the City Council adopt the following positions:

1. The Fruitridge Fire District annexation is unacceptable due to inadequate financial strength.
2. The South Sacramento Community Plan area annexation is tentatively acceptable pending resolution of:
 - A. Property tax distribution in the area.
 - B. Disposition of the branch library.
 - C. Southgate Park District financing requirements.
 - D. Plans for the continuation of the Florin Fire Protection District.
 - E. An equitable plan to provide for the County employees currently staffing the branch library and County Service Area 4-A.
3. The Natomas Annexation is tentatively disapproved pending more precise plans and timing for fire protection in the area.
4. All concerned agencies should proceed as quickly as possible to resolve the issues involving the distribution of property taxes under AB 8.

Respectfully submitted,


Mac Mailes
Assistant City Manager
for Community Development

Recommendation Approved:


Walter J. Stipe, City Manager

SOUTH SACRAMENTO AREA COMMUNITY PLAN INCLUDING FRUITRIDGE

	Before		After	
	Revenues	Expenditures	Revenues	Expenditures
Police	\$	\$ 2,975,000	\$	\$ 3,192,864
Fire		3,221,187		1,926,621
General Government (Including Animal Control)		150,000		150,000
Recreation & Parks (M & O)		882,448		183,994(1)
" " (Capital)		1,364,489		754,682
Planning		315,000		1,364,489(2)
Building Inspection		150,000		50,000
Street Maintenance		860,000		50,000
Engineering		510,000		1,010,000
Water & Sewer (Capital Acquisition)		-0-		614,000
Library		250,000		650,000(4)
TOTAL		\$10,678,124		\$10,201,240
County Basic	\$ 2,986,573	\$	\$ 2,986,573(5)	\$
Library	138,703		138,703(5)	
Roads	6,728		6,728(5)	
Sales Tax	2,750,000		2,750,000	
Southgate Rec & Parks Dist.	475,055		521,590	
Fruitridge Fire District	316,493		316,493	
Pacific Fire District	1,050,694		1,050,694	
Solon (portion) Fire District	1,854,000		1,854,000	
Southgate Rec. Service Charges	134,359		144,010	
Southgate Rec. Other Revenues	33,590		41,300	
Augmentation	72,261		-0-	
Park Development Fees	-0-		450,000(3)	
Federal Funds (CETA Incl.)	339,591		-0-	
Business License	66,000		300,000	
Franchise Tax	18,000		350,000	
Property Transfer Tax	282,000		282,000	
Utility Users' Tax	-0-		1,200,000	
License & Permits	432,000		450,000	
User Fees	360,000		360,000	
M. Vehicle In Lieu	1,058,500		1,058,500	
Gas Taxes	585,000		300,000	
Cigarette	300,000		165,000	
Liquor License	17,500		17,500	
Water Debt Service	-0-		650,000(4)	
TOTAL	\$ 13,277,047		\$15,393,091	

- (1) CETA Budgeted Position Costs
- (2) Estimated actual capital costs on a yearly basis for the next 5 to 7 years.
- (3) Estimated Park Development Revenue Fees by Solon Wisham
- (4) Acquisition costs for water companies in the proposed districts, as well as replacement and rehabilitation costs would require issuance of an \$8,000,000 30 year bond. This cost could be recovered by adding a debit service charge on each water company customer in the proposed district of \$6.00 per month.

FRUITRIDGE ANNEXATION

	<u>Before</u>		<u>After</u>	
	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>
Police	\$	\$1,000,000 ⁽¹⁾	\$	\$1,150,000
Fire		316,493		-0-
Animal Control) General Government)		22,000 ⁽¹⁾		22,000
Recreation & Parks (M & O)		136,098		148,032
Recreation & Parks (Capital)		239,000		239,000
Planning		-		-
Building Inspection		-		-
Engineering		-		-
Street Maintenance		137,000 ⁽¹⁾		137,000
Water & Sewer (Capital)		-		72,000
Library		6,970		6,970
TOTAL		\$1,857,561		\$1,775,002
County Basic	\$301,066	\$	\$ 301,066 ⁽²⁾	\$
County Library	13,982		13,982 ⁽²⁾	
County Roads	678		678 ⁽²⁾	
Sales Tax	-		-	
County Service Area 4	67,965		67,965	
Fruitridge Fire District	316,493		316,493	
Rec. & Parks (Other Rev.)	18,000		18,000	
Augmentation Fund	72,261		-	
Federal Funds-Misc.	959		1,000	
Park Dev. Fees	-		50,000 ⁽³⁾	
Utility Users Tax	-		180,000	
Water & Sewer Debt Serv.	-		72,000	
TOTAL	\$791,404		\$1,021,184	

