

City of Sonoma Action Plan for City Cemeteries



ACTION PLAN FOR CITY CEMETERIES

"It is not length of life, but depth of life."

-Ralph Waldo Emerson

City Council Presentation,
Issued July 15, 2005

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“Death is more universal than life; everyone dies but not everyone lives”

- A. Sachs

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OBJECTIVE OF THE STUDY/INTRODUCTION



“Procrastination is the grave in which opportunity is buried.”

-Author Unknown

The modern history of the Sonoma Valley is summarized in a greatly abbreviated form by the grave markers found in the City’s cemeteries. These old, beautiful remnants of past lives and their influence on the current character of the City, and even the entire Northern California region, should not be forgotten. The City of Sonoma owns, maintains, and operates three cemetery properties that actively provide the service of final disposition of its citizens’ remains. The objective of this study is to assess each of the properties, analyze financial and operational practices and make recommendations for an action plan that will serve as a “roadmap” for the future of the cemeteries’ physical improvements, operations, and economic impact on the City’s budget.

The Public Works Department engaged the services of RJM Design Group, a professional cemetery planning and design firm, plus the consulting services of Hausrath Economics Group and The Hunt Law Offices to examine the City’s current cemetery operations and to make recommendations about the future of those cemeteries. The RJM Design Group worked with the City Manager’s office, Finance Department and Public Works Department who provided information, background data and guidance and oversight of RJM Design Group’s efforts. This report is the result of this three-month study, and the Action Plan summarized in the final section is the recommended City Council action for the future of the City’s cemetery operations.

EXECUTIVE SUMMARY



"I think that I shall never
see A poem lovely as a
tree."

-Joyce Kilmer, "Trees"

The Executive Summary is provided as a convenience to those who wish to see a quick summation of the analysis and recommendations.

The RJM Group – The consultant team (the RJM Group) was led by RJM Design Group, a cemetery planning and landscape architecture firm, with seven years of experience in designing cemeteries and cemetery facilities. The Group also included the Hunt Law Offices and Robert W. Hunt, an attorney specializing in cemetery law with nearly fifteen years of cemetery experience, and the Hausrath Economics Group, a consulting firm specializing in demographic and economic analysis and public finance.

Methodology – The RJM Group first met with representatives of the City Manager's Office, the Public Works Department and the Finance Department in order to determine the City's goals and concerns. Considerable review of the City's current cemetery operations, staffing, inventory, sales, finances and real property served as the foundation of the Group's study. The Group then investigated various options for the City and its cemeteries, present and forecast demographics, innovative utilization of the City's presently-owned property and other available property and costs in arriving at what is presented herein as the Recommended Action Plan. The detailed analysis and planning that ultimately support the recommendations appears in various sections below, and the reader is encouraged to scrutinize that information and its supporting assumptions.

Given the virtual exhaustion of available products in the City's cemeteries, this is an important moment in the history of the cemetery functions of the Sonoma Valley. The existing properties for cemetery development are approximately 95% full, with the exception of the upper Mountain Cemetery area and the area restricted to use by veterans and their families.

In undertaking this project, the RJM Group determined that there are essentially four options for the City's cemeteries: (1) Terminate cemetery operations as a business center of the City, and continue to perform only maintenance; (2) Sell the cemeteries to a private operator; (3) Terminate cemetery operations and sell the undeveloped property; or (4) Continue providing cemetery services to the City's citizens in such a way that lessens the financial burden on the City's general fund.

EXECUTIVE SUMMARY

- 1) Termination of cemetery operations – Under this scenario, the City would continue to sell burial services until current inventory is largely exhausted, which is likely to occur in something less than five years, after which the City would only maintain the cemeteries. This option is very unattractive because maintenance alone would burden the general fund by approximately \$250,000 (in 2005 dollars) each year into the unknown future. (The Group also looked at contracting out these maintenance obligations.) Moreover, this option may simply be unattainable since the City has undertaken the development and continuing obligation to maintain the new Veteran’s Cemetery.
- 2) Sell to a private cemetery operator – Two problems weigh against this option. First, the potential market value for the properties is virtually eliminated by the built-out condition of the properties, where salable inventory will likely not even offset operating costs. Second, to develop the currently undeveloped property, a private cemetery developer would not be able to finance at the municipal rates available to the City, making it financially impracticable.
- 3) Terminate operations & sell undeveloped property – This option is a combination of number (1) above, with the addition of a sale of the undeveloped Mountain Cemetery property for a price that, when invested, would generate sufficient income to pay for the ongoing maintenance of the cemeteries. That property would have to be sold for approximately \$10 - \$11 million to generate the necessary revenues and, given that the only likely acceptable uses for the rugged land are agricultural or low density residential, it does not seem likely that that price could be realized.
- 4) Continue Cemetery Operations, Innovatively Develop and Market Available Property, and Acquire Additional Property – After an exhaustive investigation of all the possible options, it is this fourth option that is the suggested alternative.

The RJM Group’s investigation revealed that the local burial options available for the citizens of Sonoma and other residents of the Sonoma Valley are limited to the City of Sonoma cemeteries. The map on page 16 reveals that, but for the City’s cemeteries, residents must find options outside the Valley for interment, in the Santa Rosa-Petaluma-Novato or Napa areas, or in the region’s largest concentration of cemeteries in Colma, south of San Francisco.

“Weekend planning is a prime time to apply the Deathbed Priority Test: On your deathbed, will you wish you’d spent more prime weekend hours grocery shopping or walking in the woods with your kids? “

- Louise Lague

Sonoma, however, has one of the most historic, beautiful cemeteries anywhere in the North Bay Area. Moreover, there is considerable potential for premium (view) plots in the undeveloped upper area of the Mountain Cemetery, which would be virtually unrivaled in all of California. To be sure, the cost to develop these areas is higher due to the rocky, steep terrain, but we believe there will also be great demand for such uniquely situated final resting places. However, it is also important to provide a full range of product and prices, and the City has a dearth of moderate-cost in-ground full-body plots. Thus, the “Action Plan Section” contains recommendations to purchase additional land currently vacant and owned by Sonoma County adjacent to the Veteran’s Cemetery to meet this need.

The cost/revenue projections for the recommended plan of action represent a considerable sum of capital investment, but they also represent a balanced operations budget. By its very nature, cemetery planning is extremely long term. The recommended plan achieves the goal of retiring debt and the eventual return on the investment would be a fully funded endowment account that will remove the permanent maintenance burden from the general fund budget.

