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MUNICIPAL GOVERNMENT FOR LAKEWOOD:  
ISSUES REGARDING ANNEXATION AND INCORPORATION

by

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and

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This report reflects the most comprehensive study of the Lakewood situation, past, present, and future yet undertaken.

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## INTRODUCTION

An objective study is extremely difficult to complete in the midst of a campaign as heated as that currently being waged in connection with the Lakewood-Long Beach annexation issue. By this time nearly everyone who is concerned with the problem has made up his mind as to the best course and has adopted a "you're either for us or against us" attitude.

The purpose of this investigation is to examine objectively the major arguments which have been advanced for and against the various alternatives and to present enough factual data so that no potential voter and petition-signer need act on the basis of prejudice or insufficient, misleading, and erroneous information.

The alternatives which are available now to Lakewood are: (1) to annex to Long Beach, (2) to remain unincorporated territory and obtain the requisite municipal services through the use of special service districts or a community service district, and (3) to incorporate as a new and separate municipality. The adoption of the first alternative is, in effect, an irrevocable decision, whereas either of the other two does not foreclose the possibility of the adoption of the others at some future date. This asymmetry is a matter of some importance and should be kept in mind in the final choice of alternatives.

It is hoped that this report will become a sort of citizen's handbook which will be useful after the last petition is in and the last vote is counted. Should Lakewood or sections of Lakewood annex to Long Beach, it is hoped that that part of this report dealing with Long Beach municipal affairs will be helpful to the new citizens of that city. Should incorporation of Lakewood or of portions of Lakewood occur, the appendix on "how to do it"

will be useful as will the information on the costs of running a city and the revenue sources available to a city.

In any event, one who reads the entire report may expect to find information based for the most part on published government documents dealing with the following questions:

1. Who are the people of Long Beach and what are their characteristics? What does this imply with respect to
  - a. How they vote on municipal questions?
  - b. Whether they would welcome Lakewood as a part of the city?
  - c. Whether their needs for municipal services are similar to those of Lakewood residents?
2. How has Long Beach grown as compared with other cities since 1930? Is it "progressive," stagnant, or is it growing at an average rate?
3. Is the long-term financial outlook for Long Beach sound?
4. What effect have Long Beach oil and gas revenues had on
  - a. Capital outlays?
  - b. Tax rates?
  - c. Efficiency in government?
5. Can reliable estimates be made of the costs of incorporation of Lakewood?
6. Is Long Beach efficiently governed?
7. What will happen to the Long Beach tax rate in case the city is prevented from using oil revenues for general city government purposes?
8. If Lakewood annexes, will its vote affect the use of oil and gas revenues? Will these monies be spent for public improvements; traffic improvements; off-street parking; urban re-development; and in what areas will they be spent?
9. How much will it cost to remain independent of Long Beach either by establishing an independent city or by continuing as an unincorporated community?
10. What quality of services may Lakewood expect as a section of Long Beach, as an independent city, and as an unincorporated community?
11. What effect will remaining independent have on the decisions of the people of Long Beach in regard to
  - a. Spending the oil money?
  - b. Voting school bonds?
12. Where can a new city get competent peoples to conduct municipal affairs?
13. How can a new city finance such capital outlays as are required to build a city hall and to equip a police and fire department?

14. Should the opportunity of joining the Metropolitan Water District without the payment of back assessments through annexation to Long Beach be a determining factor in deciding the annexation issue?

Time limitations have precluded a complete and definitive analysis.

The real purpose of this study will have been accomplished, however, if the voters of Lakewood proceed with candor and bring open minds to their consideration of the issues. Protagonists of either side must ask and answer the questions outlined above if they are to make a wise decision.

POPULATION AND HOUSING CHARACTERISTICS  
OF LONG BEACH

Although the words "population characteristics" commonly are used to describe a wide variety of factors such as age, sex, marital status, nativity, education, occupation, and the like, only a few characteristics are examined in this section and these are selected primarily because they bear upon desires and needs for municipal services and willingness and ability to pay for them. The characteristics examined here are confined to housing, age, and income.

A study of the 49 census tract areas into which Long Beach is divided provides answers to some significant questions of importance to the citizens of Lakewood at the present time.<sup>1</sup> Particularly important are the following:

1. How many Long Beach residents are potential voters?
2. What incomes do these voters have, how old are they, and how do they live?

Thirteen of these 49 census tracts (containing 51,091 potential voters out of Long Beach's total of 178,600) are characterized as having a very low percentage of home ownership (less than 25 per cent). The median incomes and percentage of home ownership in these tracts are given in Table 1.

An analysis of 29 census tracts (including the 13 shown in Table 1) reveals a total of 117,000 potential voters living mainly in rental units. These represent 65 per cent of all potential voters in the city. In these 29 tracts, only 28 per cent of the dwelling units are owner occupied. Moreover, in these tracts the median family income was \$2500 per year in 1949.

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<sup>1</sup>Actually there are 51 census tracts in Long Beach, but two tracts containing one dwelling unit each have been disregarded in this study.

Table 1

<u>Tract Number</u>	<u>Number of Potential Voters</u>	<u>Median Income</u>	<u>Percentage of Home Ownership</u>
303A	2,037	\$2787	13.0
303B	4,110	1343	7.6
304	2,725	3030	17.0
305	2,705	2543	23.5
306	4,408	2077	17.9
307	4,737	2172	18.8
308	5,702	1494	12.5
309	3,505	1393	11.5
310	3,781	1841	8.5
311	2,510	1843	12.3
312	5,293	2513	11.2
313	5,358	2213	18.5
327D	4,503	3322	23.4
	<u>51,091</u>		

Source: 1950 U. S. Census of Housing  
1950 U. S. Census of Population

Thus approximately 68 per cent of Long Beach's families received incomes averaging \$2500 in 1949. This fact alone raises serious doubts as to the validity of the position that citizens of Long Beach are, in general, well to do. In fact, this median income was far below that required to provide a reasonable living standard to the average city dweller's family in 1949. Moreover, the average age of these people is high compared with the rest of Long Beach. Eighteen per cent of the potential voters in the above census tracts are over 65 years old. In the entire city of Oakland only 9.3 per cent of potential voters are in this age bracket, while in San Diego only 8.4 per cent are 65 years old or older.

In the remaining census tract areas (accounting for 61,680 potential voters, 35 per cent of the total) there is a high percentage of home ownership (varying from 50 per cent to 86.4 per cent) and median incomes which vary from a low of \$3184 per year to a high of \$5500 per year, averaging \$3900. Hence, it would seem that the city of Long Beach from the point of

view of some significant population characteristics is really two cities. The first is characterized by low family income and low percentage of owner occupancy of dwelling units; the other is characterized by higher incomes and substantially higher home ownership and compares favorably with Lakewood. Table 2 summarizes these facts for these two "cities" within Long Beach.

