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# The Water Question

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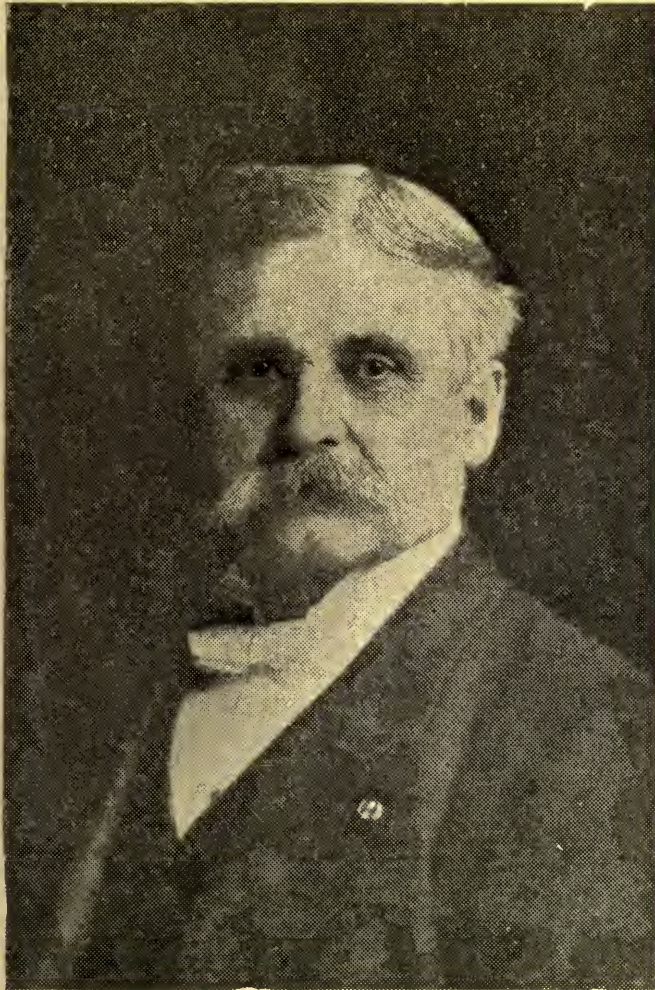
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MAYOR WARREN OLNEY OF OAKLAND

## THE WATER QUESTION.

*Address of Mayor Warren Olney. Published by  
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Before you elected to office the present Mayor and City Council you pledged them in the strongest possible manner to devise, if possible, and present to you some plan by which the City should become the owner of its own water works system. The Mayor and Council have had this pledge in mind all the time and to the best of their ability have redeemed their promises. It has been no easy task. It has required much time, much thought, and no small amount of negotiation with different corporations. The result of our labors is before you. We have done our best and it is for you to approve or reject.

As my term of office is about to expire, and I have given much attention and study to the matter of water supply for Oakland, I take it that it will not be out of place for me to lay before you a condensed statement of the situation as it appears to me. To do so it is necessary to begin with a brief history covering the period of the present administration.

### NEGOTIATIONS WITH BAY CITIES WATER COMPANY.

Immediately on taking office negotiations were opened with the Bay Cities Water Company, keeping in mind that it would be better for Oakland if there should be a strong rival to the Contra Costa Water Company. The City thereby would reap the advantage of competition in the sale to it of a water plant and could make terms with the corporation that would do the most for the City for the least money. Negotiations were also opened with other corporations and individuals claiming to own a water supply. The advisability of buying out the Contra Costa Water Company if the purchase could be made at anything like a fair value was kept in mind all the time. Personally I have at all times been willing, and I think the members of the Council had the same views, that it would be advisable to buy out the Contra Costa Water Company even if we had to pay a full million of dollars more than the property was really worth. What the actual value of that property is will appear further on. But, whatever its value, I am, and always have been, willing to pay a large bonus to rid ourselves of that corporation.

The first proposition from the Bay Cities Water Company was that it should bring water in any quantity the City desired to the eastern boundary of Oakland and sell it to the

City by the million gallons for the period of twenty years. This proposition was afterwards withdrawn by the Company under the advice of its lawyers that a twenty years' contract could not be made binding upon the City.

After this stand was taken negotiations proceeded upon another basis, which resulted in the proposition submitted by me to the Council on August 10, 1903. In short, this proposition of the Bay Cities Water Company was much like the one now before the people, except that it was proposed to utilize the flood waters of Del Valle Creek alone, Isabel Creek not being mentioned.