In summary, the first phase of development recommends the investment of \$1.8 million in 2006 to partially develop the upper section of the Mountain Cemetery, acquire land and expand capacity for ground burials near the Veteran’s Cemetery, and add crypts for ground burials at the Valley Cemetery. By 2009, the cemeteries begin to generate revenue. Thereafter, with the continuation of a balanced, phased development program, the cemeteries create retained earnings that would be used to pay for completion of components of the overall action plan. A critical component of the action plan calls for increases in prices charged to be more competitive with similar cemetery products offered in neighboring communities, and ultimately to charge premium prices for the higher elevation “view” products in the upper Mountain Cemetery.

The facilities proposed to be constructed in this action plan are needed by the community, and will be very attractive, with modestly priced products in the lower elevations and appropriately premium priced products in the higher elevated areas. The construction of a hilltop committal chapel is included in the programming and would be a permanent significant civic building for use by the public. An advertising program is suggested to help boost awareness of the project locally and regionally. With the baby boom generation aging and eventually creating an increased annual demand for burial sites, the time is right for developing the cemetery, ensuring the proper maintenance, care and future of such an important cultural and historical resource.

HISTORY



"Because I could not
stop for Death --
He kindly stopped for
me --
The carriage held but
just ourselves
And immortality."

-Emily Dickinson,
Because I Could Not
Stop For Death

HISTORY OF THE CEMETERY

The Sonoma Cemeteries are the Valley's historical link between the past and the future. This brief synopsis of the history is provided as proof of the significance of the cemetery land and the earthly remains contained therein.

CITY ORIGINS

The City of Sonoma was incorporated in 1841, but was originally established by General Mariano Vallejo starting as far back as 1835.

General Vallejo originally deeded the land for Valley Cemetery in 1835¹ with the entire city land tract map that established the original land uses. Mountain Cemetery was founded in 1841 when the city formally incorporated.²

According to Sonoma Index-Tribune, the city charged fees for burials from the point at which it took over the operations in 1930 to the 1970's. In the 1970's, the city dropped the fee, and in 1974 an endowment fund was established for the perpetual care of the grounds.³

Most of the city's civic, economic and cultural leaders are buried in the cemeteries, most notably, General Vallejo and his wife, Francisco Carrillo Vallejo. A brief tour of the cemetery will prove many well-known wine making, farming and long-time valley resident families, such as Sebastiani, McTaggart, Riboni, Ruggles, Dolcini, Bandschu, and Mulas that built beautiful family mausoleum buildings to memorialize their families' prominence in the community. Captain H. E. Boyes, George Feters, Franklin Sears and two Donner Party survivors, are interred in the cemeteries. The Sons of the American Revolutionary War claim that a veteran from that era, Captain William Smith of Flowerdew Hundred, VA is buried in an unmarked grave, making the cemetery one of the oldest continually operating cemeteries in the western United States, and perhaps also one of the most beautiful.⁴

1. Report on Sonoma Cemeteries Oct. 1996, Richard L. Rowland, Director of Public Works
2. The Press Democrat, May 21, 1993
3. Sonoma Index Tribune, Sept. 12, 1984
4. Santa Rosa Press Democrat, April 16, 1990

EXISTING CONDITIONS ANALYSIS

SITE DESCRIPTIONS

VALLEY CEMETERY

The Valley Cemetery comprises 2 acres of original deed, plus 2 acres acquired in 1960 known as the "Valley Cemetery Annex". The property is located at Mac Arthur Street between Oak Lane and Fourth Street East.



Valley Cemetery may contain numerous unclaimed or unsold grave sites, but due to very limited record information, these unclaimed/unsold sites are not available inventory. Although it would be a costly and time consuming endeavor to determine the availability of these plots, it may prove cost effective to attempt to reclaim at least some of them for salable inventory.

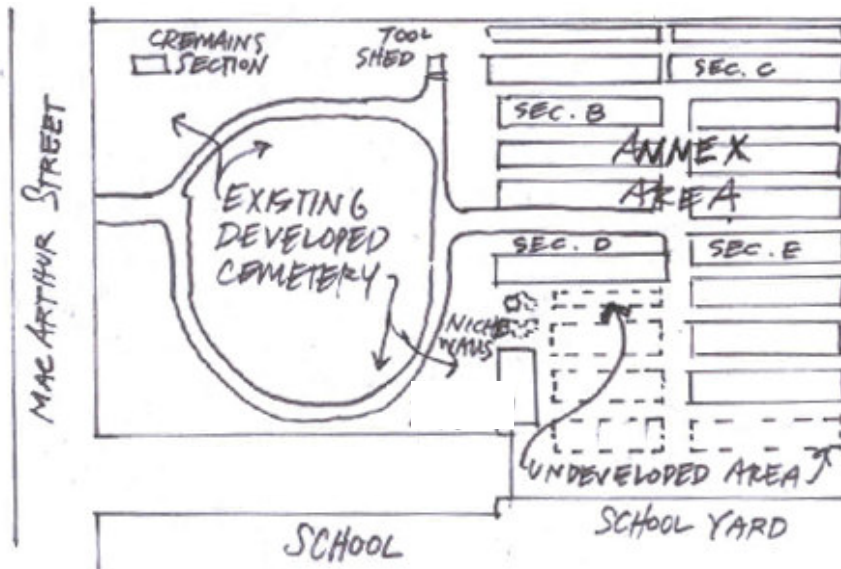
I know a little garden-
close
Set thick with lily and
red rose,
Where I would wander if
I might
From dewy dawn to
dewy night,

-William Morris

In the already developed area, Valley currently has only about 62 more in-ground full-body burial sales, and approximately 48 more cremated remains niches. In addition, Valley Cemetery has modest room for development, which should yield approximately 216 burial spaces and then the cemetery is completely full.

There is a chain link fence separating the cemetery from an elementary school to the west, and wooden fences between it and residential neighbors to the south. The north boundary is public right-of-way on McArthur Street.

The Recommendations Section illustrates a concept for screening walls and cremation niches to give formal separation between the cemetery and the school, while increasing the number of revenue-generating products in the Valley Cemetery.