(1) Estimated by John Farrell and Bill Redmond

(2) Subject to negotiation between City and County

(3) Estimated by Solon Wisham

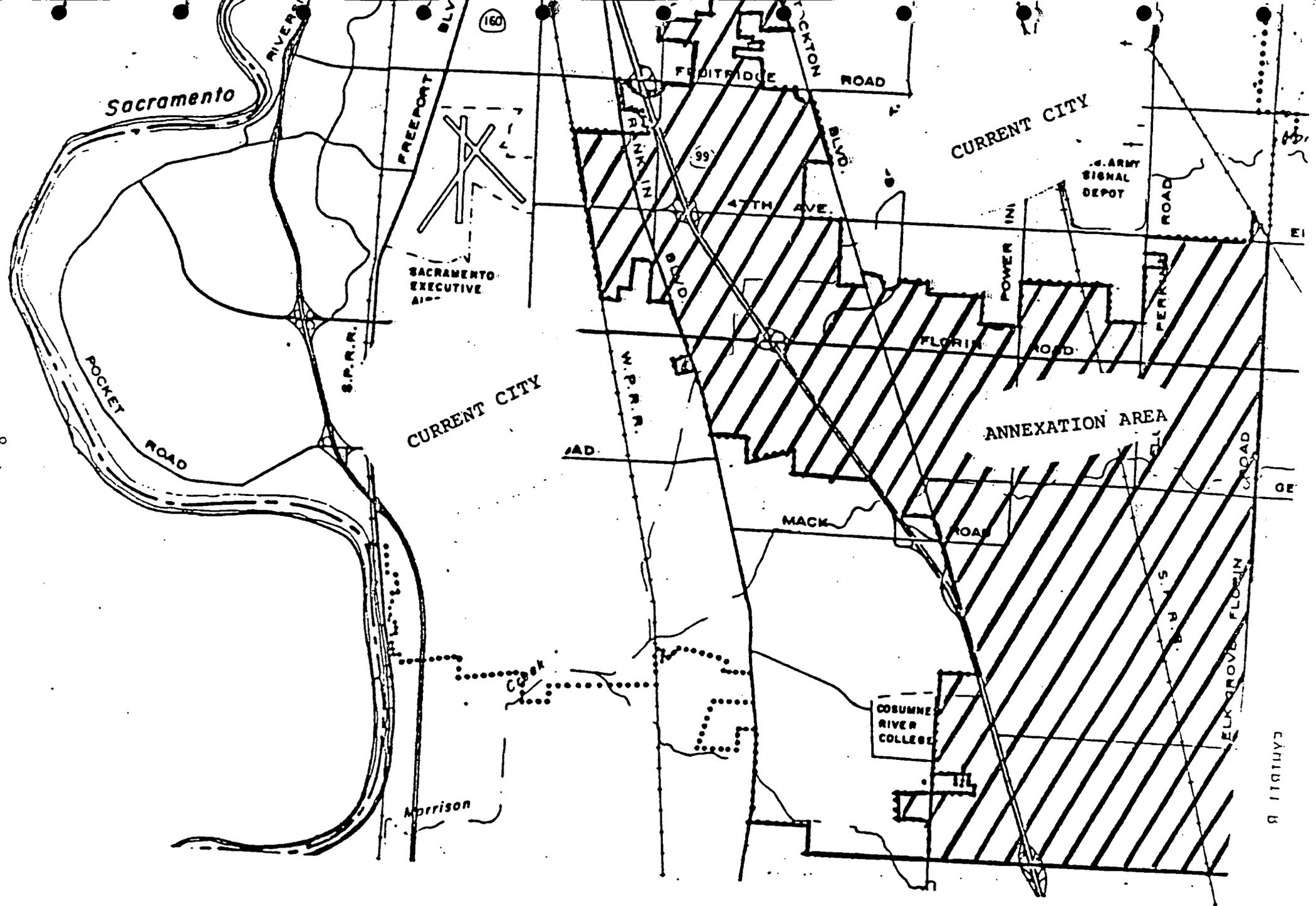
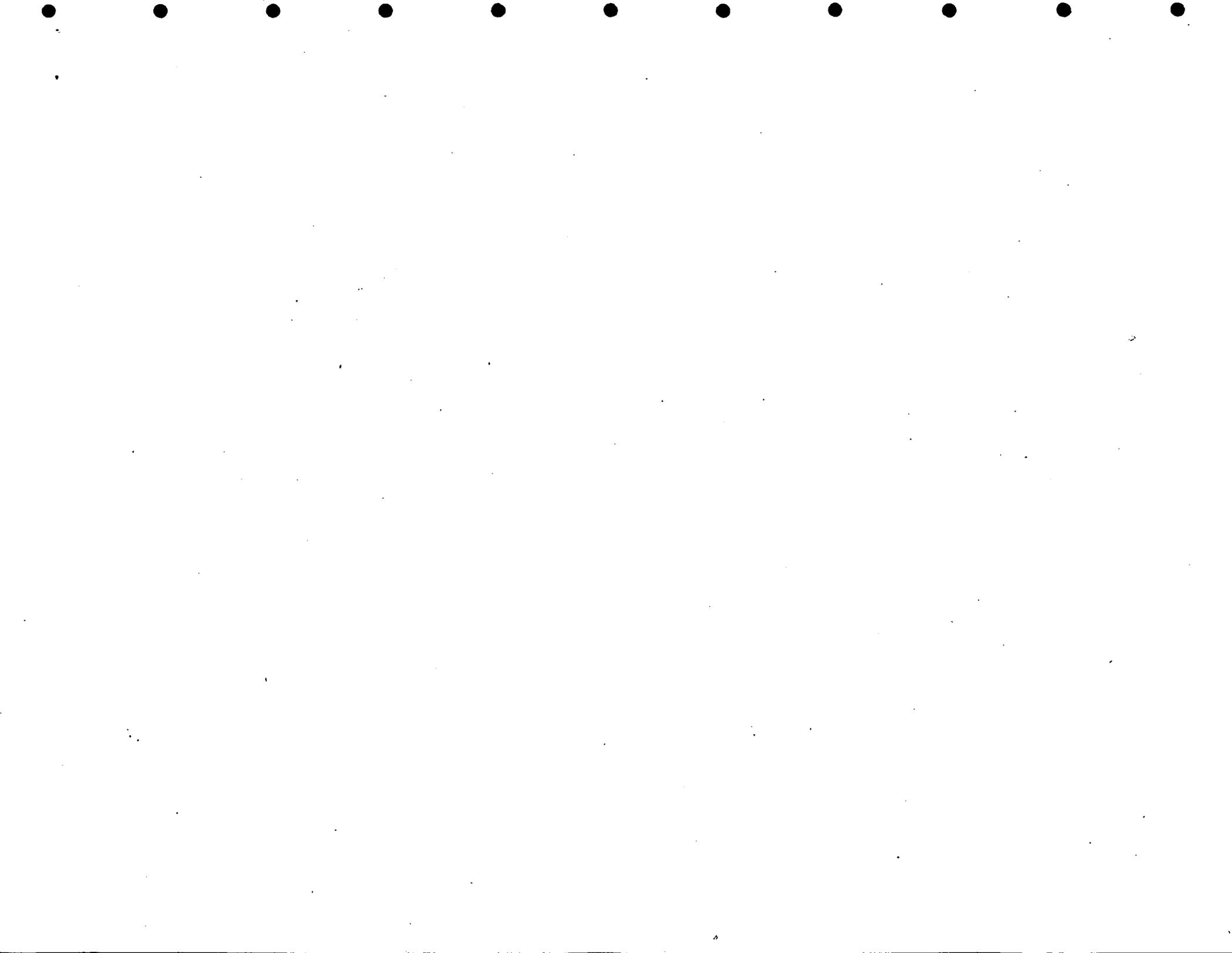