The Council employed Mr. Desmond Fitzgerald to examine the proposed scheme and report thereon. Mr. Fitzgerald, at considerable expense to the City, made an examination of the properties proposed to be conveyed by the Bay Cities Water Company and in his report stated three objections to the proposition. On account of these three objections Mr. Fitzgerald disapproved of the proposition. BUT ALL THREE OF THESE OBJECTIONS HAVE BEEN ENTIRELY OBIVIATED BY THE NEW PROPOSITION MADE BY THE BAY CITIES WATER COMPANY NOW BEFORE YOU.

By most unfair argument it is stated and reiterated that Mr. Fitzgerald's report is hostile to the proposed plan of the Bay Cities Water Company. "Damnable iteration" has done its work, and a lodgment has been made in the minds of many people that the present plan or proposition now before you has been condemned by Mr. Fitzgerald. Such is not the case. A concise statement of his three objections to the old proposition will show how unfair the argument is. The argument, too, is a fair type of the methods of the Contra Costa's advocates.

The first and most important objection made by Mr. Fitzgerald was that the Del Valle Creek alone would only, in a period of excessive drought like 1898 and 1899, produce 11,350,000 gallons of water per day for the City of Oakland, after deducting the claims of riparian owners on the creek below the dam.

It strikes me that a supply, in such a period of drought, of 11,350,000 gallons of water per day, would be immensely valuable to the City of Oakland. Bear in mind that Mr. Fitzgerald's estimate was for water from the Del Valle Creek alone and he referred to a period of the most prolonged drought of which we know in California. One naturally inquires what the Contra Costa Water Company could do in such a season of drought. No eleven millions of gallons per day nor the half of it, could be obtained from Lake Chabot. The supply from that lake must be supplemented and helped out from the Niles Cone. The City can get water from the Niles Cone just as well and as easily as can the Contra Costa Water Company. But eleven millions of gallons per day of pure

mountain water obtained from the Del Valle Creek will tide over a city of 120,000 people in seasons of severe drought. With Del Valle Creek alone, therefore, the City would be better off than it is now in seasons of drought.

But don't lose sight of the fact that the present proposition of the Bay Cities Water Company is to add the flood waters of Isabel Creek to the supply. This, according to the report of the engineers, will give the City full 20,000,000 gallons per day, even in case of drought. On the head waters of Isabel Creek the rainfall is heavier than on Del Valle Creek.

Therefore the first and greatest objection of Mr. Fitzgerald is more than answered.

The second objection was that BELOW the dam the waters of the hills would mingle with the stream before the pipe took up the water, and possibly affect its quality unless filtered. But the distance is not great and as these hills are high and steep we all know that the danger of contamination is extremely small. The bulk of the water would come from the reservoir above, where its quality is approved by Mr. Fitzgerald. But suppose there is danger, it can be entirely obviated, according to Mr. Fitzgerald, by filtration. I call on you to compare the low hills of farming and grazing land which drain into Lake Chabot with the steep mountainous country about the Del Valle Creek and say which, from the very nature of the case, must supply the better water. Is not Mr. Fitzgerald's second objection answered?

The third and last objection was as to the character of the dam the Bay Cities Water Company proposed to erect for the purpose of storing the flood waters of Del Valle Creek. Mr. Fitzgerald said that no dam of the kind proposed had been actually tried in the United States, though it had been much discussed by engineers and "on theoretical grounds it is difficult to find an objection to it." The foregoing is his own language. BUT THE NEW PROPOSITION OF THE BAY CITIES WATER COMPANY IS FOR A DIFFERENT KIND OF DAM. A KIND THAT HAS BEEN TRIED AND FOUND GOOD. IT IS APPROVED BY THE BOARD OF ENGINEERS APPOINTED BY THE COUNCIL AND THE BAY CITIES WATER COMPANY.

Now what is there that Mr. Fitzgerald objected to that has not been fully met by the proposition now before you? Absolutely nothing. I repeat with all possible emphasis that the continual dragging in of the objections made by Mr. Fitzgerald in his report on the original proposition of the Bay Cities Water Company is for the purpose of confusing your minds and is not fair argument. It ought to have no weight with the voter.