EXISTING CONDITIONS ANALYSIS

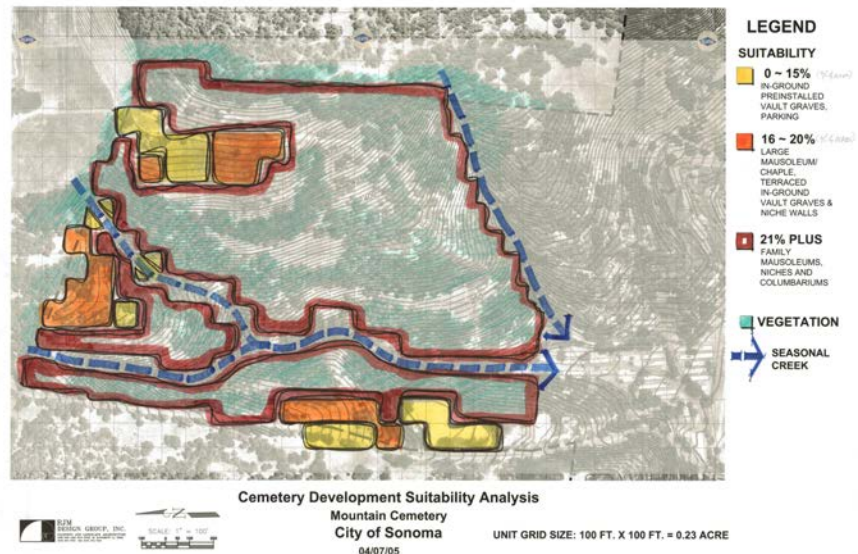
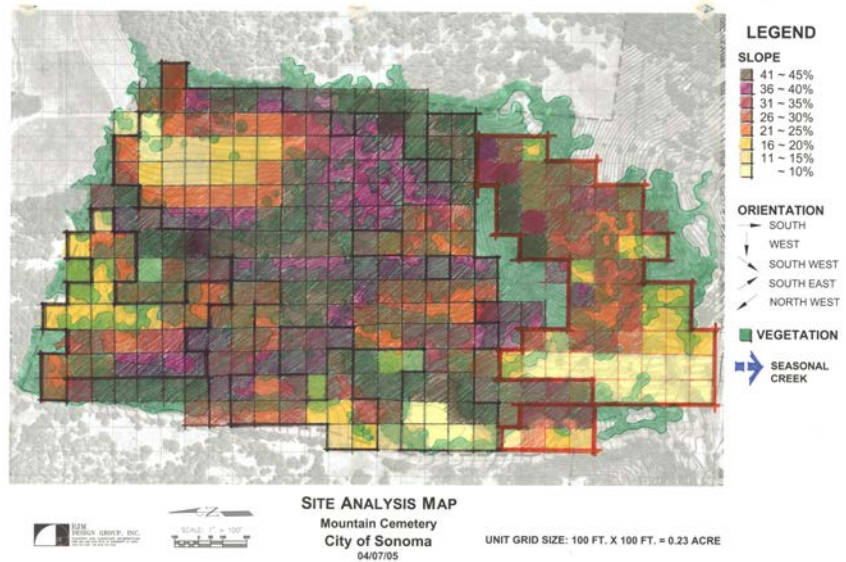
MOUNTAIN CEMETERY



Mountain Cemetery was originally allocated 60 acres of land at the base of Schocken Hill, overlooking the northern edge of Sonoma. The lower portion of Mountain Cemetery is close to capacity in its existing land configuration. The grave sites and family mausoleums have been developed carefully over the years to maximize density and utilize the hilly terrain to the extent possible. The only new sales opportunities in the lower section are in the small area adjacent to West First Street, where a new mausoleum is currently being designed.

“I always remember an epitaph which is in the cemetery at Tombstone Arizona. It says: ‘Here lies Jack Williams. He done his damndest.’ I think that is the greatest epitaph a man can have— When he gives everything that is in him to do the job he has before him. That is all you can ask of him and that is what I have tried to do.”

-Harry S. Truman



EXISTING CONDITIONS ANALYSIS

"The glory that goes with wealth is fleeting and fragile; virtue is a possession glorious and eternal."

-*Sallust*

VETERAN'S CEMETERY

A third parcel of land was acquired in 1996 for the purpose of establishing a dedicated Veteran's Cemetery. The land was developed as such and continues to offer graves and cremation vaults in an austere setting with a sculptural fountain. The Veterans Cemetery is approx 1.6 acres and will ultimately hold 464 full-body burials and 928 cremated remain vaults.



OPERATIONS/BUSINESS CONDITIONS

SUPPLY



The inventory of available burial sites in the existing cemeteries is limited. Table 1 summarizes the existing available inventory by product type in each cemetery, as of April 2005. The table also shows the additional capacity that will be added within the next year in the Mountain Cemetery. There are no in-ground burial sites or crypts available for purchase in either the Mountain Cemetery or the old section of the Valley Cemetery. Some burials continue to occur in these areas in family plots or mausoleum vaults. A new mausoleum in the Mountain Cemetery will add 56 crypts (28 single depth and 28 double depth). A niche wall with capacity for 400 cremains will also be added in the Mountain Cemetery. Ground burial sites are about 10 percent of the total available capacity (about 120 sites out of just over 1,100), and half of those sites are in the Veteran’s Cemetery.

“Perpetual worry will get you to one place ahead of time—the cemetery.”

-Author Unknown

	<u>Mountain Cemetery</u>	<u>Valley Cemetery</u>	<u>Veteran's Cemetery</u>	<u>Total</u>
Existing Available Inventory by Product Type (April 2005)				
Ground Burials	—	62	60	122
Earth Cremains	96	172	163	431
Crypts	—	—	—	—
Niches/ Columbarium	22	48	—	70
Babyland	30	—	—	30
Total	148	282	223	653
Approved projects additional capacity				
Crypts	56	—	—	56
Niches	400	—	—	400
Total including new project capacity	604	282	223	1,109
SOURCE: City of Sonoma and RJM Design Group.				

EXISTING CONDITIONS ANALYSIS

Most of the inventory (80 percent of the total) consists of cremains spaces, both in-ground and niches. The City has added free-standing niche-walls in the Mountain Cemetery and a columbarium in each of the Mountain and Valley Cemeteries. Of the total available capacity of about 1,100 burial sites, 20 percent (223 ground burial and cremains sites) are in the Veteran's Cemetery. In addition to this capacity, there are two unsold family plots in the Mountain Cemetery.