Table 2

## Summary of Home Ownership and Incomes of Long Beach Residents

Tracts with 50% or Less Owner Occupancy			Tracts with 51% and Over Owner Occupancy		
Tract No.	% Owner Occupied	Median Income	Tract No.	% Owner Occupied	Median Income
303A	13.0	\$2787	321B	70.5	\$4156
303B	7.6	1343	322	61.5	3705
304	17.0	3030	327B	82.6	3971
305	23.5	2543	327C	59.0	3283
306	17.9	2077	327E	82.5	3849
307	18.8	2172	327F	51.0	3903
308	12.5	1494	328	74.5	4294
309	11.5	1393	329A	78.0	3709
310	8.5	1841	329B	67.0	3369
311	12.3	1843	329C	61.0	3184
312	11.2	2513	329D	78.5	4563
313	18.5	2223	330A	74.2	3611
314	28.5	2427	330B	78.0	3811
315	32.2	2681	330C	67.0	3511
316	36.5	2857	332Ae	67.5	3906
317	36.8	2422	332C	79.6	5500
318	29.6	3179	333B	51.5	3509
319A	49.2	3810	333C	78.4	3973
319B	35.4	3482	333D	86.4	---
320	48.8	2800	533B	80.6	---
321A	44.0	3105			
323	34.9	2587	Total Potential Voters -	61,680	
324	33.4	2516	No. Persons 65 and over-	7,120	
325	41.0	2608			
326	38.2	2912			
327A	43.0	3444			
327D	23.4	3322			
327G	33.0	3601			
335D	36.8	---			

Total Potential Voters - 116,976  
No. Persons 65 and over - 20,965

Source: 1950 U. S. Census of Housing  
1950 U. S. Census of Population



Because the population of Long Beach is so heavily concentrated in a "renter" classification, the following details on rental housing in Long Beach are offered. Of the 48,840 occupied rental units in Long Beach, 34,844 (71 per cent) were built prior to 1939 with the great bulk built in the 1920's. These units are much smaller than the usual five- or six-room, owner-occupied home as shown by Table 3. The median number of persons per rental dwelling unit is 2.2, although 11,895 (24.3 per cent) of the total units are occupied by one person.

Table 3

Number of Rooms	Number of Units	Percentage
1	690	1.4
2	11,920	24.4
3	16,755	34.4
4	10,360	21.2
5	6,600	13.5
6	1,520	3.1
7 or more	590	1.2
not reported	405	.8

Source: U. S. Census of Housing (1950)

The above situation with respect to rental units can be compared with the owner-occupied single-family units which number 30,580 (31.6 per cent of all dwelling units).<sup>2</sup> These are similar to those found in Lakewood with the exception that they are older (80 per cent were built before 1945) and as a rule were not built as parts of a planned community.

The economic bases of both Long Beach and Lakewood consist primarily of the skills and experience of their residents; both their current and their future incomes depend upon present employment and job opportunities available to them, and in these Lakewood appears to be favored over Long Beach inasmuch

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<sup>2</sup>According to the U. S. Census of Housing, there were 97,021 dwelling units in Long Beach in 1950; 50,239 were renter occupied; 40,924 were owner occupied; and 5,858 were unoccupied. 30,580 of owner-occupied units are of the single-family type.

as its population is younger, and judging from the concentrations of incomes in the middle brackets has a large amount of those skills commanding a premium price in the labor market. (For a summary of how the various occupational groupings compare in Lakewood census tract areas and in Long Beach census tract areas with under and over 50 per cent owner-occupied dwelling units, see Table 4.) In the portion of Long Beach in which rental units prevail, incomes, as shown in Table 2, are quite low and employment concentrated relatively heavily in the less well paid occupational classifications.

Table 4  
Occupational Classifications in  
Lakewood and Long Beach

<u>Item</u>	<u>Lakewood</u>	<u>Long Beach*</u>	
	<u>% Total</u>	<u>Under 50%</u>	<u>Over 51%</u>
Employed			
Professional, Technical, and Kindred Workers	14.3	11.6	11.6
Managers, Officials and Props., incl. Farmers	11.8	12.5	13.6
Clerical and Kindred Workers	12.7	16.0	13.4
Sales Workers	11.5	10.5	10.3
Craftsmen, Foremen, and Kindred Workers	20.6	15.3	20.3
Operatives and Kindred Workers	17.7	16.0	17.7
Private Household Workers	1.3	2.0	1.4
Service Workers, except private household	5.5	10.0	7.0
Laborers, except mine	3.9	5.4	4.0
Occupation not reported	.7	.7	.7

\*Percentages of Home Owners

Source: United States Department of Commerce  
United States Census of Population, 1950

In the other, but smaller, portion of Long Beach, occupational characteristics are very similar to those of Lakewood.

Some of the inferences to be drawn from the above data are:

1. Substantial political power in Long Beach is presently held by persons who are significantly different in many characteristics from the home-owning populations of either Long Beach or Lakewood.
2. The needs of these persons for many kinds of municipal services are quite different from the needs of the people of Lakewood and their willingness to pay for many municipal services may be quite different. The differences in size of family and age distribution, to mention two things, indicates that the interests and attitudes of the older group are not the same as those of younger people with children.
3. The majority of voters in Long Beach are not home owners and may well not own any real property. Local policy and law protecting property values may not receive the same consideration as it does where the vast majority of voters own their own homes. L.B.  
now  
Home  
owners
4. Family incomes in Lakewood are relatively high as a result of unusually concentrated employment in occupational classes which enjoy high wages. The skills employed in these occupations are those in strong demand by the developing industries of the southwestern part of the Los Angeles Metropolitan Area.
5. Possibly the most important inference is the attitude of the population toward local government. Although no survey of Long Beach elections has been undertaken, there are indications that large groups of Long Beach voters could be professional "aginners." The insistence of the voters in having the city duplicate the work of the county assessors at great expense appears to be an instance.

How the voters of Long Beach will vote in the future on issues concerning the Lakewood area whether these areas are a part of the city of Long Beach or not cannot be predicted. About all one can do is sample the basic psychology of the voters of Long Beach by looking at the past record of expenditures and capital outlays and comparing this record with that of the voters in comparable cities.

## LONG BEACH MUNICIPAL FINANCE: SOME COMPARISONS

Per capita expenditures for municipal type services and capital outlays have been examined for Long Beach and San Diego for the period 1930 to 1952 to determine if Long Beach differs significantly from this comparison city. Although cities comparable with Long Beach exist elsewhere, it is believed that only California cities should be compared since the functions of cities in other areas are quite different from those in this State. For example, some New England cities assume health, hospital, and charity responsibilities, functions which in California are performed mainly by county government. San Diego maintains a harbor facility, participates in the rapid population growth of the State, and is in the same census size grouping as Long Beach.

From the data in Table 5, it appears that per capita expenditures in Long Beach compare favorably with those in San Diego. However, the standard of services offered in these cities may yet vary as a result of the efficiency of the workers and the tools and other capital equipment they have to perform their work. Measurement of the former is next to impossible, but some indication of the latter can be derived from the capital outlays of the two cities.

Long Beach and San Diego both grew at fabulous rates in the decade 1938-1948, and during this period San Diego provided major additions to its capital equipment. Table 6 shows that in this period San Diego spent more on capital outlays in every department other than water works, wharves and docks, and gas plants, and the gas plant in San Diego is privately owned. San Diego spent more than four times as much on its streets, four times as much on recreation, three times as much on sanitation, and nearly twice as much on protection.

Table 5

Changes in Per Capita Expenditures  
Long Beach and San Diego, 1930-1951

Item	Long Beach			San Diego		
	1930	1951	% Change	1930	1951	% Change
General Government	\$3.27	\$4.89	150	\$2.93	\$3.92	134
Police Department	3.48	8.14	234	3.41	6.38	187
Fire Department	4.04	6.49	161	3.14	4.82	155
Other Protection	1.18	2.77	235	.85	2.00	236
Health	.30	1.39	461	.32	1.44	450
Sanitation	2.71	7.03	260	2.10	5.90	281
Highways	6.23	14.62	235	3.37	9.06	269
Recreation	3.80	10.25	270	2.23	8.74	392
Other Payments	18.30	23.22	127	11.55	6.79	- 41
Total per capita payments	43.31	78.80	182	29.90	49.05	165

Source: California State Controller, Annual Report of Financial Transactions Concerning Cities and Counties of California, 1930.

