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DEPARTMENT OF
FINANCE

BUDGET DIVISION

CITY OF SACRAMENTO
CALIFORNIA

June 29, 1988

CITY HALL
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Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

Subject: REPORT BACK ON THE UTILIZATION OF GAS ROYALTY PROCEEDS IN THE GLEN ELDER AREA

SUMMARY

This report is in response to a request made by Council Person Mueller at the Budget and Finance Committee Meeting of June 21, 1988, regarding any gas royalty proceeds spent in the Glen Elder Area for park improvements. This report is for information only.

BACKGROUND

An agreement was signed in March 1984, with Quandren Corporation providing a drill site on City owned property at 53rd Avenue and Power Inn Road. The gas royalties revenue, from the wells, was deposited in the Water Fund. The Florin Reservoir Park, located at this site, provides a buffer area to separate the drilling site and the nearby residential neighborhoods, as well as providing a recreational area for residents of the Glen Elder district.

DISCUSSION

The development of the Florin Reservoir Park Site was divided into two phases. Phase I of development was completed in late FY 1986-87. The total budgeted cost for this phase was \$334,131. Of this amount, \$100,000 came from the Water Fund. The additional money came from other funds (CDBGs, State Grants).

Phase II of the Park development was completed more recently in April 1988. This phase consisted of improvements to the park, such as, a fence, drinking fountain, bleachers, goal posts and a redwood sign. The budget for this phase was \$85,100. The money for this phase came completely from the Water Fund.

The gas royalties collected from the Florin Reservoir Gas Wells, in accordance with the Quandren Corporation Agreement, were placed in the Water Fund. Since

1983-84, \$3,656,000 has been collected in gas royalty Revenues. The last revenue from this source was received in 1987-88. (Attachment I)

At the time the Amendment to the Subsurface Oil and Gas Lease with Quandren Corporation was being negotiated, March 1984, legal counsel for the residents of Glen Elder and two residents from Glen Elder were included in the negotiations where appropriate. Their interest was in obtaining a share of the royalties from the Wells for the residents of the Glen Elder area. However, Staff could not find a basis for recommending the reducing of the City royalties by sharing with the residents of Glen Elder. The property where the well site is situated, was purchased with Water Bond Funds and consequently, paid for by all the residents of the City of Sacramento.

As an alternative, Staff recommended that "if and when royalties were received by the City from the proposed well", that a portion of those funds be appropriated for the development of a park at the Florin Reservoir Site. The legal opinion at that time was that revenues from the gas wells, deposited in the Water Fund, could only be used to offset water operating costs or water Capital Improvement Programs. Thus proposed improvements were limited to property owned by the Water Fund.

CONCLUSION

Approximately \$400,000 has been spent in total at the Florin Reservoir Park Site; \$185,000 from the Water Fund; more specifically from the gas royalties. There are no further improvements proposed for the Florin Reservoir Park at this time.

RECOMMENDATION

This report is for Committee information and no action is required.

Respectfully Submitted,



Sara J. Simmons
Graduate Intern

FOR COMMITTEE RECOMMENDATION ONLY:



JACK R. CRIST
Deputy City Manager

Attachment