There is capacity for expansion at all of the existing cemeteries. Table 2 presents estimates of what is proposed to be added with the Action Plan development program and the resultant total capacity when this is added to the existing inventory.

The estimates reflect the proposed development program described in more detail in the Action Plan Section of this report. The estimates assume development of new ground burial sites, mausoleum crypts, niches, and a cremains garden in the upper section of the Mountain Cemetery; mausoleum crypts and niches in the lower section of the Mountain Cemetery; and additional ground burial sites and continued construction of niche walls in the Valley Cemetery. An ossuary providing a lower cost option for co-mingled cremains could also be developed at the Valley Cemetery. Expansion at the Veteran's Cemetery includes more in-ground full-body and cremains burial sites. The development program proposes acquisition of the County-owned land adjacent to the existing Veteran's Cemetery to provide significant additional capacity for both in-ground burials and earth cremains sites, comparable to the products offered at the Veteran's Cemetery. In addition, 41 new family plots could be established at the Mountain Cemetery with the proposed development of the upper section and the lower expansion area.

EXISTING CONDITIONS ANALYSIS

Table 2—SONOMA CEMETERIES POTENTIAL CAPACITY BY PRODUCT TYPE AND LOCATION

Product	Mountain Cemetery	Valley Cemetery	Veteran's Cemetery	Proposed Expansion Area	TOTAL
Proposed Development Program by Product Type					
Ground Burials ¹	812	216	464	2,535	4,027
Earth Cremains ²	-	-	928	1,106	2,034
Crypts	5,488	-	-	-	5,488
Niches/Columbarium ³	6,890	400	-	-	7,290
Cremains Garden	3,000	-	-	-	3,000
Total	16,190	616	1,392	3,641	21,839
Total Potential Capacity by Product Type (Existing Inventory Plus Proposed Development Program)					
Ground Burials ¹	812	278	524	2,535	4,149
Earth Cremains ²	96	172	1,091	1,106	2,465
Crypts	5,544	-	-	-	5,544
Niches/Columbarium ³	7,312	448	-	-	7,760
Cremains Garden	3,000	-	-	-	3,000
Babyland	30	-	-	-	30
Total	16,794	898	1,615	3,641	22,948
<p>1 Lawn or ground burial sites developed with pre-installed vaults.</p> <p>2 In addition, earth cremains could be added to ground burial sites. This would add significant capacity.</p> <p>3 Cremains sites are developed in niche walls or columbariums. In addition, an ossuary could be developed at the Valley Cemetery that would provide for substantial additional capacity (co-mingled cremains) of a different product type.</p> <p>SOURCE: City of Sonoma and RJM Design Group.</p>					

Substantial additional capacity is possible, as shown in the table. Almost 22,000 burial sites could be added. Most of the expansion would occur in the Mountain Cemetery. About 30 percent of the additional capacity would be for in-ground burials and earth cremains, not counting any earth cremains as second interments with a ground burial. Ground burial options would be available in all of the cemeteries and concentrated in the acquisition area adjacent to the Veteran's Cemetery.

EXISTING CONDITIONS ANALYSIS

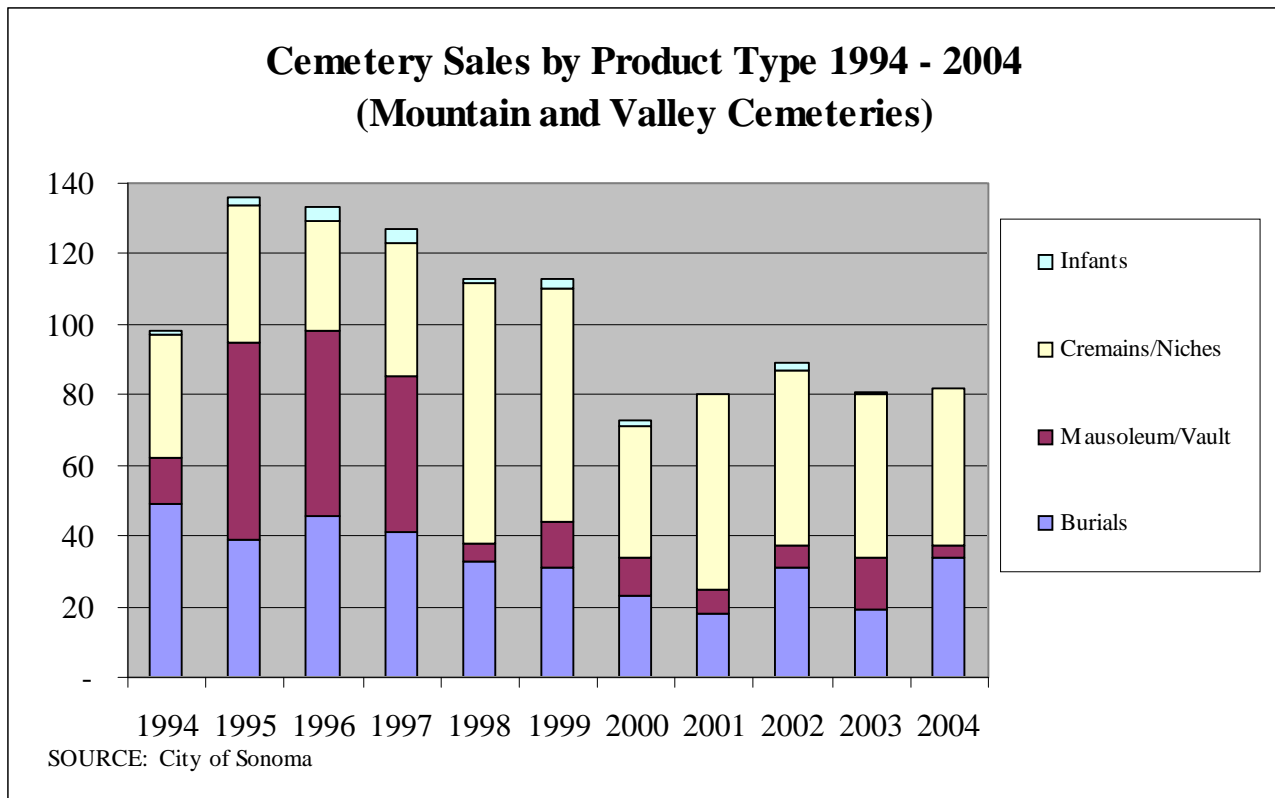
DEMAND

Trends in Cemetery Sales

Over the past eleven years (1994 – 2004), the City has sold about 1,300 ground burial sites, crypts, and cremains spaces (see Table 3, page 15). Cremains have accounted for about half of all sales and ground burials for over one-third of the total. Sales have averaged about 120 per year. Annual sales of all product types ranged from 73 in 2000 to 175 in 2002 (the year the Veteran’s Cemetery opened).