U. S. Department of Commerce, Compendium of City Government Finances in 1951.

Beginning in 1948, Long Beach began spending sizeable sums derived in large part from sales of Upland oil for new capital and since that time it appears as if Long Beach has undertaken to make substantial improvements in the plant and equipment available to its employees. Since 1949, Long Beach has spent nearly \$41 million, and although one-half of this has gone into the harbor, substantial improvements have been made in all categories. Long Beach's generous outlays on wharves and docks deserve one final comment.

The relationship of these expenditures to the welfare of the citizens of Long Beach is to say the least indirect.

Table 6  
Per Capita Capital Outlays  
Long Beach and San Diego, 1938-1948

<u>Item</u>	<u>Long Beach</u>	<u>San Diego</u>
General Government	\$ .58	\$ 3.18
Protection to Person & Property	1.74	3.22
Health	.13	.17
Sanitation & Cleanliness	2.03	6.65
Streets	.43	1.74
Recreation	1.28	5.30
Water Works	17.60	13.10
Wharves & Docks	48.10	6.20
Gas Plants	<u>16.00</u>	<u>--</u>
	87.89	39.56

Source: Office of the State Controller, Annual Report of Financial Transactions of California, 1938 to 1948.

Population data from U. S. Census, 1950.

The effects of San Diego's capital outlay policy on current operations can easily be seen by reference to some data on its employees and is also illustrated by its current expenditures on refuse collection and disposal. In 1950 San Diego had a total of 2,909 employees and a total payroll of \$774 million serving a city of 334,387 persons. Long Beach had a total of 3,153 employees and a total payroll of \$870 million (2,853 employees when the gas plant employees are subtracted to make Long Beach governmental

functions more comparable with those of San Diego) serving 250,767 persons. Thus each city employee of San Diego served 115 persons whereas in Long Beach each civil servant served only 88 citizens. In the fiscal year ending in June, 1951, San Diego spent less than two-thirds as much as did Long Beach per capita and per dwelling unit for the collection and disposal of refuse. This would not have been possible had San Diego pursued Long Beach's parsimonious policies with respect to capital outlays.

Over the years, the people of San Diego, without the oil and gas revenues that Long Beach boasts, have maintained their plant at at least as high a level as have the people of Long Beach. Perhaps it is possible to regard Long Beach's pre-1948 policy as indicative of the policy which this city would follow were its purse strings cut and its dependence upon revenues which must suffice most cities increased. In the next section, Long Beach's sources of income will be examined.

Table 7 compares the present revenue systems of Long Beach, Oakland, San Diego, and all California municipalities together. Two very significant facts stand out regarding Long Beach's finances: first, Long Beach is far less dependent upon property tax receipts than are the others, and second, Long Beach is much more heavily dependent on receipts from the operation of public service enterprises. Other differences are of minor importance, but these two features of Long Beach's revenue system justify further comment.

Long Beach received 78.5 per cent of its total receipts from the sales of public service enterprises in the fiscal year ending June 30, 1951, and its dependence on this source of revenue has for years been steadily increasing. In contrast, the proportion of total revenue derived from this source in all California cities together is only 33 percent and it has a distinct downward trend.



Table 7

Principal Sources of Revenue  
 Long Beach, Oakland, San Diego, and all California Municipalities  
 Fiscal Year Ending June 30, 1952  
 (In thousands of dollars)

Item	Long Beach		San Diego		Oakland		All California Municipalities	
		%		%		%		%
Gen'l. Property Tax	3674	7.6	6681	25.4	10108	37.7	211130	29.5
Licenses & Permits	856	1.7	572	2.2	706	2.6	21940	3.0
Fines & Penalties	367	.7	1034	3.9	941	3.5	17848	2.5
Privileges	324	.6	334	1.2	485	1.8	7933	1.2
Rent of Property	127	.3	197	.7	95	.3	3616	.5
Sale of Property	1900	4.0	198	.7	17	.1	4871	.7
Interest	124	.3	122	.5	330	1.2	2807	.4
Subventions & Grants	2341	4.8	5095	19.3	3792	14.1	113065	15.7
Fees, Charges for Services	561	1.2	1016	3.8	643	2.4	31519	4.5
Miscellaneous	168	.3	2951	11.2	5319	19.9	53302	7.4
Public Service Enterprises	37254	78.5	7494	28.4	4250	15.9	241446	33.4
Special Assessments	--	--	732	2.7	145	.5	7747	1.2
Total Government Receipts	47696	100.0	26426	100.0	26831	100.0	717223	100.0

Source: State Controller, Annual Report of Financial Transactions Concerning Cities and Counties of California, Fiscal Year 1951-52, pp. 28-43.

The public service revenues collected by most cities consist of sales of water and in some cases of electricity, but Long Beach's revenues are derived in large part from the sales of gas and oil. Since both gas and oil



are wasting resources, it seems certain that at some time in the future Long Beach will be faced with a less favorable public service enterprise revenue prospect than it enjoys today.

Whether or not the disappearance of "free" gas will cause the profits from the sale of gas to fall or disappear depends on two factors--first, the price at which the city can buy gas in competition with privately owned gas companies, and second, whether an increased price for gas can be passed on to Long Beach consumers. If (and this appears likely) consumers are required to pay higher prices than at present and thus maintain the profits from gas sales, they are paying for other municipal services just as surely as if they are paying higher property taxes. New natural gas strikes on city-owned property may prolong the present favorable situation, but sooner or later dwindling supplies of gas are likely to impair this revenue source.

The outlook for continuous revenues from the sale of oil is even more difficult to assess. Like gas, its supply is ultimately limited and some time this source of revenue will have to be replaced. In addition, however, there are at present complications arising out of legal problems with respect to the disposition of revenue derived from sales from tidelands wells.<sup>3</sup> At

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<sup>3</sup>At present, the Klockseim Act governs the distribution of funds derived from the sale of tidelands oil. Section 2 of the Act provides as follows: "That 50 per cent of all revenue heretofore derived and unexpended and to be derived by the City of Long Beach from oil, gas, and other hydrocarbon substances, other than dry gas, produced from lands conveyed by said above entitled acts is hereby declared to be free from the public trust for navigation, commerce, and fisheries, and from such uses, trusts, conditions, and restrictions as are imposed by any of said above entitled acts. That all of the revenue heretofore derived and to be derived by said City from dry gas obtained from said lands is hereby declared to be free from the public trust for navigation, commerce, and fisheries, and from such uses, trusts, conditions, and restrictions as are imposed by any of said above entitled acts."

The reader should note that this Act does not specifically state that 50 per cent of tidelands revenues can be used for general government expenditures. See California Statutes of 1951, 8915, p. 2443.

the present time it appears that 50 percent of these revenues can be used for general government purposes with the remainder confined to improvements in the harbor area. In addition many informed engineers and geologists take the position that oil pumping is partly responsible for the subsidence occurring in parts of Long Beach. The matter of subsidence will be considered at a later point. Suffice it to say here that if oil pumping is responsible for subsidence, the costs generated by oil production may some time eat up an important part and perhaps all of the revenues derived from oil sales.

Though one must certainly conclude that Long Beach's present fiscal position is favored by its large receipts from the sales of public service enterprises, one must also recognize that this source of revenues is both precarious and in the long run certain to decline.

