

**THE SPRING VALLEY  
PURCHASE: FACTS,  
FIGURES, ARGUMENTS**

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The Spring Valley Purchase: Facts, Figures, Arguments by Various

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**VARIOUS**

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# Spring Valley Purchase

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## Facts Figures Arguments

Prepared for the Information of the Citizens of  
San Francisco under the Direction of the  
Spring Valley Campaign Committee


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February 1, 1921

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# Spring Valley Purchase

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## FACTS :: FIGURES :: ARGUMENTS

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### **1. Need for Comprehensive Statement:**

The City of San Francisco is submitting to its voters the proposition of acquiring the properties of the Spring Valley Water Company for the sum of \$37,000,000, plus capital extensions and betterments, made and to be made by the company between March 1, 1920 and the date at which the purchase shall be completed, not exceeding \$1,000,000 in amount, and to authorize bonds bearing 5 per cent interest to cover the purchase price. In presenting to the people so complex a proposition as the question of acquiring by purchase nearly 62,000 acres of land with all the water rights and appurtenant water works structures, more than usual care must be taken that authentic facts and figures and well considered arguments are advanced. With this in mind the following facts and figures based on a careful study by competent men of authentic data, are presented, together with a brief summary of the arguments which have convinced all those who are intimately familiar with the situation that this purchase should be made and should be made now.

### **2. San Francisco's Water Supply—Historical Summary:**

San Francisco has been supplied with water for municipal and domestic purposes by the Spring Valley Water Company or its predecessor in interest, the Spring Valley Water Works, ever since the year 1865. Prior to that date the city had been furnished with water from small springs and streams located within the city and county. It early became apparent that

no sufficient supply of water for the growing population could be obtained within the city limits. As early as 1858 and immediately after its incorporation, the Spring Valley Water Works commenced acquiring water rights and lands on the San Mateo peninsula. The Pilarcitos reservoir was built in 1862; the San Andreas reservoir in 1871; Lake Merced and upper Crystal Springs in 1877; the Crystal Springs concrete dam in 1888. The first supply from Alameda County, derived from the flow of Alameda Creek at Niles, was brought across the bay by submarine pipes in 1888, and a supplemental pipe line was built 12 years later, putting into use the Pleasanton supply, Calaveras Creek, and the Sunol filter beds. Since 1900 no new sources of water have been developed for the city, but the operations of the water company have been confined to a maximum utilization of the sources already developed. Construction work was commenced on the dam at the mouth of Calaveras Valley on the Alameda Creek in the year 1913, but due to the slow rate of construction adopted by the company and to the slide which occurred in the dam in the year 1918, this structure has not yet been completed, although it has progressed to a point where 8,000,000,000 gallons of water can be stored and conveyed into the Alameda Creek gravels during the dry months. In 1903 the city and the Spring Valley Water Company entered into a long series of controversies over the adequacy of water rates, which was not terminated until the decision by Judge Rudkin in 1918, holding that the rates fixed by the Board of Supervisors for the years 1906 to 1915 were unconstitutional, and that the impounded moneys should be returned to the company. In 1915 under amendment of the State Constitution, the Railroad Commission assumed jurisdiction of fixing rates, and pending a thorough investigation of the rates, permitted the company to charge rates yielding a revenue equivalent to that which was permitted under rates fixed by Ordinance of the Board of Supervisors in effect at the time the Railroad Commission took jurisdiction. These rates were fifteen per cent in excess



of those involved in the litigation decided by Judge Rudkin adversely to the city.