City staff note that the lack of available inventory has depressed sales. This trend is evident in Chart 1 which highlights sales trends for the Mountain and Valley cemeteries. Overall, there is decline in sales over time. Sales of in-ground burial sites have declined but remain a strong component of overall sales. Sales of mausoleum/vault sites have declined, while cremains sales have increased over time.

Chart 1



EXISTING CONDITIONS ANALYSIS

The following table provides the history of product sales over the past eleven years.

	<u>Ground Burial</u>	<u>Crypt/Vault</u>	<u>Cremins</u>	<u>Infant</u>	<u>Total</u>
1994	49	13	35	1	98
1995	39	56	39	2	136
1996	46	52	31	4	133
1997	41	44	38	4	127
1998	33	5	74	1	113
1999	31	13	66	3	113
2000	23	11	37	2	73
2001	18	7	55	—	80
2002	60	6	107	2	175
2003	41	15	76	1	133
2004	59	3	63	—	125
Total Sales	440	225	621	20	1,306
Annual Average	40	20	56	2	119
Percent of Total by Type	34%	17%	48%	2%	100%
SOURCE: City of Sonoma					

Characteristics of the Cemetery Service Area

The primary service area for the City of Sonoma cemeteries is the Sonoma Valley, consisting of the City of Sonoma and surrounding unincorporated communities. The Valley extends from San Pablo Bay in the south to Mt. Hood in the north and is bounded on the west by the Sonoma Mountains and on the east by Napa County.

EXISTING CONDITIONS ANALYSIS

Although there are no records of sales by place of residence, City staff indicate that almost all sales are to current or former residents of the Sonoma Valley. Since 2002, the City has charged a non-resident fee to customers who live in Sonoma County but outside the City and a higher non-resident fee to customers who live outside Sonoma County. It is expected that the new Veteran's Cemetery will have a market area of larger geographic scope than the Sonoma Valley.

The following map illustrates the City and its neighboring communities with cemeteries.



EXISTING CONDITIONS ANALYSIS

Table 4 summarizes some characteristics of the population of the primary service area. In 2000, a total of about 40,400 people lived in the Sonoma Valley and about one-quarter of those lived in the City of Sonoma. The Valley is home to a concentration of older people—almost 30 percent of the population of the Valley was age 55 years and older. In the nine-county Bay Area region, 20 percent of the population was age 55 or older in 2000.



Table 4

Sonoma Cemeteries Primary Service Area Summary Population Characteristics, 2000			
	Number	Percent	
Total Population			
City of Sonoma	9,128	23%	
Rest of Valley	31, 309	77%	
Total Sonoma Valley	40,437	100%	
Older Population in Sonoma Valley			
Population 55 years & older	11,373	28%	Of total population
Veterans in Sonoma Valley			
All Veterans 18 yrs & older	4,117	13%	Of population aged 18 & over
Veterans 65 yrs & older	1,932	28%	Of population aged 65 & over
All Veterans in Region			
All Veterans 18 yrs & older	508,253	0.8%	Live in Sonoma Valley
Veterans 65 yrs & older	191,795	0.4%	Live in Sonoma Valley
SOURCE: U. S. Census Bureau			

"I hold it true, what'er
befall; I feel it, when I
sorrow most; 'Tis
better to have loved
and lost
Than never to have
loved at all."

-Alfred Lord
Tennyson, *In
Memoriam*

Veterans are a significant component of the Sonoma Valley population, perhaps in part due to the proximity of the Veteran's Home of California (the largest veteran's home in the country) in Yountville in neighboring Napa County. In 2000, there were about 4,100 veterans living in the Sonoma Valley, accounting for 13 percent of the total population aged 18 and over. Almost 50 percent of those veterans were 65 years old and older, accounting for about 30 percent of the total Valley population of that age group.

Analysis of Census data conducted by the U.S. Census Bureau indicates that older veterans are concentrated in retirement areas in Florida, Arizona, and California and in other places with warm climates. Concentrations in Sonoma County may be notable. In fact, the City of Santa Rosa ranks among the top ten places of 100,000 or more popu-

EXISTING CONDITIONS ANALYSIS



“As men, we are all equal in the presence of death.”

-Pubilius Syrus

lation with the highest percentage of World War II veterans in the civilian population aged 18 and over (U.S. Census Bureau, Census 2000 Brief, *Veterans 2000*, May 2003).

There are more than 500,000 veterans in the nine-county Bay Area region and 40 percent of them—almost 200,000 are aged 65 years and older. About nine percent of those veterans live in Sonoma County, and less than one percent live in the Sonoma Valley.

Service Area Demand - Trends

Demand for cemetery services can be measured as a function of the total service area population and as a function of death rates in the service area. Hausrath Economics Group has evaluated trends in sales at the City of Sonoma cemeteries in terms of both measures. Table 5 summarizes the analysis. Because of the lack of data on sales by place of residence, the analysis assumes all customers are from the Sonoma Valley service area, thereby overstating to some extent the relationship between Sonoma cemetery sales and the population primary service area.