EXHIBIT B



S O U T H S A C R A M E N T O A R E A
C O M M U N I T Y P L A N N I N G A D V I S O R Y C O U N C I L

P. O. Box 9903
Sacramento, California
95823

15 October 1980

Ms. Anne Rudin Chairwoman
Planning & Community Development Committee
City of Sacramento
925 I Street
Sacramento, California 95814

Subject: Annexation of
Territory to the City

Dear Ms. Rudin:

The members of the South Sacramento Area Community Planning Advisory Council have today received and read with horror the staff report dated September 29, 1980, on the subject of annexation of territory to the city. We consider it extremely fortunate that one of our members just happened to be in attendance at the committee hearing today where this proposal was so nearly approved, and that he brought it to our attention.

On Page 3 of the document it is stated that "the South Sacramento Area Plan Advisory Committee.....asked that the City of Sacramento adopt tentative positions on three potential annexations."

We, the members of the aforementioned council have made no such request, have never heard of the proposed annexation, and wish here to state our position:

WE UNANIMOUSLY AND EMPHATICALLY OPPOSE SUCH ANNEXATION.

Further, we hereby request that an investigation be made into the allegations that we were aware of the proposal and that we had made any requests for the positions referred to in the document.

We realize, of course, that, under the law, no vote of the citizenry is required for such action, but we believe that all laws of ethics require you to make such proposals known to the residents well in advance of a hearing such as today's where this proposal was almost approved. We see no evidence whatsoever that any effort at all was made to inform the residents of this consideration.

At its meeting this evening, the South Sacramento Area Community Planning Advisory Council passed a motion mandating me to write this letter. We await your response.

RECEIVED
OCT 21 1980

Respectfully,

Ellen Nitschke
Ellen Nitschke
Chairwoman

max

SOUTHGATE
REC. & PARK DIST



RESOLUTION NO. 80-20

TITLE: RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTHGATE RECREATION AND PARK DISTRICT OPPOSING THE DRAFT CITY OF SACRAMENTO SPHERE OF INFLUENCE

WHEREAS, the Board of Directors of the Southgate Recreation and Park District upon thorough study and review of the draft report entitled City of Sacramento Sphere of Influence, hereby formally opposes said report in terms of its application to the unincorporated area of south Sacramento; and

WHEREAS, the Board has a responsibility to its constituents to review and analyze such proposals in respect to efficiencies of services and cost/revenue constraints; and

WHEREAS, the Board has traditionally reviewed and proposed reorganizations, consolidations and annexations in attempts to gain said efficiencies; and

WHEREAS, the Board reaffirms its commitment to analyzing and reviewing such proposals.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Southgate Recreation and Park District hereby formally opposes the draft City Sphere of Influence report developed by the Local Agency Formation Commission of Sacramento based upon the following considerations:

1. That the report identifies immediate annexation to the City from the unincorporated area of south Sacramento and as such may be viewed as a recommendation for annexation rather than merely a study of its feasibility.
2. That the report does not adequately identify the efforts to reorganize services by districts in the area which would gain efficiencies and effect the immediate timetable as set forth in the report for annexation to the City.
3. The report does not identify voter opposition to City annexation in the south Sacramento area while it does identify voter opposition in the Arden/Arcade area.
4. The citizenry of the unincorporated area of south Sacramento have traditionally opposed annexations to the City of Sacramento.
5. Annexation to the City will require additional costs to taxpayers with no guarantee of an appreciable increase in services.
6. The report identifies water as a critical issue to the south Sacramento area but does not identify the apparent conflicting policies of the City on retailing water to the area which is a part of the City Water Rights Application area.
7. City annexation provides no guarantee that recreation and park services would increase or maintain the same level.