② The second feature of Long Beach's revenue system that is significant is its low receipts from property taxes. Only 7½ percent of its total receipts are derived from this source in contrast with 25 percent in San Diego, 37 percent in Oakland, and 29½ percent in all California municipalities taken together. Moreover, Long Beach has an extraordinarily low property tax rate, at present only \$1.09 per \$100 of assessed valuation, considerably below the Oakland and San Diego rates which are \$2.57 and \$1.95 respectively. The burden of taxes on property depends, of course, on both the rate and the assessment, and comparison of the assessment ratios is extremely difficult. Some rather surprising conclusions may be drawn, however, from rates of change in assessed valuation in the cities. Between 1940 and 1952, the increase in Long Beach was 63 percent, only 10 percent more than its population increase (53 percent). In both Oakland and San Diego, in contrast, assessed valuation increased more than twice the rate of the population. Since over this period actual property values increased very much, one

must conclude either that Long Beach's growing population added comparatively little to the tax base or that assessment ratios declined significantly. Neither of these alternative conclusions can be viewed with equanimity. In any event Long Beach collects relatively little from its property tax and it appears safe to conclude that the burden of this tax is at present less in Long Beach.

Whether this situation is an unmixed blessing or not is open to question. It may be extremely difficult to raise rates should it be necessary to do so to replace declining revenues from other sources. The low rates in Long Beach may well be politically necessary. That this is the case is suggested by the fact that Long Beach continues to assess and collect its own property tax in spite of the fact that the costs entailed are roughly ten times those incurred by the City of Los Angeles which has seen fit to contract with the County to do this work.

## FORECAST OF LONG BEACH'S FISCAL OUTLOOK

Forecast of Municipal Expenditures

Forecasts of municipal expenditures in Long Beach depend to a large extent on additional service requirements engendered by an expanding population, its changing needs, changes in the level of prices, and in the costs incident to subsidence.

That the population of Long Beach will continue to grow by migration if not by annexation is a foregone conclusion. This fact alone will lead to increasing requirements for municipal services and hence to increasing city expenditures. But population growth is not the only factor that will drive expenditures upward. Historically, prices have never moved downward for long; rather, they tend upward. Thus equipment and supply prices, and especially wages which Long Beach must pay, will rise.

The kinds of municipal services offered will certainly change with changes in the age distribution of the population and in ways of living. For example, there is now an increasing emphasis on maternal care and education by public health departments as a result of birth increases in the last decade. Such changes as these are partly predictable, but changes in service requirements resulting from changes in ways of living defy prediction. Should the next few years witness development of a pattern of living based on television and do-it-at-home activities, the effects on municipal service requirements might be as important as the effect of the low-priced automobile. Municipal expenditures could hardly be unaffected.

Another factor which will influence future Long Beach government costs is the problem of subsidence and the attendant flooding of high value property. To indicate the importance of the problem, it may be pointed out that



Long Beach allocated approximately the same amount of money to combat subsidence in the harbor area last year as it allocated for all other departmental requirements. This is no doubt wise policy, for the area in Long Beach subject to subsidence may be lost forever unless unusual measures are taken. However, it may be essential to spend even larger sums henceforth.

As approximately 75 per cent of the Long Beach expenditures for departmental requirements are for salaries and retirement contributions, forecasts of municipal expenditures must take into account trends in the ratio of civil servants to population. Population growth in the decade 1940-1950 was accompanied by an increase in the number of city employees and by an increase in the city government payroll, but the ratio of residents per city employee remained almost constant while the increase in the payroll was at approximately the same rate as the general increase in wages in this period. If the number of residents served by each city employee is to remain constant, at least two things are essential. First, the needs for services must not change drastically; second, the techniques and procedures used in providing services must remain the same.

As indicated above, changing service requirements are a certainty. As certain also are the application of new techniques. The vast amount of paper work and record keeping currently handled by city employees indicates that sooner or later the tremendous strides that have been made in the automatic machine processing of records will have an effect on the number of employees. But whether or not the Long Beach city government will change its systems and procedures slowly or rapidly depends both on the availability of new techniques and on the speed with which they can be introduced. The fact that in Long Beach there is a relatively high percentage of older persons in the labor force may retard the introduction of new methods. In any event, changes reducing the ratio of city employees to population are likely to be

so slow that the forces operating to increase this ratio, such as new service needs, will more than offset them.

The inescapable conclusion appears to be that Long Beach city expenditures will tend upward. Chances for decrease are too remote to justify any other forecast.

Table 8

Changes in Long Beach Municipal Employees and Payroll, 1940-1950					
	Population	City Govt. Employees	City Govt. Payroll	Number of Residents Per Employee*	Per Capita Cost
1940	164,271	2213	\$3,819,000	74	\$23.20
1950	250,767	3153	8,709,000	79	34.80

\*This figure is based upon all municipal employees and therefore is less than the figure given on p. 13 above which excludes gas plant employees for purposes of comparison with San Diego.

Source: U. S. Department of Commerce, Cities Supplement, Statistical Abstract of the United States, Selected Data for Cities Having 25,000 or More Inhabitants, 1944.

U. S. Department of Commerce, Statistical Abstract Supplement, County and City Data Book, 1952.

#### Forecast of Municipal Revenues

As the previous section shows, the outstanding features of Long Beach's present fiscal position are its unusual dependence on revenue derived from public service enterprises and the fact that these enterprises involve among other things the sale of gas and oil. These are wasting assets; they have been the subject of much legal controversy; and the revenues to be derived from them in the future are next to impossible to predict.

Another feature influencing the future Long Beach fiscal situation as compared with other California cities is the absence of a city sales tax. This device for raising additional revenues can be tapped in the future

should natural exhaustion, unusual movements of the earth's crust, or legal restrictions cause oil and gas revenues to decline or disappear. The amount that can be realized depends on the rate charged, but at average city sales tax rates and at the present level of retail sales, only two or at most three million dollars can be collected each year. This would not be sufficient to replace a substantial decline in public service enterprise revenues.

Can property tax revenues increase to replace declining revenues from other sources? Since property tax receipts are a function of the property tax rate, the assessment practices, and the market value of the property subject to assessment, the chances of raising receipts from this source depend on the probability of changes in the tax rate, the assessment practices, and the market value of the property. Rates in Long Beach have been low historically, and there is no reason to believe that a reversal to high rates is likely. Large owners of property, investors, have been able heretofore to hold rates down, permitting adjustments in revenues to be achieved through the expedient of changed assessment ratios. But this policy is not available to Long Beach if it wishes to annex fringe areas, and the need to annex fringe areas has already been spelled out carefully in John Budd Wentz's An Analysis of the Advisability of Annexing All or a Part of the Lakewood Area to the City of Long Beach which was prepared in 1951.

The remaining possibility for increasing property tax revenues lies in an increase in the physical amount of property in Long Beach. This property includes homes (75 per cent of all property subject to tax) and commercial and industrial property. The great bulk of the 30,000 owner-occupied single family dwellings in Long Beach in 1950 were valued at between \$7,500 and \$9,999 by their owners. Approximately 19,437 of these (64 per cent) were entitled to veterans' property exemption. No large increase in the number of homes can be expected, there being only approximately 6,000 empty lots

in Long Beach and not all of these are suitable for houses. Long Beach, therefore, cannot expect its property tax base to increase much from the construction of new homes. No estimate has been made of the assessed valuation in the downtown business section, but in the absence of off-street parking provisions, it is extremely unlikely that Long Beach will be able to resist the general trend toward suburban shopping centers. Little increase in assessed valuation can be expected, therefore, in the downtown area.

Similarly, in view of the advertising currently being undertaken by Long Beach to attract new industries, which stresses among other things low taxes, it is unlikely that the assessment on existing industrial property will be materially increased.

It appears that aside from annexation (including the Douglas Plant), there is little prospect for large increases in the amount of property subject to the local tax. This, coupled with the fact that increases in the tax rate and in the assessment ratio are politically undesirable, makes it improbable that the City of Long Beach can in an emergency supplement its revenues enough by tapping this traditional source of funds.