Table 5

Year	Total Cemetery Sales	Sonoma Valley Population	Sales as a Function of Population (sales per 1,000 persons)	Sales as a Function of Death Rates		
				Sonoma County Death Rate ²	Estimated Sonoma Valley Deaths ³	Sales as a Percentage of Estimated Deaths
1994	98	38,325	2.56	833	319	31%
1995	136	38,652	3.52	808	312	44%
1996	133	38,955	3.41	835	325	41%
1997	127	39,359	3.23	857	337	38%
1998	113	39,766	2.84	838	333	34%
1999	113	40,049	2.82	800	321	35%
2000	73	40,437	1.81	818	331	22%
2001	80	41,021	1.95	837	343	23%
2002	175	41,234	4.24	833	343	51%
2003	133	41,575	3.20	830	345	39%
2004	125	41,942	2.98	829	348	36%
Total	1,306		2.96	829	3,658	36%

¹ Population estimate based on Census data by tract for 1990 and 2000 and California Department of Finance estimates for the City of Sonoma. The population of the unincorporated Valley is assumed to continue growing through 2004 at the annual rate established from 1990 - 2000.
² Crude death rate for Sonoma County (deaths per 100,000 people), based on data from the California Department of Finance, Report E-6, *County Population Estimates with Components of Change by County*, February 2005.
³ Based on Sonoma County average death rate.
 SOURCE: City of Sonoma, U.S. Census Bureau, California Department of Finance, and Hausrath Economics Group.

EXISTING CONDITIONS ANALYSIS



“When we are planning for posterity, we ought to remember that virtue is not hereditary. “

- Thomas Paine

Over the 1994 – 2004 period, sales as a function of population averaged 2.96 sales per 1,000 people. 2000 was the lowest year at 1.81 sales per 1,000 and 2002 (when the Veteran’s Cemetery opened) was the highest at 4.24 sales per 1,000.

Another way to analyze the market for burials in the Sonoma cemeteries is to estimate deaths in the service area and evaluate sales as a percentage to total deaths. Without data distinguishing at-need from pre-need sales and sales to Valley residents from other sales, this analysis overestimates the share of Valley deaths that choose burial at the Sonoma cemeteries. Nevertheless, it offers a useful indicator for evaluating trends and making projections of future demand.

As shown in Table 5, over the 1994 through 2004 period, on average, 36 percent of Valley deaths resulted in burials in the Sonoma cemeteries. The share ranged from 22 percent in 2000 to 51 percent in 2002, when the Veteran’s Cemetery opened.

Projections of Future Demand

Future demand for cemetery services is a function of population growth, mortality rates, and burial preferences. Demand for burials at the Sonoma cemeteries will also depend on how the products offered at the Sonoma cemeteries compare to other options in terms of features and price. There is potential at the Mountain Cemetery to add burial options that offer views and other premium features in a setting that has few rivals in the region.

Table 6

Changes in Population and Mortality: Sonoma Valley 2000-2030					
	2000	2010	2020	2030	Percent Change 2000-2030
Population	40,437	43,200	44,300	44,800	11%
Population aged 65 yrs & older	6,933	6,675	9,470	11,975	73%
Population aged 65 yrs & older as a percent of total population	17%	15%	21%	27%	
Annual Deaths	430	500	570	710	65%
Death Rate (deaths per 100,000)	1,063	1,157	1,286	1,584	49%
¹ Based on age-specific death rates for Sonoma County. SOURCE: Association of Bay Area Governments, California Department of Health Services, and Hausrath Economics Group.					

EXISTING CONDITIONS ANALYSIS

“The garden
flew round
with the
angel,
The angel
flew round
with the
clouds,
And the
clouds flew
round and
the clouds
few round
And the
clouds flew
round with
the clouds. “

- Wallace
Stevens

A conservative projection of demand for cemetery services assumes the primary service area remains the Sonoma Valley. A more aggressive projection would define a larger geographic area on the basis of unique characteristics that would attract customers from a broader market. HEG has prepared projections of demand for the primary service area. These projections can be used to estimate the time period for absorption of the program. To the extent that the City of Sonoma cemeteries were successful in attracting customers from a broader market area, absorption of cemetery burial sites would occur over a shorter time period.

The aging of the population, more than population increases, will be responsible for increases in the demand for burial sites over the next decades. Table 7 presents projections of population and estimates of annual deaths for the Sonoma Valley. Population estimates for 2010, 2020, and 2030 are based on the Association of Bay Area Governments (ABAG) *Projections 2005* and reflect the relatively limited potential for adding housing in the Sonoma Valley. Overall, the Valley population is expected to increase by 11 percent between 2000 and 2030. ABAG also provides projections of future population by age, and the table shows that the increase in the older population will be significant. There will be almost twice as many people aged 65 years and older in the Valley in 2030 as there are in 2000. The share of the total population represented by the elderly will increase from 17 percent to 27 percent over the projection period.

Table 7

Cemetery Sales Projections: 2000-2030				
	2000	2010	2020	2030
Sales Projection Based on Population				
Sonoma Valley Population	40,437	43,200	44,300	44,800
Annual Sales at 2.96 per 1,000	120	130	130	130
Sales Projection Based on Deaths				
Estimated Sonoma Valley Deaths	430	500	570	710
Estimated sales at 36% of deaths	150	180	200	250
Estimated sales at 45% of deaths	190	230	260	320
SOURCE: Hausrath Economics Group				

EXISTING CONDITIONS ANALYSIS



“He not busy being born
is busy dying.”

-Bob Dylan

Because of the aging of the population, there will be more deaths on an annual basis. Annual deaths are projected based on age-specific death rates for Sonoma County. Using these death rates, we estimate that there were about 430 deaths annually among Valley residents in 2000. This number is expected to increase steadily over the coming decades; about 700 deaths per year are estimated for 2030. The death rate (calculated as deaths per 100,000 people) increases over time because of the change in the age-distribution of the population.

We have prepared three projections of future cemetery sales. The projections illustrate the significance of the aging of the population to estimates of demand for cemetery services. Table 7 presents the estimates.

The most conservative projection is based solely on estimates of future population. Because only modest population growth is expected, only modest increases in cemetery sales are projected. Assuming continuation of the current rate of annual cemetery sales—2.96 per 1,000 population—the City could expect about 130 sales per year in the coming decades.

This projection is conservative because it does not take into account the changing age distribution of the population nor does it reflect any increase in the attraction of burial options at the Sonoma cemeteries as would be expected under potential scenarios for future development. The second sales projection is based on deaths and takes into account the increased mortality in the service area that will be associated with the aging of the population. As deaths increase over time, demand for cemetery burial sites will increase, all other things being equal. The estimates in Table 7 show that annual sales could increase to 250 per year—almost double the current rate—if the City cemeteries continued to capture about 36 percent of the market for burials among Sonoma Valley residents.