## THE CONTRA COSTA WATER COMPANY REFUSES TO KEEP ITS AGREEMENT TO ARBITRATE.

Mr. Fitzgerald's report was presented to the Council on January 18, 1904, and the Council, basing its action on that report, refused to enter into a contract with the Bay Cities Water Company. No attempt was made by the Council to get a second or better proposition from the Bay Cities Water Company. Negotiations were suspended. That negotiations were suspended was because of a proposition that was made by the Contra Costa Water Company to the Council to fix the valuation of its plant by arbitration. It seemed to all that here was to be a solution of our difficulties. Bear in mind that Mr. Fitzgerald's report was not made public until January 18, 1904. Until this report was public the Contra Costa Water Company did not know what the report would be. It evidently was afraid of it. Evidently, too, its managers were not so doubtful then of the title of the Bay Cities Water Company to the flood waters of the Del Valle Creek as they profess to be now, and which they and their followers are continually dinning into the ears of the Oakland voters. My reason for this conclusion is that four days previous to the filing of Mr. Fitzgerald's report, and while the Contra Costa Water Company's managers were ignorant as to what it would be, and fearful of its effect, they delivered to the Council a written proposition, purporting to be signed by Mr. Dingee as president, to the effect that the Contra Costa Water Company would submit the question of the value of its plant for rate fixing purposes, and for leasing, and for purchase, to a board of three engineers, one to be selected by the City, one by the Contra Costa Water Company, and they two to select the third. Now we seemed to have a solution of our difficulties! It was just what the City wanted. It wanted a board of competent persons to fix the value of the Contra Costa Water Company's plant. The people of Oakland are willing, more than willing, to pay water rates on a fair value of the existing plant. The people of Oakland are willing, more than willing, to buy the Contra Costa plant at a fair valuation. I am myself willing, as a citizen and tax payer of Oakland, that she should pay the full value of the Contra Costa Water Company's plant when ascertained and add thereto a large bonus, in order to get rid of the corporation and eliminate its influence from our City politics. I believe three-fourths of the voters of Oakland are of the same mind.

Personally I hailed the written proposition of the corporation to submit this question of value to arbitration with the greatest pleasure. The term "value" as applied to water property for rate fixing purposes has been settled by the courts, and the proposition of the company was to find this "value" by arbitration. But before the proposition was

reduced to a written contract so as to be binding upon the Company Mr. Fitzgerald's report came out. Assuming that we were dealing with men who would not go back on a plain, unambiguous written statement of what they were willing to do, a contract was drawn up embodying the exact language of the written proposition, neither more nor less. Not a word was added, nor was a word taken therefrom, except to provide for carrying out the written proposition. In other words, to make it binding upon the Contra Costa Water Company.

The Contra Costa Water Company refused to sign the contract and withdrew its proposition.

I have been told that when the President of the Company was reproached by a member of the City government for not keeping faith he excused himself by saying that when he made the proposition he did not know what Mr. Fitzgerald's report was!!! Is comment necessary?

### DESMOND FITZGERALD'S APPRAISEMENT OF THE CONTRA COSTA WATER COMPANY'S PLANT.

Before closing this statement of facts preceding the present proposition of the Bay Cities Water Company it is my duty to remind you of the appraisalment of the value of the Contra Costa Water Company's plant made by Mr. Desmond Fitzgerald, the same engineer who is so much quoted, because of the three objections made by him to the original proposition of the Bay Cities Water Company. Previous to taking office I relied upon the evidence of the nine engineers who testified on behalf of the City in the water case commonly known as the Hart case, as against the three engineers, two of whom were employes of the water company and were the only engineers produced by the water company on the trial. It seemed to me that there could be no doubt that the testimony of these nine men should be relied upon rather than the testimony of the two hired men of the Contra Costa Water Company. These nine engineers fixed the value of the Contra Costa Water Company's plant in the neighborhood of three millions of dollars. After assuming the responsibilities of office I began to reflect that possibly these engineers had been influenced by the fact that they had been called by the City as witnesses, their fees paid by the City, and perhaps their testimony was biased. I wanted some additional and outside evidence that could be relied upon as to the true value of the Contra Costa Water Company's plant. Thereupon I united with Mr. John L. Howard in hiring Mr. Desmond Fitzgerald to make a careful and accurate appraisalment of that portion of the Contra Costa Water Company's plant used in supplying Oakland with water. I gave to Mr. Fitzgerald written instructions, which have been published. Under those instructions Mr. Fitzgerald appraised all of the property of the Contra Costa Water Company used in supplying Oak-