In the same year it became apparent that the city was soon to be faced with a shortage in water supply unless means were taken to either increase the supply or diminish the use. The company determined upon the installation of meters to check waste, and has prior to this date completely metered the city, materially reducing the water consumption. The growth of the city, however, has caused the normal consumption of water to increase steadily from time to time, so that by 1919 the company again found it desirable to take up the question of building additional pipe line facilities and completing the Alameda storage. Claiming that their existing revenue had become insufficient, due to the increase in cost of operation, to enable them to raise some \$12,000,000 additional required for the development program the company had adopted, a petition was presented to the Railroad Commission by the Spring Valley Water Company for an increase in rates. The city's representative filed objection to the increase, basing the objection on the grounds that no valuation had ever been established upon which rates could be intelligently determined by the Railroad Commission, and on the further grounds that the plan of development proposed by the Spring Valley Water Company would not harmonize with the Hetch Hetchy project, but would involve the construction of a parallel conduit which would be superfluous when brought in. It was evident that some plan of bringing additional water to San Francisco must be adopted in order to prevent a future shortage, a series of three dry years having placed the city's water supply in a more or less precarious position. The city administration determined at that time to again submit the question of purchasing the company's properties to the people, at a valuation to be fixed by the Railroad Commission, and filed with the Commission an offer to submit this question to the people again, providing the Spring Valley Water Company would agree to sell on a like valuation. The company responded with a similar resolution, offering to

submit the question of sale to its stockholders at a valuation to be fixed by the Commission. Both parties requested the Commission to fix the valuation. There was forthwith filed with the Commission the entire transcript of the record in the cases tried in the Federal Court covering some 12,000 pages of testimony and 225 exhibits. In addition to this, supplemental testimony was presented by both the company and the city, and the Commission directed its own engineers to make an independent valuation. The city engineer submitted the list of properties which he considered essential that the city should acquire if the works were taken over.

On November 24, 1920, the Railroad Commission returned its decision, fixing the valuation for purchase at \$37,000,000 as of March 1, 1920. Thereupon, in accordance with the stipulation previously made, the Spring Valley Water Company submitted the proposition of sale to its stockholders, and was authorized by them to make an offer of sale based on the Railroad Commission's valuation, plus such capital expenditures as should be made between March 1, 1920, and the date at which the transfer might take place.

On the city's part, a charter amendment was prepared, authorizing the supervisors to purchase the properties described in the offer of the Spring Valley Company, which were identically the properties listed by the city engineer for valuation, and to issue bonds in an amount not exceeding \$38,000,000 in payment therefor. These bonds are to bear 5 per cent interest and are to mature at the rate of \$1,000,000 a year, commencing in 1928. Inasmuch as the present bonding capacity of the city under the charter is insufficient to permit of the sale of such a large block of bonds, it is provided by the amendment that these bonds shall be exclusive of the present charter limit. An election was called by ordinance of the Board of Supervisors, submitting this amendment to the people at an election to be held March 8, 1920. Inasmuch as it authorizes the issuance of bonds, a two-thirds vote is necessary at such election for its adoption.

The reason that the bond issue is fixed in an amount not to exceed \$38,000,000, whereas the Railroad Commission valued the properties at \$37,000,000 is this:

The valuation of \$37,000,000 was fixed as of March 1st, 1920. Due to the fact that we have practically reached the limit of Spring Valley's present available supply, something must be done immediately to create an additional supply. (The present water situation will be discussed under the next heading.) In addition, normal extensions of the present system have to be made to accommodate new consumers. The work on the Calaveras dam is under progress by the Spring Valley Water Company and it is vitally necessary that the dam be completed at once to a point where it can be of service to the city. Such expenditures made by the company in the way of work on the Calaveras dam and new extensions are capital expenditures and it is, of course, necessary that such expenditures as may be made after March 1st, 1920, the date of the valuation, be returned to the company when the city takes over the properties. The amount of such expenditures, however, is limited to \$1,000,000, which it is estimated will be sufficient to carry on the necessary work on the Calaveras dam and make necessary additions and betterments to accommodate new consumers for a period of one year. All these expenditures are made subject to the approval of the city engineer and the amount thereof must be certified to by the Railroad Commission.

### **3. The Present Water Situation:**

The water consumption of every large city increases with the growth of its population and industry. San Francisco has not been an exception in this regard. Since 1910 consumption figures and reserve storage at the end of each year have been as follows: