

COMPARISON FACTS ABOUT ANNEXATION TO RIO CELL vs. SCOTIA CSD FORMATION May 2010

THE COMPARISON OF ANNEXATION OF SCOTIA TO THE CITY OF RIO DELL vs. FORMING A SEPARATE AND NEW COMMUNITY SERVICE DISTRICT (CSD) IS REALLY SIMPLE; UNDER ANNEXATION THE CITY ORGANIZATIONAL STRUCTURE ALREADY EXISTS, IT IS CHEAPER FOR THE FUTURE PROPERTY OWNERS IN SCOTIA, AND IT PROVIDES A MORE EFFICIENT DELIVERY SYSTEM. HERE'S WHY!!

1. **CSD DUPLICATES STAFF**--Rio Dell has existing staff that the CSD would have to duplicate, like a CSD General Manager, office staff and Operators at the water and wastewater plants. With annexation the minimum savings to future property owners is \$178,850 annually.
2. **CSD DUPLICATES EQUIPMENT**--Rio Dell already has public works equipment, vehicles and office furnishings that the CSD would have to acquire. Savings in just the 1st year of annexation is \$110,000 over the CSD arrangement.
3. **CSD HAS TO FINANCE**--The CSD plans to finance equipment purchases (trucks, maintenance items); where the City water and wastewater funds pay cash. The annual savings for financing by annexation is estimated at \$31,729 during the initial years of financing.
4. **CSD RENTS SPACE**--The City already has office space at City Hall. The CSD estimates their annual cost for office space at \$26,600. In addition to the other savings mentioned above, this amount would also be saved by annexation.

Based on CSD documents, the annual cost savings for items 1 through 4 above as the result of annexation totals \$347,179. There is no question that the CSD will cost the future property owners and residents in Scotia substantially more than annexation. And, if we had a choice, wouldn't we want our government to economize as much as possible? When did we ever want our government to take the high bid?

5. **CITY RECEIVES SPECIAL REVENUE**--Cities receive revenue to fund services that CSD's do not. For example, the City would receive Transient Occupancy Tax, Sales Tax, Vehicle License Fee, (VLF), VLF Per Capita revenue, VLF Tax in-Lieu,

Transportation Development Act funds and Gas Tax revenues estimated at \$198,700 annually. So, special assessments are not required. With the CSD, most of these revenues would remain with the County to be used countywide. With annexation they would be spent for City services and improvements.

6. **CSD CHARGES SPECIAL ASSESSMENTS-\$200/MO.**—To compensate for the tax Scotia residents will pay, but will not be received by the CSD, special monthly assessments will be charged to future property owners and residents in order to fund the district.

7. **MORE THAN \$5,000,000 INFRASTRUCTURE COST CHARGED TO FUTURE PROPERTY OWNERS WITHIN THE CSD**—The capital improvements required as part of the planned subdivision of the town will cost \$17,679,400 over 5 years. With the annexation proposal, the developer picks up the total cost. Under the CSD proposal the developer picks up only \$12,670,000, leaving the \$5,009,400 balance as a charge to the future property owners and residents.

The CSD proposal includes a monthly per parcel charge of \$63 to pay-off the \$5 million debt. The CSD arrangement lets the developer off-of-the-hook because the developer is actively involved in structuring the CSD for the benefit of the Company, not the future property owners.

8. **CSD RESIDENTS PAY TWICE**—CSD Residents pay twice for services; once when they pay the taxes noted in 5 above that go to the County under the CSD, and a second time when they pay the special monthly assessments. Under annexation residents pay once for services.

9. **ECONOMIES OF SCALE FAVOR ANNEXATION**—Combining the 800 residents in Scotia with the 3200 residents in Rio Dell provides a larger customer base to share the cost of services, especially for capital intense costs like water and wastewater systems, streets and parks.