land, excepting only the value of the land for ordinary purposes, which any real estate agent is more competent to appraise than an engineer. That is to say, Mr. Fitzgerald appraised the distributive system, the water rights, the dams, and other works, the increased value of the land used for reservoir purposes by reason of its being suitable for such purposes, in fact everything except the value of the land for ordinary farming purposes, and a small amount of personal property, such as tools, etc. Now the Contra Costa Water Company claims to own land in the watershed of San Leandro reservoir to the extent of about five thousand acres. Mr. Fitzgerald took into consideration its special value for the water company's purposes, but did not appraise its value as farming or grazing land. Suppose it is worth for such purposes fifty dollars per acre, a large estimate, that would make \$250,000. He did not appraise the one hundred and fifty acres of land at Alvarado because the Company's land there is no more valuable than other lands there selling for about \$100 per acre. But suppose we add \$50,000 for this land and \$10,000 for the tools and we have \$310,000 for property Mr. Fitzgerald did not appraise. But everything else, distributive system, reservoirs, dams, pumping plants, water rights, pipe lines, etc., the total plant in fact, with the exceptions above noted, he appraised at \$2,689,185. Now, if we add a liberal estimate for the items he did not appraise, we have about \$3,000,000 for the entire plant. Then, to be on the safe side, let us add \$500,000 to the above and we have \$3,500,000 as the entire value of the Contra Costa Water Company's plant.

## VALUE OF WATER IN SOUTHERN CALIFORNIA.

Outside and independent of any expert testimony as to valuations, there is proof positive that the testimony of the City Engineers and of Mr. Desmond Fitzgerald as to the value of the Contra Costa Water Company's plant is a liberal one. It is this—the rainfall about the Bay of San Francisco is such that water for irrigation is not needed. Consequently there is not enough demand about the Bay of San Francisco to create a market price. In the southern part of this State the rainfall is much smaller and water is scarce and the demand for water is so great that it has a regular market price. Water in the southern part of the State has become a commodity, bought and sold by the miner's inch. A water company develops a water supply and enters into a contract to furnish perpetually to a buyer a supply of water for so much per miner's inch. It will be observed that the company must keep up the plant and continue to supply the water. Now in that country, where water is in so much demand, that it has a market price, the value of the miner's inch up to the late season of excessive drought, was under \$1,000 an inch

and water could be bought at that price and less of companies developing water supplies. Seven Hundred and Sixty-eight miners' inches of water is equal to ten million of gallons per day, which is about what the Company has been furnishing to Oakland. The City of Oakland, therefore, at the market rate for water in Southern California, should pay \$768,000 for a daily perpetual supply of 10,000,000 gallons. Of course the distributive system, supply pipes, etc. should be added thereto, but it would bring the total value of the Contra Costa Water Company's plant, estimated upon the basis of the selling price for water in Southern California, below rather than above the figures of Mr. Desmond Fitzgerald.

Again Mr. Fitzgerald's figures are confirmed by the Bay Cities Water Company, which offers a complete plant and water rights for a daily supply of 20,000,000 gallons for \$3,750,000.

### MR. HOWARD'S VALUATION.

Mr. John L. Howard has spent more time than any individual, not an engineer, that I know of in going over the property of the Contra Costa Water Company and estimating its value. He took the figures of all the engineers and called Mr. Adams, the engineer for the Contra Costa Water Company, and Mr. Desmond Fitzgerald into consultation. He assures me that it is impossible to appraise the property of the Contra Costa Water Company at more than about four millions of dollars.

I make no apology for spending so much time on these questions of value, for the value of the Contra Costa Water Company's plant must be considered in all discussions as to what action the City of Oakland should take. That corporation forces the question of values upon us.

After the proposition of the Bay Cities Water Company had been rejected by the Council, and after arbitration had failed, the Council fixed the rate we must pay for water for the year beginning July 1st, 1904, upon a valuation of \$4,700,000 on the Oakland division and allowed practically, as part of the running expenses, every demand of the Contra Costa Water Company, even to allowing for the amount of subscriptions made by that corporation to public celebrations and to charity. In my opinion the Council erred on the side of too great liberality to the water company. But, notwithstanding this, the corporation immediately brought a suit in the United States Circuit Court and obtained a preliminary injunction. That Court is congested with business and there is no telling when the case can be heard on its merits. I have no doubt of the results when that hearing can be obtained. But meanwhile we are paying rates on a valuation of seven millions of dollars and paying extravagant sums besides for operating expenses which the company charges against the City.

## THE NEW PROPOSITION OF THE BAY CITIES WATER COMPANY.

Having now given as briefly as possible a history of what has taken place up to within a few months, with such comments as the occasion seemed to call for, I now take up the situation that confronts us.