The third set of sales estimates in Table 7 is based on the assumption that the Sonoma Cemeteries capture a higher percentage of the deaths occurring in the primary service area (45 percent for the purposes of this planning exercise). Under this assumption of a relatively modest increase in the attraction of the cemeteries locally and the increased mortality associated with the aging of the population, annual sales would almost triple over time to 320 per year.

EXISTING CONDITIONS ANALYSIS



“The report of my death was an exaggeration.”

-Mark Twain

At the current rate of 120 burials per year, existing inventory and approved expansions capacity (a total of 1,109 burial sites) would be absorbed in just under 10 years. The success of the Action Plan to expand the capacity of the City’s cemeteries depends on increasing the rate of burials—some of which is expected based on increased mortality as described above. Increasing the Sonoma cemetery market share (the percentage of local burials and the number of burials attracted beyond the primary service area) is critical to the success of the proposed development program. This will require an initial investment in a marketing program professionally designed and implemented to reach target audiences. The Action Plan proposes a phased approach so that the development program can be adapted to the results of marketing efforts and the assessment of trend in sales.

OTHER INFLUENCES ON THE PROPOSED ACTION PLAN

Evaluation of existing conditions—the available inventory, undeveloped land, trends in sales, demographic analysis and estimates of future demand—inform the proposed Action Plan. The consultant team also assessed burial preferences and the specific situation of the Veteran’s Cemetery. Evaluation of burial preferences is used to determine the appropriate mix of product types for the proposed development program. Since the Veteran’s Cemetery represents the most recent expansion of the inventory and sales are limited to veterans and their family members, it is also important to consider issues that will affect absorption of that capacity.

BURIAL PREFERENCES

Cremation rates

Cremation is an increasingly popular form of burial, and California ranks among the ten states with the highest rates of cremation among the 50 states. In California, the cremation rate has increased from 43.6 percent of deaths in 1998 to almost half (48.5 percent) of deaths cremated in 2002. The national average in 2002 was 28 percent of deaths cremated; in 1980 less than 10 percent of deaths were cremated.

The Cremation Association of North America (CANA) projects that the cremation rate in California will increase to 58 percent of all deaths in 2010. The rate is expected to continue to increase to an upper limit of about 65 percent. According to CANA, historical data indicate that once a country or state reaches a cremation rate of 65 percent, there is little increase in subsequent years, in the absence of particular cultural practices.

CANA cites eight key trends affecting cremation:

1. People are dying older
2. Migration to retirement locations is increasing
3. Cremation is becoming more acceptable as a normal form of disposition
4. Environmental considerations are becoming more important
5. The level of education is rising
6. Ties to tradition are becoming weaker
7. Regional differences are diminishing
8. Religious restrictions are diminishing



"What lies behind us and what lies before us are tiny matters compared to what lies within us."

-Oliver Wendell Holmes

Cremains represent about half of all sales at the Sonoma cemeteries over the last decade, consistent with the statewide average. Cremains are likely to remain a significant component of the demand for burial sites. The Action Plan proposes to continue to expand that inventory and to offer a wider variety of options for cremains interment.

SPECIAL CONSIDERATIONS FOR VETERANS

Veterans burial benefits

Burial benefits at no cost to the family include a gravesite in any of 120 national cemeteries with available space, opening and closing of grave, perpetual care, Government headstone or marker, burial flag, and a Presidential Memorial Certificate. Benefits to spouses and dependents include burial with the veteran, perpetual care, and headstone inscription. In a private cemetery, veterans are entitled to a government headstone or marker, burial flag, and memorial certificate.

Burial options for veterans

There are six national cemeteries in California, but only two are open for new burials. The aging of the veteran population prompted state and national efforts to develop new cemeteries to satisfy the projected need.

EXISTING CONDITIONS ANALYSIS

A new national cemetery is under development near Dixon, in Solano County. The 561-acre cemetery is one of 12 new national cemeteries (one of two in California) to be established near large populations of veterans currently without access to a burial option. The first burials are expected to begin in 2007 in a small development area to be opened up before construction is complete on the first phase of the cemetery. The first phase of the cemetery will have a capacity for almost 28,000 burials in 14,700 casket gravesites, an 8,000 unit columbarium, 5,100 in-ground spaces and a scattering garden for cremains. The cemetery is expected to serve veterans and their families within a 75-mile radius—an area that includes the nine Bay Area counties, Southern Sacramento Valley and Northern San Joaquin Valley. Planners estimate the new cemetery will serve the needs of veterans in the area for 50 years.

At the same time, the first state-owned and operated veterans cemetery in California—the Northern California State Veterans Cemetery—is under development in Shasta County near Redding. The primary service area for the 61-acre cemetery is expected to be the 18 northern California counties, the counties just north of Sonoma, Napa, Yolo, Sacramento, and Placer counties. The cemetery dedication is scheduled for Veterans' Day 2005. Phase 1 development will include 8,500 burial sites consisting of lawn crypts, in-ground caskets and cremains, and columbarium.

Implications for Sonoma Veteran's Cemetery

The burial sites at the Sonoma Veteran's Cemetery face considerable competition in the years ahead, in the form of the two new veteran's cemeteries under development specifically to serve the Bay Area Region and Northern California. Burial sites at the new state and national veteran's cemeteries will be available at no cost to veterans, while the burial sites at the Sonoma Cemetery require fees ranging (currently) from about \$1,400 to \$4,400. The Action Plan recognizes this competitive situation by proposing expansion of non-veteran burial sites and an array of product types designed to appeal to a broad market, thereby reducing reliance on sales to veterans as the basis for future income projections.

RECOMMENDED ACTION

After thorough analysis of the possible options available to the City for its cemeteries, the recommended course of action is to increase development activity to continue and expand the ability to provide cemetery services and increase the revenue stream.

The proposed action plan recommends the active development of the upper portion of Mountain Cemetery, infill development in the Valley Cemetery, purchasing more land next to the Veteran's Cemetery for non-veteran burial area, and the initiation of a marketing campaign.

ACTION PLAN

ALTERNATIVES EXAMINED

Alternative solutions were studied for the disposition of Sonoma's cemeteries. The following scenarios are evaluated below:

- A) Selling cemeteries to get the City out of the cemetery business
- B) Contracting for all or part of current operations
- C) Reorganization within the City structure
- D) Maintain current organizational structure and implement efficiency or effectiveness improvements

A. SELLING THE CEMETERIES

In order to sell the cemeteries, a viable private-sector business plan model must exist. In its current configuration and inventory of products, the cemeteries do not have a viable economic potential necessary to attract private buyers. In fact, potential liabilities likely outweigh any potential future profitability, and private operators will be reluctant to assume annual operating/maintenance costs for a largely built-out facility.