10. **CONSOLIDATION SAVES SCOTIA MILLIONS FOR WASTEWATER SYSTEM**—Rio Dell is in the midst of planning a major wastewater system upgrade. Our plant is old, but Scotia's is older. Scotia plans to spend \$2.4 million for upgrades to the old plant over the next 5 years, but leave it in the flood zone of the Eel River, probably the most flood prone river on the north coast. If they joined with the City to build a regional facility, it would only cost them an additional \$1.8 million and Scotia would have their wastewater issues taken care of for decades. If the CSD waits until after the City's upgrade, it would cost them another \$1.3 million, on top of the \$1.8 million, to tie in to the City.

Replacing the Scotia wastewater plant as a standalone facility will cost future property owners somewhere between the cost of Ferndale's facility at \$8.5 million and Rio Dell's at \$11.4 million in today's dollars, call it \$10 million. That cost, added to already high assessment of \$200/mo. (per EDU) for each of the future 335 property owners could likely cause the CSD to fail. And if the CSD fails and the developer is gone, who picks up the pieces?

11. WASTEWATER AND DRINKING WATER DON'T MIX—The removal of the Scotia wastewater treatment plant and evaporation ponds from the edge of the Eel River is a no-brainer since accidents and floods do happen. The City's freshwater intake is only ½ mile downstream.

12. WHAT'S THE ISSUE WITH POLICE SERVICE?

When PALCO was in operation, the company could easily control what happened on their private property with their security personnel. Residents worked for the company, lived in company housing, received utilities from the company, sent their kids to the company school and shopped at the Company shopping center. If there was a problem the company took care of it.

Now that there will be no company, the leverage used for conformity and control will be gone. 272 homes will potentially be sold to people that have no connection to the mill or the historic past. Company security might work at the mill site, but with approximately 300 individual parcel ownerships that will result from the subdivision; they will have no authority or presence in the community. Calls for service that used to go to company security will now go to the Sheriff's Office. That office will tell you that they will not be able to respond to 1,000-1,200 calls per year. The Sheriff's Office would then call the Rio Dell Police Department for a mutual aid response. In no time Scotia residents will begin calling the City directly, especially if there is an emergency. The CSD proposal does not address the need for police services.

Annexation brings the revenue to the City to add 2 new Sworn Officers to the police force to augment a staff of 7, which will extend services to Scotia 24/7 and allow 2 patrol cars to be on duty during periods of greatest need.

13. WE NOW KNOW THE BENEFITS FOR SCOTIA, WHAT'S IN IT FOR RIO DELL—

Annexation will be beneficial to Rio Dell to cover the cost of police services for calls that we know will come to us, directly or indirectly. Also, increasing the City population by 25% allows for the spreading of costs for services like water and wastewater services to a larger base, thereby reducing the cost to everyone. Annexation expands the property tax base with commercial and industrial uses, thereby reducing the funding burden on households.

Rio Dell and Scotia have been neighbors for over 100 years. The combined mix of land uses under annexation makes for a much more balanced community. It would provide a better blend of residential, commercial, industrial and public facility uses which will make both communities stronger together. Even though combined as a political unit, the distinct identities of the historic towns will be carefully preserved. There will still be the Scotia Post Office, community parks and the logging museum, and other notable landmarks will be preserved.

The City is prepared to adopt and implement strong guidelines for preserving the historic resources in Scotia. The features that make both Rio Dell and Scotia special places to live, shop, work and recreate will be appropriately protected and preserved. Scotia residents will have every opportunity to participate in their government for the first time, and will have the chance to make sure that the community continues to reflect its special heritage and pride.

IN CLOSING....

The City is ready, willing and able to provide our well established services to Scotia, while at the same time preserving its unique company town character. Annexation is by far the least expensive option and the full range of services can be efficiently delivered by people in our local community.

We have always pulled together when we needed to. This is not the time to pull apart. Reject Marathon Corporation's self-serving developer's spin as to what is best for Scotia. We have seen it before. They tell us what we want to hear, do everything possible in the back room to maximize their profit, stick the little guy with the bill and then move on to the next investment scheme. This time we have a choice as to what happens! This time we have the opportunity to do our way!