In the language of President Cleveland, "it is a condition not a theory" that confronts us. In the first place there is no use to talk of buying out the Contra Costa Water Company's plant unless we are willing to pay at least seven million dollars therefor. There is no statement before the people that the corporation will sell for that sum even. Are you willing to pay that amount? If the city will not agree to pay as much as seven million dollars, then you can rest assured that if a Council fixes the water rates based upon a less valuation, another suit will be brought by the company in the United States Circuit Court to enjoin their collection. We can rely upon suits being brought every year until one of the cases reaches the Supreme Court of the United States. That court has had other water cases before it and we can fairly assume a knowledge of what that tribunal will do when our case reaches it. It has uniformly decided for the people heretofore. It will put a quietus upon the claims of the water company. But meanwhile we have turmoil and litigation, unless we feel that it is better to accede to the demands of the company and pay twice what its property is worth. Do you want to do it? If so there is no use carrying the matter any further. I call on you to do one thing or the other. If you are not willing to accede to these demands, then let us install a water plant of our own. For my part I am in favor of accepting the Bay Cities Water Company's proposition because, if there were no other reasons, IT PROPOSES TO DELIVER TO US A WATER SUPPLY THAT WE NEED AND MUST HAVE EVEN IF THE CONTRA COSTA WATER COMPANY COMES DOWN TO A REASONABLE SELLING FIGURE AND WE CHOOSE TO BUY IT OUT.

Reflect for a moment and you will realize that there is no adequate supply of water for the cities on our side of the bay if they keep on growing, as they no doubt will, nearer than the waters of Alameda Creek. The flood waters of that creek are now going to waste into the bay. That creek and its tributaries are our natural source of water supply and if the Bay Cities Water Company can now deliver at the margin of the city, for the sum of \$3,750,000, a plant and water supply equal to twenty million gallons per day, it is the greatest possible folly, from a business point of view, not to close with the proposition and deal with the Contra Costa Water Company afterwards. By doing so we shall be in a position to dictate

terms to that corporation and compel it to sell at a fair valuation. I assume that the city of Oakland will never attempt to get the property for less than it is fairly worth. I shall go into this question of business policy further on.

## WHAT IS THE PROPOSITION OF THE BAY CITIES WATER COMPANY?

In short it is to impound the flood waters of Del Valle and Isabel creeks and store them in the mountains back of Mt. Hamilton at an elevation of seventeen hundred feet above sea level, and bring the same, by means of a wood stave pipe, past Pleasanton and through the Niles Canyon to the eastern boundary of the city of Oakland, the plant to be complete in all respects and **SATISFACTORY TO THE ENGINEERS SELECTED BY THE CITY OF OAKLAND**, and to have a capacity of delivering daily twenty millions of gallons of water.

We already have the report of Mr. Fitzgerald on the Del Valle Creek and we have the report of the board of three engineers recently appointed on the Del Valle and Isabel creeks combined, and from those reports we know there will be sufficient water, even in years of extreme drought, to give us the twenty millions of gallons the works provide for.

A perfect title to all of the property to be conveyed and a perfect title to the right or privilege to impound these flood waters is guaranteed by the company, and no money is to be paid until the city authorities are absolutely satisfied that the guaranty is made good. That is to say, the company contracts to give a perfect title and will not claim the right to draw down any portion of the purchase price without securing the repayment to the city of the amount so drawn down in the event it should turn out that the company's title is not good; and if that method of security is not satisfactory, the bonds may be left in escrow, to be sold when the title is made perfectly satisfactory. The purchase price is to be \$3,750,000.

These are the general terms of the proposition, but if you agree to accept the proposition in its general terms then a careful and elaborate contract is to be drawn **THAT SHALL BE SATISFACTORY TO THE CITY AUTHORITIES** to carry out the agreement. In other words, the proposition is preliminary, its general purposes being stated, and if you approve of the same, then the drafting of the formal contract between Oakland and the Bay Cities Water Company is to be left to your attorneys.

I think it is perfectly safe to say that never in the history of the acquisition of large or valuable property by any municipality, or State, or country, were there ever before so many safeguards used to protect the rights of the people. In ordinary business transactions no man would in such an important matter so completely surrender his property to the good faith and fair-

mindfulness of his opponent and his opponent's lawyers as the corporation has done to the city of Oakland and its lawyers. It is a compliment to the people of Oakland that the Bay Cities Water Company is willing to trust the people so fully.