8. Although ISO ratings for fire services would increase from a rating of 4 to a rating of 2 on an ascending scale, this factor is not significant in respect to negligible decreases in insurance costs.

PASSED AND ADOPTED, by the Board of Directors of Southgate Recreation and Park District this 16th day of December 1980, by the following vote to wit:

AYES: Cochran, Smith, Sheldon

NOES:

ABSENT: Donohue, Tillotson



EDD SMITH, CHAIRMAN



ROBERT COCHRAN, CLERK





SOUTHGATE RECREATION & PARK DISTRICT

DISTRICT HEADQUARTERS / TRAILHEAD PARK / POST OFFICE BOX 9635
6000 ORANGE AVENUE / SACRAMENTO 95823 / (916) 428-1171

BOARD OF DIRECTORS

Robert D. Cochran
Kathryn J. Donohue
Jack N. Sheldon
Edwin A. Smith
Howard P. Tillotson

GENERAL MANAGER

Patrick O'Brien

December 17, 1980

The City Council
City of Sacramento
City Hall
915 I Street, Room 202
Sacramento, CA 95814

Dear Honorable Council Members:

The Board of Directors of the Southgate Recreation and Park District has traditionally been concerned with the purveyance of water in the unincorporated area of south Sacramento. As a result of detachments from the District to the City of Sacramento which resulted from issues revolving around the purveyance of water, this Board along with other agencies of the area requested the Sacramento Area Local Agency Formation Commission to draft the South Area Water and Alternatives Structure Study which was completed in February 1978. At that time, the effected agencies became aware of the fact that the water issue was complicated due to the overdrafting of the ground water table. The South Area Water and Alternatives Structure Study, written by John Farrell of LAFCO, reports that:

"It has been a long standing but informal policy of the City of Sacramento not to extend new retail service to unincorporated area properties even though the City code allows for the retailing of water outside the City limits. There has been no indication that the City is willing to amend this policy.

Informal conversations with the City Manager's Office indicate that City policy (even though the City code allows it) on retailing water to unincorporated area properties will remain unchanged."

At your regular meeting of January 18, 1977, your Council adopted an official position relative to the then proposed Sacramento County-Wide Water Plan prepared by CH₂ M. Hill.

"...Willingness to participate in any action to improve the county-wide water situation consistent with high standards of effectiveness and equity. Such acts would include but not necessarily be limited to:

Ltr to Sacramento City Council
re: City Annexation Proposal

December 17, 1980

- a. The sale of water to retail purveyors within the City's water rights application area."

The Southgate Recreation and Park District's Board of Directors has identified two apparent conflicting policies of the City of Sacramento in respect to retailing water to the unincorporated south Sacramento area. Specifically, the Board requests that your Council address the following questions:

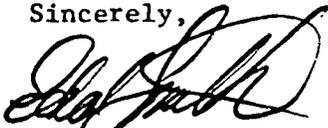
1. What is the official policy of the City of Sacramento in respect to retailing water to both private and public purveyors in the unincorporated South Sacramento Community Planning Area?

2. Specifically, what public purveyors of water and private water purveyors will the City of Sacramento retail purified water to in the South Sacramento Community Planning Area?

Our Board is requesting clarification on these items after considerable review of the issues of water purveyance in the area and recent reports and analysis by the City of Sacramento, LAFCO, and our agency. Our findings and conclusions in respect to these identified problems and analysis are contained within the attached report and resolution.

Our Board hereby requests that your Council formally address the above questions and respond to these inquiries prior to January 30, 1981. This request is based upon a unanimous consent by the Board of Directors of the Southgate Recreation and Park District.

Sincerely,



EDD SMITH
Chairman

ES:dt



RESOLUTION NO. 80-20

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PASSED AND ADOPTED, by the Board of Directors of Southgate Recreation and Park District this 16th day of December 1980, by the following vote to wit:

AYES: Cochran, Smith, Sheldon

NOES:

ABSENT: Donohue, Tillotson



EDD SMITH, CHAIRMAN



ROBERT COCHRAN, CLERK