The previous discussion of future Long Beach municipal revenues has emphasized the dependence on public service enterprise revenues, the possibilities offered by a sales tax, and prospective property tax revenues. One other source of revenue important enough to account for 15.7 per cent of all city revenues in all California municipalities taken together in 1952 is subventions and grants from the Federal, State, and County governments. Since these depend largely on population, they will undoubtedly increase, but they clearly do not represent an elastic source of funds that can replace those derived from oil and gas sales.

In the light of Long Beach's dependence on unstable, vulnerable, and unpredictable revenue sources and the slight chance that new revenue sources



can be expanded sharply, it is safe to conclude that the revenue problems of Long Beach will become increasingly difficult.

## LAKEWOOD'S ALTERNATIVES: COSTS AND FEASIBILITY

Differences in the costs of municipal services to home owners of Lakewood under the various alternative governmental forms can be divided into property tax costs, utility costs (water, gas, electricity, and telephone expense), and fire insurance and miscellaneous costs.

An examination of the vast amount of work already completed on this subject indicates that under any of the alternatives approximately the same amounts can be expected to be paid for taxes and for utilities and that fire insurance costs, in comparison with the other items, are extremely low both absolutely and relative to total costs. But the literature on the subject has emphasized variations in property taxes payable per year under the alternatives with particular, if not exclusive, attention to next year. The fact that only one future year is considered is sufficient to cast serious doubt on the usefulness of such comparisons, but the finality and authoritativeness with which they are offered calls for additional comment.<sup>4</sup>

From the emphasis given to property taxes and how they may differ under the various alternative forms of government open to Lakewood, the impression is created that the only factors considered have been those which are important only if property is regarded as an investment rather than as a place to live. Tax authorities traditionally have used the value of the property as a basis for discussing the burden of property taxes, and whether the tax

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<sup>4</sup>Much has been made of Metropolitan Water District "back taxes" as a factor favoring immediate annexation, and several estimates of this "back tax" burden have been made by persons studying the annexation controversy. They fail to realize that it is absolutely impossible to forecast these back taxes for more than one year in advance. Yet some people are attempting to make final decisions on the basis of this one-year estimate and comparison. The "back tax" charge will diminish at some rate in the near future, both as a charge per \$100 of assessed valuation and as a percentage of income, but the rate is indeterminable.

is expressed as a per cent of the market value or as so many dollars per \$100 of assessed value, the base remains the same, that is, the price of the property. If a house is considered a business investment, charges against it are viewed as affecting the rate of return to be expected on the investment.

The large majority of home owners, however, do not consider their homes strictly as investments. This is evidenced by the fact that the majority of people do not move in order to profit by a thousand or two thousand dollars. It is true that modern America is mobile, but this mobility as recent studies show is not the result of decisions to profit from the purchase and sale of homes. It can be seriously doubted if most home owners gave much attention to the problem of the yearly property tax burden at the time they purchased their homes. When taxes are \$20 to \$30 a year more or less than elsewhere at the time of purchase, they are relatively unimportant in comparison with such other matters as the kind of neighborhood and environment in which one's children will grow up.

A study of the motivations which induce individuals to ring doorbells bringing tidings of a savings of less than \$3.00 per month if one alternative rather than another is pursued would certainly be interesting but it is beyond the scope of this study. It is certain, however, that considerations other than the savings in property taxes are involved and that the amount of taxes to be paid, spelled out to the last penny, is not the primary reason for adopting one course rather than another.

Table 9 summarizes some of the opinions that have been offered regarding taxes and other costs. As can be seen, there are significant differences of opinion regarding the taxes to be expected under the various alternatives. These differences could well be due to sampling error. Legitimate differences may occur when a sample rather than the entire population (a statistical term which refers to the thing investigated even if houses rather than

people are being studied) is used as a basis for enumeration. Sampling errors put limits to the interpretations of data which may be advanced. Instead of saying that the tax will be \$161.39 per year, for example, one has to say that most tax bills will fall between limits on each side of \$161.39, such limits varying with the size of the sample. Hence all of the estimates presented in Table 9 may be scientific and sound, but they require careful interpretation. In no case is it a defensible conclusion that one alternative is cheaper or more costly by \$10 to \$50 than another.

Aside from errors due to sampling is the more important question concerning future as opposed to present tax rates. In ten years the taxes of the people of Lakewood will be influenced far more by factors other than the alternatives they are now considering for provision of municipal type services.

Many of these other factors are unpredictable, though not all are uncontrollable. An attempt has been made above to predict within limits some of the factors important in evaluating Long Beach's fiscal outlook, including both its revenues and its costs. Certainly this is more significant than a mere comparison of present costs of the alternatives based upon small samples which themselves do not justify precise answers.

Before proceeding to the question of the probable cost to the Lakewood resident of the municipal type services he desires, it is well to consider briefly the source of the funds which must pay for these services. This source is the income of the individuals and businesses of Lakewood. Although local governments seldom tax the incomes of residents directly, it is nevertheless true that in a community such as Lakewood, the only source of revenue is the income of the people residing there and of its businesses. This applies equally to nearly every community; it has always been true and will continue to be true. Only in rare instances can a city government raise

Table 9

Predicted Cost for Lakewood Families  
Under Alternative Government Plans  
(Per Year)

<u>Source</u>	<u>Property Tax (\$)</u>	<u>Fire Insurance (\$)</u>	<u>Gas (\$)</u>	<u>Elec- tricity (\$)</u>	<u>Rubbish Pick-up (\$)</u>	<u>Water (\$)</u>
<u>If Annexed</u>						
Source I	185.00	15-20	5 less*	10 less*	14 less*	50.00
II	134.00	14.00	51.00	39.00	---	38.88
III	124.68	15.00	56.00	41.00	---	50.00
IV	173.00	14.00	51.00	40.00	---	48.00
V	---	11.00	52.00	40.00	---	48.00
VI	157.00	11.00	52.00	33.72	---	48.00
VII	180.00	11.00	52.00	33.72	---	48.00
VIII	---	4.20 less*	41.52	---	---	41.16
<u>Status Quo</u>						
Source I	161.00	36-40	---	---	---	---
II	134.00	17.50	57.00	50.00	12.00	37.00
III	113-132	18.00	66.00	49.00	---	35.40
IV	152-209	18.00	57.00	50.00	---	37.00
V	---	15.00	55.00	50.00	---	35.00
VI	151.00	15.00	55.00	40.56	---	35.00
VII	151.00	15.00	55.00	40.56	---	35.00
VIII	---	---	52.08	---	---	37.44
<u>If Incorporated</u>						
Source I	---	---	---	---	---	---
II	---	---	---	---	---	---
III	118-127	18.00	63.00	41.00	---	35.40
IV	---	---	---	---	---	---
V	---	---	---	---	---	---
VI	---	---	---	---	---	---
VII	---	---	---	---	---	---
VIII	---	---	---	---	---	---

\*Less than at present

Sources:

- I - Lakewood Plaza Citizens Improvement Association
- II - North Lakewood Residence Association
- III - Lakewood Taxpayers Association, Inc. 7/30/51
- IV - Lakewood Village Civic League, 4/17/53
- V - Lakewood Park Information Council
- VI - Lakewood Civic Association
- VII - Lakewood Anti-Annexation Speakers Bureau
- VIII - John Budd Wentz, An Analysis of the Advisability of Annexing All or a Part of the Lakewood Area to the City of Long Beach, 1951

substantial sums from non-residents. Oil sales to non-residents by Long Beach is an illustration and sales taxes of resort cities is another, but even in these exceptional cases, primary and long-term dependence must be upon local income.