Now, what are the objections to this proposition? I shall take up the principal ones about which we hear most.

### THE QUESTION OF TITLE.

There are more objections urged on the grounds of insecure or insufficient title in the Bay Cities Water Company than upon any other ground. For my part I would never consent to the city paying any money, or contracting to pay any money, for property to which there was not a good title, and therefore if there is any doubt about the title of the Bay Cities Water Company no money should be paid to it, or if paid, the city should be amply secured in its return, until the title has been fully established by decisions of the courts. That is just what the proposition of the Bay Cities Water Company contemplates, and in my opinion it is a more satisfactory proposition, as I have already said, than was ever before made to a municipality. It is evident that the men who have put their money into this corporation are absolutely sure of their title. They stand to lose millions of dollars if the title fails.

For my own part, when I reflect that the flood waters of Del Valle and Isabel Creeks have never been actually used, that they have always gone and are now going to waste, that a great city (for I look upon Oakland, Berkeley and Alameda as practically one city) is rapidly growing up almost alongside of the outlet of these streams, that this great city has no other adequate source of supply in the neighborhood except from these streams, I have very little doubt that the title of the Bay Cities Water Company will be confirmed by the courts. The only possible competitor is the Spring Valley Water Works, which is now taking from Alameda Creek less than sixteen millions of gallons per day for the supply of San Francisco. It has never utilized the flood waters of Isabel Creek or Del Valle Creek, and in my opinion in any contest between the Bay Cities Water Company, which is undertaking to supply the city of Oakland, and the Spring Valley Water Works, which is supplying the City of San Francisco, the courts will say the Spring Valley Water Works may be allowed to take all it has appropriated, namely sixteen millions of gallons per day, from Alameda Creek, but the flood waters which have never yet been appropriated must and shall be used by the great city to which these waters naturally belong and to whose very existence they are necessary.

It must be borne in mind that the courts have always said that the use of water must be reasonable so as to subserve the

needs of the greatest possible number. Applying that principle, I do not see how any fair tribunal can ever take from Oakland, or from a corporation supplying the City of Oakland, the flood waters of these creeks, hitherto going to waste, and give them to the City of San Francisco, which is on the opposite side of the bay and has other sources of supply on the peninsula.

The fact is that the Spring Valley Water Works many years ago turned its attention to Alameda Creek and acquired what water rights it possesses not because the waters of Alameda Creek were needed for the people of San Francisco, but because it feared that the City of San Francisco would itself utilize the waters of Alameda Creek and thereby put the Spring Valley Water Works out of business. The Spring Valley Water Works can utilize from Pescadero Creek and Butano Creek enough water, now flowing into the ocean, to make up for any lack of water from Alameda Creek.

The Bay Cities Water Company claims that so far as the preliminary steps for the location of water rights is concerned it is prior in time to the Spring Valley Water Works. About this I do not know. But this I do know, that the flood waters of the Del Valle Creek and Isabel Creek have never yet been utilized and in my opinion they belong by right to the people of Oakland in preference to the people of San Francisco.

But I would not have the city take any risk whatever in the matter and I do not believe it does take any risk in accepting the proposition made by the Bay Cities Water Company. Oakland's present bad condition on the water question is owing to the city not having utilized the waters of Alameda Creek long ago. We neglected our opportunities. Shall we now, because the Spring Valley water works claims title to the flood waters of Del Valle and Isabel creeks, sit down supinely and let that corporation impound those waters and take them to San Francisco? Is it not better business policy for us to say to the Bay Cities Water Company: "Make a fight for the flood waters of those creeks and if you win out we will take the property off your hands?" Here is a chance to acquire a daily supply of twenty million gallons of water. Oakland is justified in taking some risk in the matter. As a matter of fact she takes none. Shall we be so dull as not to avail ourselves of the opportunity?

#### LOCATION OF PIPE LINE.

The statement has been made over and over again that the proposed pipe line to be constructed by the Bay Cities Water Company will run at the bottom of a reservoir that the Spring Valley water works proposes to erect. I have not heard where that reservoir is to be. But if you will reflect upon the situation you will conclude that it is only another bugaboo conjured into existence for the purpose of frightening voters. The pipe line

will follow down the Del Valle Creek, past Pleasanton, and along the county road down through the Niles Canyon, probably following the line of the railroad track. No reservoir can ever be constructed along the proposed pipe line.