The revenue drawn from local income that pays for municipal services flows through a great many channels and through many levels of government and is called a great many things before it reaches the final recipient (the local policeman or the street sweeper manufacturer). Monies going to the various levels of government which will ultimately pay for municipal services have such names as the state sales tax, the gasoline tax, the motor vehicle license fee, the liquor license fee, the property tax, fines, parking meter collections, and even the state income tax. Some of these revenues such as parking meter collections go directly to the local city government; others are returned in the form of subventions and grants, and some return in the form of services as when the state highway department, using gasoline tax revenues, builds a highway through a community. But no matter how complex the channels and how indirectly these revenues return to the community, the fact remains that the services rendered are paid for out of income.

Whether a community can afford to incorporate, build a swimming pool, or do anything else, ultimately depends on the income in that community. Such matters as total assessed valuation or the volume of retail sales are important only in connection with the method used to collect the revenues; They have nothing to do with ability to pay taxes. The collection of taxes is among the world's oldest occupations and an enormous amount of experience is available to guide legislators in devising appropriate ways of collecting revenues. The method of collection must not be confused with the source of municipal revenues, yet no one concerned with this annexation controversy has yet called attention to the fact that the value of real property in Lake-

wood, the amount of liquor consumed by persons within its boundaries, and the value of automobiles owned by its residents have little if anything to do with the kind of municipal services it can afford.

There is no recent estimate of the total income received by the residents of Lakewood and by its businesses, but it is possible to construct an estimate of individual income by reference to 1949 median incomes as reported for the Lakewood census tracts in the U. S. Census and to recent data on the number of families currently residing in Lakewood. The 1950 Census of Population indicates that for the families then resident in Lakewood the median income was approximately \$3900.00. At that time, the rapid growth of Lakewood had just begun and since then the number of families living in this area has more than tripled. The characteristics of the new residents, however, such as age, occupation, and education appear to be sufficiently close to those covered by the Census that it is safe to assume the median income reported by the Census per family represents satisfactorily the average income of all present residents. On the assumption that there are now 30,000 families living in Lakewood and on the assumption (defended above) that the average income is \$3900, total income of the residents of Lakewood is now \$117,000,000.<sup>5</sup> Added to this income as a source of municipal revenue is an unknown income of incorporated businesses in Lakewood. No simple method for estimating it exists, so for present purposes it will be ignored. Its existence, however, should be kept in mind in evaluating Lakewood's capacity to support municipal services.

The costs of operating municipal government in Long Beach this year represent 4.8 per cent of the personal income of its residents (calculated in the same manner as the estimates for Lakewood, above). In Lakewood, the

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<sup>5</sup>Changes in the price level have been so slight since 1949 that the median income value has not been adjusted for price level changes.

same percentage of income yields a total of \$5.6 million, an amount which, if other cities of Lakewood's size are used as a basis for judgment, is sufficient to provide a reasonable level of municipal services.



## PRESENT AND PROBABLE FUTURE COSTS OF INCORPORATION

Table 10 provides per capita expenditures of 27 principal California cities in 1951. The median per capita expenditure including capital outlays was \$49 in 1951. To provide this revenue per capita, a total of \$5,000,000, a City of Lakewood would require approximately 5 per cent of total personal income, about \$165 per family.

Does this mean that in addition to all taxes, direct and indirect, each Lakewood resident now pays, he would have to pay an additional 5 per cent of his income to be able to have municipal government? The answer is definitely, "No." All the taxes he would have to pay for local government include taxes already being paid, such as state sales tax, motor vehicle fees, and others. Actually a resident of Lakewood might pay less than he does now, since as a resident of an unincorporated area he does not now share in some forms of State aid.

Judging from the recent experiences of California cities, residents of a City of Lakewood can expect to get excellent municipal type services. As an example, they may expect to get complete police protection tailored especially to their needs. To illustrate, the capital cost of a radio car completely equipped is approximately \$3,000. Manning this car with two policemen on a round-the-clock basis every day in the year and paying the retirement, vacations, sick leave, and holidays. Assuming the City of Lakewood desired to allocate \$6.00 per capita (the average for 27 of California's principal cities) for police protection, there would be a fund of some \$600,000 out of which to pay police costs. Less than half this amount would keep ten completely equipped cars on the streets of Lakewood and the remainder could be utilized for school-crossing guards and other needs. *P. W. W.*

Table 10  
Per Capita Expenditures  
in 27 California Cities, 1951

<u>Item</u>	<u>High</u>	<u>Low</u>	<u>Median</u>
All general expenditures	\$98.23	\$24.19	\$49.05
All general expenditures less capital outlays	73.02	17.40	36.73
Police	18.28	4.92	6.38
Fire	14.17	3.87	5.89
Highways	27.62	5.59	9.00
Sanitation	15.70	.40	4.39

Source: U. S. Department of Commerce, Compendium of City Government Finances in 1951.

## SOME COMMENTS ON COSTS AND ANNEXATION

What can be said about municipal costs if Lakewood annex to Long Beach? Will a greater or smaller percentage of total income be used to provide the municipal services Lakewood residents desire, assuming for the moment that their political representation will enable them to have some control over how their money is to be spent?

Several things immediately suggest themselves as important considerations. First are the uncertainties discussed above regarding the Long Beach public service enterprise revenues (oil and gas receipts); second are the uncertainties regarding the amount of expenditures that Long Beach will be obligated to make as a result of subsidence; third is the question of whether or not the many families in Long Beach whose incomes are low can and should pay for the cost of the municipal services they receive.

As the previous discussion of the characteristics of the Long Beach population showed, 68 per cent of the families have median incomes of \$2500 per year while 32 per cent of the families of Long Beach have median incomes equal to those of Lakewood families. In view of estimates that have been made concerning family expenditures that a city dweller's family must make in order to enjoy a reasonable living standard, there is serious doubt that these families can pay for all the services they receive. In addition to the questionable fairness of asking these people to contribute much to municipal government, there is a practical problem involved in attempting to collect enough from them to pay for services they receive. If Lakewood is annexed to Long Beach, Lakewood residents must expect that a portion of their incomes channeled into the municipal treasury will be spent in providing services to Long Beach families whose incomes are insufficient to allow

them to contribute as much as Lakewood families toward the expenses involved in running a city.

In the event of annexation, Lakewood is likely to pay more for a given level of services than would be the case where all Long Beach residents were as well off as are the residents of Lakewood or the level of services provided will not be as high as they would be if all local tax revenues generated by Lakewood income were channeled into Lakewood.

To summarize this section on the cost of services in the event of annexation, it appears probable that over time a higher percentage of income will be paid to receive a given level of service in Lakewood than would be the case if Lakewood remains independent. The precise difference in cost to residents of Lakewood depends on a host of circumstances which defy forecasting procedures; these include among other things how the courts interpret the laws governing the use of tidelands oil money, the extent and costs of subsidence, and the future incomes of Long Beach families. Whatever the course selected by Lakewood may be, one thing is certain--no one in Lakewood is going to get municipal type services for nothing. Here, as elsewhere, there is no such thing as a "free ride" for those with adequate levels of income.

## POLITICAL REPRESENTATION AND MUNICIPAL ADMINISTRATION

What kind of political representation will Lakewood residents get in event of annexation? They may receive a voice in government perhaps superior to that which they now have. But very possibly government will not be as responsive as it is at present. Although services provided by the County are controlled by the Board of Supervisors, the special districts serving Lakewood are locally controlled. How the "pieces of city councilmen" which will be representing Lakewood residents will vote on specific issues important to Lakewood residents cannot be predicted. But the fact that the preponderance of votes will be in what is now Long Beach raises a question justifying some concern.

With incorporation, Lakewood residents may expect to have political representation enabling them to exercise complete control over expenditures for municipal services. Need for service can control service offered and freedom of choice can be exercised in the selection of methods used to collect revenues for municipal purposes. Incorporation will also permit close control over planning and zoning functions and will enable Lakewood to optimize land use.