#### SALE OF BONDS AND INTEREST THEREON.

Another favorite argument of the Contra Costa Water Company is that we must sell the bonds and the city will lose the interest while the works are being constructed. Probably many people believe this statement because our district school bonds were sold in a lump and at one time and we are paying interest thereon though the money is not yet needed. But those bonds are not city bonds at all. They are a school district bond and an entirely different law applies.

Section 149 of the Charter applies to City Bonds. It reads: 'NOR SHALL ANY SUCH BONDS (that is bonds for improvements, water rights, etc.) BE ISSUED OR SOLD DURING ANY ONE YEAR IN EXCESS OF THE ACTUAL EXPENDITURE INCURRED IN THAT YEAR.'

There goes another spook!

#### COMPETITION WITH THE CONTRA COSTA WATER COMPANY.

The fear that disastrous competition may ensue between the Contra Costa Water Company and the city in the event of the city installing its own plant, possesses many of our own best citizens. I know of good business men who are much disturbed over this prospect. But a little examination of the law will show there is no good reason for it. Every city has absolute control of its streets in the interest of the general public. No corporation can use those streets, except as ordinary individuals use them, without special permission from the city. Unless the Constitution or the general law makes provision therefor, no water company can open the streets in a city to lay or repair its water pipes unless the city gives that permission. This is elementary law. Now the Constitution of California does provide for opening streets by a water company for its pipes WHEN AND WHERE THE CITY HAS NO WATER PLANT OF ITS OWN. As soon as a city comes into possession of a plant of its own the general rule applies and no street can be opened without a license from the city. See Section 19 of Article XI of the Constitution. Is it to be supposed that a city will allow its streets to be opened and pipe laid by a competitor with itself in supplying the city with water? To ask the question is to answer it. The Contra Costa Water Company has, under the Constitution, and because we have no municipal water plant, exercised its permissive right under the Constitution to lay pipes in our streets, and let us suppose that after we have installed a plant of our own we are still bound, as matter of equity, to permit the company to open the streets to repair its

pipes, that is certainly as much as the company can claim. We can forbid the laying of pipe in any new place or to a new building. In my opinion we can prevent the laying of new pipe anywhere. I am not certain but the city would have the power to compel the water company to take up its pipes. But I would never go that far. It will be entirely sufficient to prevent the laying of any new pipe to put the Contra Costa Water Company out of business.

I understand there was no competition in Vallejo between the Chabot Water Company and the city after the city installed its own plant. From the very nature of the case there cannot be competition.

Then again, the city has the power of taxation. It can impose such a license for any private corporation or individual supplying water to the people that the city can recoup in license taxes any sums it would lose by reason of competition. Therefore it seems to me that the fears of our people in regard to competition are entirely groundless.

#### WILL THE ACQUISITION OF A NEW WATER PLANT FROM THE BAY CITIES WATER COMPANY IN- CREASE TAXATION?

It will increase taxation to a small extent until the new plant is installed and in operation. As soon as the city begins to supply water to its people the income from the water, at rates much below what we now have to pay, will much more than pay for maintenance, interest on the bonds, and the payments into the sinking fund.

Nearly all the cities of the civilized world have adopted this method of supplying its people with water. I sometimes think no city in the world except Oakland and San Francisco would tolerate such a condition as now exists here. It is the universal experience of cities owning their own municipal water plant that they can furnish the water at a cheaper rate than private corporations can and yet receive an income therefrom. A few minutes' reflection makes plain why this is so.

Private corporations must receive interest on the capital invested and it is a notorious fact that the salaries and perquisites of the managers of such corporations are extravagantly large. Then when you consider that the city, dependent on a private corporation, must pay such a water rate as to give dividends to the stockholders and pay the operating expenses, you will see that there is every inducement to make those operating expenses most extravagant. We have an illustration of that fact at the present time. Few employees are necessary in running a municipal water plant, but so long as the managers of a water company have a right to make expenditures and call them operating expenses and the city has to foot the bill, there is practically no restraint upon waste and extravagance.



There are two items, therefore, viz: Interest on the money invested and the reckless use of people's money, that have been eliminated in those cities that own their own municipal water plant. Therefore we can safely assume that after our plant is installed our taxes will be lessened, our water rates will be decreased, and that year by year we are acquiring through the sinking fund a valuable property. At the end of forty years the plant belongs to the city.