One further advantage of incorporation has to do with the effectiveness of municipal administration. A City of Lakewood with no "going organization" to resist the introduction of the most modern techniques would provide an ideal milieu to attract the most highly skilled and efficient civil servants.

For every dollar spent on local government, Lakewood could receive far more in service than older unplanned and tradition-ridden cities are able to enjoy.

## SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Many people in Lakewood now believe that they must annex at once. This belief is based upon arguments that have no foundation in fact, on data that is misleading and sometimes erroneous, and on superficial and incomplete analysis. To annex now may mean an irrevocable choice made before the needs of Lakewood have been adequately identified and measured and before the important characteristics and problems of the city to which Lakewood might annex have been examined. That careful consideration of factors essential to a wise choice for Lakewood has not been undertaken is obvious. That this is so is glaringly apparent from the confusion between the ultimate source of municipal revenues and the methods of collecting these revenues and from the fact that many people in Lakewood believe their community too poor to support a municipal government of its own. Were this the position taken by all Americans, fewer cities would exist, for less than 100 cities have a population that compares with Lakewood's and income the equal of that earned by Lakewood residents. The undue haste in choice is also apparent from the admitted anxiety to share in Long Beach's oil and gas income. Valuing this income on the basis of receipts last year and failing to recognize the possibility of their decline and of the chance that enormous costs of combating subsidence may absorb these receipts is foolhardy.

This report represents an attempt to fill in gaps in information to the end that the proper choice can be made by Lakewood residents. The limits in time precluded sufficient study to justify a definitive answer to the question, "Should Lakewood annex, should Lakewood incorporate, or should Lakewood remain as it is?" The following facts have been developed, however, which suggest the direction in which Lakewood citizens should carry on

further studies if they are to be able to answer this question satisfactorily.

1. The Long Beach population is heterogeneous and it differs in several important respects from that of Lakewood.
2. There is considerable dispersion in income of families in Long Beach and many families appear to receive inadequate incomes.
3. Long Beach differs markedly from Lakewood in the extent to which its residents own their homes.
4. The age of homes in Long Beach is considerably above that of homes in Lakewood.
5. Long Beach is heavily dependent on unusual and precarious sources of revenue.
6. Until these unusual sources became available to the City of Long Beach, the capital outlays of that city were unusually niggardly.
7. The Long Beach Harbor is expensive and it is questionable if the benefits to citizens are equal to the Harbor outlays.
8. Both pro- and anti-annexationists have shown an odd predilection to consider only current revenues and expenditures in comparing the fiscal outlook of Long Beach with that of Lakewood.
9. Both pro- and anti-annexationists have squeezed statistics far beyond the limits which are justified by the procedures utilized in the collection and preparation of the statistics.
10. Both pro- and anti-annexationists pretend that the only basis for choice of alternatives is the comparative cost of these alternatives. Little, if any, attention is paid to the value of responsible local government and of self-determination.

On the basis of this study, we feel obligated to recommend delay in choice. Lakewood could annex at once, but having done so has made an irrevocable decision. Lakewood could remain as it is with a multiplicity of special districts and questionable control over services provided to it by higher governmental levels, or Lakewood could incorporate, forming its own city and either operate its own city government or contract for municipal services with the county. [ There is no doubt whatsoever that incorporation is economically feasible. ]

APPENDIX<sup>1</sup>

## INCORPORATION PROCEDURE

Any community containing not less than 500 inhabitants and located within the boundaries of one county, may incorporate as a city of the sixth class. In broad outline, the incorporation procedure requires a petition by landowners and an election by resident voters. The following description of the specific steps is intended to serve as a general guide and should not be regarded as a substitute for legal counsel. Model drafts of the necessary legal forms and documents are presented in the appendix, and are referred to in the text.

I. Initiation of the proceedings--the petition

Incorporation proceedings are initiated by filing a petition with the county board of supervisors at a regular meeting of that body. In order for the petition to be accepted for filing it must contain all the matter required by the Government Code and must be executed in proper form (Appendix C-1). The following steps should be taken before the petition is presented to the board of supervisors for filing.

## A. Preparation of the petition--the first step

1. Elements which the petition must contain

- a. An accurate legal description of the boundaries of the territory proposed to be incorporated. The territory must be within one county and must not include any area within the limits of an existing city.
- b. A statement of the approximate population of the area. This statement must necessarily be an estimate, and any of the methods suggested above may be employed (see p. 9).
- c. A request that the described territory be incorporated as a city of the sixth class.

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<sup>1</sup>This Appendix is reproduced in its entirety from Annexation? Incorporation? A Guide for Community Action by Stanley Scott, Bureau of Public Administration, University of California, Berkeley, California, March, 1953. Not copyrighted.



- d. A statement that prior to the circulation of the petition, the proposal for incorporation of the city was submitted to the county boundary commission, and that the boundaries described were reported upon by the boundary commission with respect to their definiteness and certainty (if the commission reported within the specified 20 day period).
  - e. Space for the signatures of qualified signers and their addresses, or, if no address is available, a short description of the property which each owns or is purchasing under written agreement, within the described boundaries of the area proposed to be incorporate.
  - f. The name to be given to the city upon incorporation.
2. Elements which the petition may contain
- a. Provision for the appointment of a city manager.
  - b. Provision for the appointment of city officials who would otherwise be elective, except councilmen.
  - c. Provision for the election of councilmen by districts.
- B. Submission of the petition to the county boundary commission.

After the petition is prepared, but before it is circulated, it must be submitted to the county boundary commission. The county clerk is the secretary of the boundary commission and the petition should be submitted to him. The commission then has a period of 20 days within which to report back to the proponents with respect to the definiteness and certainty of the boundaries as described in the petition. If the commission does not report back within twenty days after submission of the petition, the petition is deemed correct. If the commission reports that the boundaries are definite and certain, circulation of the petition may begin. If the commission finds a defect in the boundary description and reports it, the defect should be corrected before the petition is circulated. It is not necessary to resubmit the revised description to the commission.

C. Circulation of the petition

The petition may be circulated after the county boundary commission has reported and the description is determined to be adequate. The qualifications of signers and the number of signatures required are extremely important. The Government Code requires that the petition be signed by "qualified signers," who are defined as owners of land in fee or purchasers of land under written agreement.<sup>1</sup> Further, the

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<sup>1</sup>Several troublesome questions may arise in connection with the definitions of the terms "owner" and "purchaser." (1) Ownership of community property. The sounder view is that the husband, as the manager of the community property, is "owner" for purposes of signing the petition. Since there are no appellate court decisions on this matter, however, it would be

land owned or being purchased by such persons must be within the territory proposed for incorporation. A person may be a qualified signer on a petition for incorporation even though he does not reside in the area proposed for incorporation, if he owns or is purchasing land in the area. One-fourth of all the qualified signers must sign the petition. In addition, the assessed value of the land represented by the signers must equal one-fourth of the assessed value of all the land in the area proposed for incorporation. The assessed value is determined by reference to the last equalized assessment roll available in the office of the county assessor. The assessed value of the land only, exclusive of improvements, is to be considered.

The soundest procedure is to obtain, from the records of the county recorder and the county assessor, the total number of owners of land and purchasers under recorded written agreement within the area proposed to be incorporated, and the total assessed value of all land within the area. After a number of signatures has been obtained which is equal to one-fourth of the total number of landowners in the area, it will be necessary to check, in the assessor's office, the assessed value of the land owned by each signer, in order to determine whether the signatures represent one-fourth of the assessed value of all the land in the area. If they do not, it will be necessary to obtain additional signatures to bring the total assessed value represented by the signatures up to the required one-fourth. If some effort is made to obtain signatures from owners of large parcels, or of land with a high assessed value, it will not be necessary to obtain more than one-fourth of the total number of signers. On the other hand, if most of the signatures represent smaller parcels and land of low value, a substantially greater number of signatures will be required. In order to save time it is suggested that a column be inserted in the petition (Appendix C-1) for entering the assessed value of the signer's land. This information can be obtained at the same time as the signature by reference to a tax bill of the signer, on which the assessed value of the land owned by the signer will appear. If this is done it will save the

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<sup>1</sup>(continued)

wise to obtain a ruling on the question from the district attorney before circulating the petition. (2) Ownership in joint tenancy, or tenancy in common. Land is frequently held in a form of joint ownership known as joint tenancy, or in a similar form known as tenancy in common. In these cases each joint owner should be considered a separate owner of his proportionate interest in the property. This will have the effect of increasing the number of signatures required, without increasing the assessed value of the land represented by the signatures. (3) Land held in trust. Land held in trust is represented by the trustee for the purposes of signing the petition. If there are co-trustees the signatures of all trustees are necessary, and if the trustee is a corporation the proper officers of the corporation must sign the petition. (4) Land owned by a corporation. If land is owned by a corporation, inquiry should be made of the corporate officers to ascertain the person or persons having the authority to sign the petition. (5) Mortgagees and sellers of land. Mortgagees of land and sellers of land are not owners of land in fee or purchasers of land under written agreement. They should, therefore, not be considered "qualified signers."

time which would otherwise be required to check the assessed values of signers' properties in the assessor's office.

An important matter that should not be overlooked is the possible increase in the number of qualified signers within the area between the time circulation of the petition is commenced and the time the petition is filed with the board of supervisors. Over a short period of time the sale of lots and homes can bring about a substantial increase in the number of signatures required. The total number of landowners and purchasers in the area should be checked at the county recorder's office the day before filing, in order to insure that the number of signatures on the petition is sufficient as of the time of filing.

#### D. Affidavits by the circulators

After all the signatures have been obtained, an affidavit by at least three persons (presumably the persons who circulated the petition) should be attached, stating that all the signatures on the petition are genuine (Appendix C-2). The best practice is to have each circulator sign the affidavit with respect to the signatures which he obtained on his copy of the petition.

### II. Filing the petition with the board of supervisors

The next step is to file the completed petition with the board of supervisors at a regular meeting. The board is then required to have the county clerk ascertain whether the petition is signed by the requisite number of qualified signers, and whether the boundaries of the proposed city are correctly described (Appendix C-3). The clerk must report back to the board within thirty days after the meeting at which the petition is filed (Appendix C-4). If the report shows that the petition is not signed by the requisite number of signers, or that the boundaries are inaccurately described, no further proceedings can be taken until the defects are corrected. There is no time limit on the filing of a second petition, and it is possible to file a corrected petition at the next meeting of the board after the first petition is reported defective.

### III. Acceptance of the petition for filing

If the clerk's report shows that the petition is signed by the required number of qualified signers, and that it accurately describes the proposed city, the board of supervisors must order the clerk to accept the petition for filing (Appendix C-5). The clerk will file the document when the petitioners have deposited with him the amount of money fixed by the board as necessary to defray the costs of publishing the petition and notice of election. The petitioners are allowed 15 days within which to deposit the money with the clerk (15 days from the time the clerk is directed by the board to accept the petition for filing). It is possible to deposit the money with the clerk immediately after he is directed to accept the petition.

### IV. Setting the date of the hearing and publishing the petition and notice

At the next regular meeting after the petition is filed (i.e., after payment of the costs of publication), the board of supervisors is required

to fix a time for a public hearing and direct the clerk to publish the petition and a notice of the hearing (Appendix C-6 and C-7). The petition and notice should be published for at least two weeks in a newspaper of general circulation printed and published in the county. Although the meaning of the "two weeks" requirement is not clear, judicial decisions indicate the publication once a week for two successive weeks is sufficient. A "newspaper of general circulation" is one which is published for the dissemination of news of a general nature, which has a bona fide subscription list, and which has been established in the county and published regularly for at least one year preceding the date of the publication in question.

#### V. The hearing

The board must hold a hearing at the time fixed, and may adjourn the hearing from time to time, not exceeding two months in all. The law does not spell out the nature of the hearings, but presumably one object is to hear testimony on boundaries and pleas of property owners who desire to have their land excluded from the proposed city. The board may exclude territory from the proposed city, but it cannot include new territory not described in the petition. At the final hearing the board makes the changes it considers desirable, defines the boundaries, determines the number of inhabitants residing in the area, and calls an election (Appendix C-8).

#### VI. The election notice

After the board of supervisors has taken action at the final hearing, it is then required to give notice of an election to be held on the question of incorporation, and for choosing city officers (Appendix C-9). The notice must either be published for two weeks in a newspaper of general circulation printed and published within the boundaries of the proposed city, or posted for two weeks in at least four public places within the boundaries. If the notice is published, appearance once a week for two successive weeks should be sufficient. If the notices are posted, they should remain up for at least the full two weeks prior to the election. The notice must describe the boundaries accurately, state the name of the proposed city, the number of inhabitants therein, and the date of the election. The notice shall state that the voters must cast ballots containing the words "for incorporation" and "against incorporation," and shall contain the names of the city offices to be filled at the election. If the petition so requests, the notice shall state that the voters must cast ballots including the words "for city manager form of government" and "against city manager form of government."

#### VII. The election

The election is conducted and candidates for office nominated pursuant to SS9480 and following of the California Elections Code (Appendices C-10 and C-11). Only registered voters may cast ballots, and they must have been residents of the proposed city for at least 54 days next preceding the election.

#### VIII. The canvass of votes

The board of supervisors is required to meet and canvass the votes on the Monday following the election. If the majority of the votes favor in-

corporation, the board must, by order, declare the territory incorporated as a city of the sixth class, give it a name, and declare the persons receiving the highest number of votes elected to the city offices for which they had been nominated. The order may be made in the form of a minute action, i. e., an action taken by the board and recorded in writing in the minutes of the board meeting (Appendix C-12).

#### IX. Filing the order with the Secretary of State

The board of supervisors must have a certified copy of the order filed with the Secretary of State (Appendix C-13). After the order is accepted and filed in the Secretary of State's office, incorporation is complete for certain purposes, and the city officers, upon qualifying, can assume their duties.

#### X. The affidavit of completion

Another step must be taken before the incorporation is complete in compliance with §34080 of the Government Code. The clerk of the new city council must execute and file with the county recorder an affidavit stating that all requirements of law pertaining to the incorporation have been complied with (Appendix C-14). The affidavit must be accompanied by a description and map of the area. Until this affidavit is filed the city may not perform any official act the validity of which depends upon corporate existence. Thus, the affidavit must be filed before taxes can be levied or ordinances adopted.

#### XI. Statement of boundaries

The council of a newly incorporated city must file a statement of boundaries with the State Board of Equalization, setting forth a legal description of the city limits, and accompanied by a map. (A certified copy of the minutes of the county board of supervisors' meeting at which the incorporation is declared to have taken place--Appendices C-12 and C-13--accompanied by a map, prepared and sent in by the county clerk, will suffice for this filing.) If the city plans to have the county assess and collect city property taxes, a copy of the statement must also be filed with the county assessor. In both instances the statement must be filed on or before February 1, of the year in which taxes are to be levied. For this reason it is desirable, if possible, to time the incorporation proceedings so they will be completed just prior to February 1. Filing of the statement of boundaries completes the incorporation proceedings.

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