### SHOULD THE BONDS ISSUED BY THE CITY BE A LIEN ONLY ON THE WATER PLANT?

Some of the friends of the Contra Costa Water Company claim that if we issue bonds to pay for a municipal water plant, that plant and the income from the property should alone be responsible for the bonds issued in payment therefor. This, too, a moment's reflection will show is impracticable. The water plant will belong to the city. The City Council will have the right to fix the rates that our people shall pay for water. If the city is under no pecuniary obligation to see that the bonds are paid the temptation will be irresistible to reduce the water rates. They are certain to be put at such a low figure that enough cannot be realized to pay the interest on the bonds, the running expenses, and lay aside enough for the sinking fund. No man who has money to lend will overlook this fact. He will not buy the water bonds of a city which does not make itself responsible for the payment of those bonds. The capitalist will say at once: "My money will be completely at the mercy of the Council in "fixing the rates to be paid by consumers of water," and he will refuse to lend his money. Therefore, if the friends of the Contra Costa Water Company can get the people of Oakland to believe that only the water supply plant should be responsible for the bonds issued, then we may as well give up all hope of obtaining money with which to supply ourselves with such a plant. If the city is liable on the bonds, the Council will fix rates high enough to pay all charges and leave a surplus.

There is also another question to be considered, viz: that the unimproved property in the city should be made to contribute its share toward the sinking fund that is to pay for the water works.

### SOUND BUSINESS POLICY.

Oakland is growing by leaps and bounds. The same is true of Berkeley, and to a lesser extent of Alameda. These three cities must inevitably become ere long consolidated into one city. The present supply of the Contra Costa Water Company is barely adequate for their needs at the present time. We must look forward to the time when in the near future there will be 250,000 people needing water within the boundaries of

these present three cities. Where is it to come from? If we do not avail ourselves of this opportunity to get the flood waters of Isabel and Del Valle creeks, there is no sufficient source of supply this side of the Sierras. If we let this opportunity slip, in ten years from now we shall be much worseoff than we are at present. If we obtain this supply of twenty millions of gallons per day it is only a question of a short time when these three cities will need, in addition, such water supply as the Contra Costa Water Company can furnish us. If we let the opportunity to get the supply from these creeks from the Mt. Hamilton range go by, our condition will be deplorable, for that supply will be taken to the city of San Francisco. We should not hesitate, but close with the Bay Cities Water Company.

This should be done in the line of prudent forethought and sound business policy. At the present time you cannot buy the Contra Costa Water Company for less than seven millions of dollars. You don't know that we can buy it for that. If we install an independent plant of our own, the competition with the Contra Costa Water Company, about which so much has been said, will force that company to sell at a fair figure. You can, therefore, by wise business policy, purchase both the supply of the Bay Cities Water Company from Isabel and Del Valle creeks and the Contra Costa Water Company's supply for seven or eight millions of dollars. In other words, if you let this opportunity go by you will be compelled to pay as much, or nearly as much, for the Contra Costa Water Company's plant as you need to pay, if you exercise sound business forethought, for BOTH the Bay Cities Water Company plant and the Contra Costa Water Company plant.

I would not do any injustice to the stockholders of the Contra Costa Water Company, but I would not be forced by the managers of that company to pay more than the property is really worth. Paying what that property is really worth, we can in time get both the Bay Cities Water Company's plant and the Contra Costa Water Company's plant for between seven and eight millions of dollars, say eight million at the outside, and do no real injustice to the stockholders of the Contra Costa Water Company.

I close as I began: The city government during the last two years has done its best to solve the water problem. A plan has been devised that in my opinion fully solves the difficulty. It is presented to you for your action. Every voter who has the interests of the city at heart should carefully investigate the question and go to the polls on the eleventh of March determined to cast his ballot in such a way as shall best enhance the interests of the city of his home.

WARREN OLNEY.

UC SOUTHERN REGIONAL LIBRARY FACILITY



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## **Bay Cities Water Company's Proposition to Oakland.**

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1. A minimum of 20,000,000 gallons of water daily; probably 25,000,000,
2. Water clear, pure, soft and wholesome. No possibility of contamination.
3. Water drawn from over 100 square miles of practically uninhabited watershed.
4. Delivered at the charter line of Oakland.
5. Location of watersheds, Mount Hamilton Range, Santa Clara County.
6. Two reservoirs, capable of storing a minimum of 18,500 millions of gallons.
7. Absolute guarantee to Oakland of quiet possession of the above properties.
8. Oakland need not fear litigation. Opposing interests can only attack **BAY CITIES WATER COMPANY**, not *City of Oakland*.
9. *Work for the masses for three years.*

**ALL THE ABOVE FOR \$3,750,000.00.**