Because the cemeteries would not be economically attractive to a private buyer in their current configuration, the only other option for the city to "transition" out of the cemetery business is to consider selling the only financially valuable asset under cemetery control. The only asset that has an attractive market value is the vacant land in the upper portion of Mountain Cemetery. This land was part of a potential private development proposal a number of years ago that fell out of favor with the citizens of the City, and thus the project was dropped. It is extremely unlikely that the public might accept the sale of this land if the deed could be restricted to only single family residential. Due to the steepness of the terrain, the rocky condition, the existing oak trees and seasonal creeks, the land would probably yield at the most, four residential lots, each 15-acres in size. Any such a sale would need to generate sufficient capital to establish perpetual care endowment fund for the City, so that annual maintenance and operational costs do not have to be supported by the general fund. The amount of the necessary fund is estimated to be \$10,000,000, and at an assumed rate of 3%, the interest would provide \$300,000 for perpetual care and maintenance. Each lot would then have to be priced at a minimum of \$2.7 million, or about \$178,000 per acre. This seems unlikely, even for lots with a view such as the land provides. Additionally, a change to the land uses would require a local general plan amendment process. Therefore, while this is a remotely possible alternative, it is not a recommended plan of action.

B. CONTRACTING FOR ALL OR PART OF CURRENT OPERATIONS

The City's operational practices, structure and staffing of the cemetery functions do not appear to be significant factors necessitating funding by the general fund. Every cemetery operation is unique to some extent and it is somewhat difficult to determine proper staffing purely on the basis of numbers of burials. However, given the burden of maintaining the Veteran's Cemetery, our assessment is that the City's cemeteries are neither grossly overstaffed or understaffed. Instead, operating losses appear to be due primarily to a lack of product supply, and an unbalanced product inventory. Other factors include under-pricing of services, and under-utilization due to the public not being aware of the services provided.

ACTION PLAN

Because the City's cemetery operations appear to be reasonably efficient, contracting these functions out would not appreciably reduce the annual operational deficit. Instead, a three-step plan is suggested: correct pricing to cover debt service, development costs and operational costs is the first step; the second step is to develop land into a wide range of product types and prices, creating an adequate inventory of each available; the third step is a marketing program to make potential customers aware of the products offered.

C. REORGANIZATION WITHIN THE CITY STRUCTURE

In order to maintain continuity in providing high quality services and personal service to customers, it is recommended that the personnel currently tasked with providing cemetery services continue in the same capacity. One of the outcomes of the action plan will be an increased volume of sales, maintenance/operations and construction activity. This will require more time commitment, and will result in the need to create a full-time cemetery manager position.

This individual will be responsible for managing the budget, operations, maintenance and staff time allocation. Eventually, it may be necessary to add another part-time sales and clerical position, but for the immediate term (next 3 years) the cemetery manager would be the only full-time administrative position. The current staffing allocation of three full-time maintenance workers should be adequate to address the on-going maintenance needs of the existing and expanded cemeteries. Organizationally, the cemetery manager would report to the Public Works Administrator. Construction activity would be coordinated by this individual, but day-to-day construction management should be contracted out to a professional construction management firm on a project-by-project basis. Construction management contractors would report to the Public Works Department and the cemetery manager for engineering compliance, field reports and construction budget management.

D. MAINTAIN CURRENT ORGANIZATIONAL STRUCTURE AND IMPLEMENT EFFICIENCY OR EFFECTIVENESS IMPROVEMENTS

The proposed Action Plan is a combination of keeping the same structure and reorganizing it over a period of time. The plan will generate more products and more sales, which will result in more time commitment to manage and a larger budget to control. The plan is flexible, so that changes can be implemented as they are needed.

Internal annual operational audits are recommended not just for budget analysis, but for staffing and business performance review. Biannual (every two years) analysis by an outside consultant in the first ten years of the implementation plan is also recommended, then every five years in the remaining years of operations.

ACTION PLAN

ACTION PLAN DESCRIPTION

There are three main goals of the action plan, as follows:

- 1) The Action Plan should be fiscally responsible for both the short term (operationally) and long term (perpetual care).
- 2) The Action Plan should respect the dignity and traditional value of providing burial products and services in an historical setting.
- 3) The Action Plan should respect the land's aesthetic, environmental and functional value.

The basic assumptions of the plan can be summarized as follows:

- 1) To generate income in excess of costs and secure the long-term future of the cemetery properties requires capitalizing on existing cemetery assets through phased expansion to develop a range of products.
- 2) Initial investments in land acquisition, site improvements, capacity, and marketing will enhance the image and appeal of the Sonoma cemeteries.
- 3) Initially, debt will need to be incurred to finance the development costs. Current inventory is critically low. Development will increase inventory, but is costly. Prices charged will reflect debt service and retirement, as well as operational costs.
- 4) An endowment fee should be set so that when the products are sold out, the endowment is funded such that sufficient interest income is generated to pay for all ongoing maintenance, replacement and permanent care needs for all cemetery physical improvements.

The Mountain Cemetery

The exhibit on the next page illustrates the scope and features of development of the upper Mountain Cemetery area.

Most of the acreage is covered in oak trees and is very steep (40% slope or greater). There are some flatter areas without trees at the top of the site. This area can be developed into premium (view) products. In-ground vaults can be installed in terraces on the hill. Mausoleum crypts can be cut into the slope, much like the mausoleum in the lower cemetery. Niche products are shown in many areas, and cremation "rock gardens" are programmed on the hill. These areas will be beautifully landscaped gardens that contain rock out-croppings that are actually receptacles for cremated remains.

A 2,500 sf Committal Chapel is designed for the focal point of the area. This building will allow for ceremonies, civic events and rentals for functions of up to 250 persons. There is also office space for the cemetery manager, restrooms and a meeting room/family grieving room for maximum flexibility of the structure.

The existing Sonoma Overlook Trail that climbs up the mountain will remain in-place for the majority of the route. Wherever new construction conflicts with the trail alignment, the trail will be re-routed in a fashion consistent with the current use pattern.

ACTION PLAN

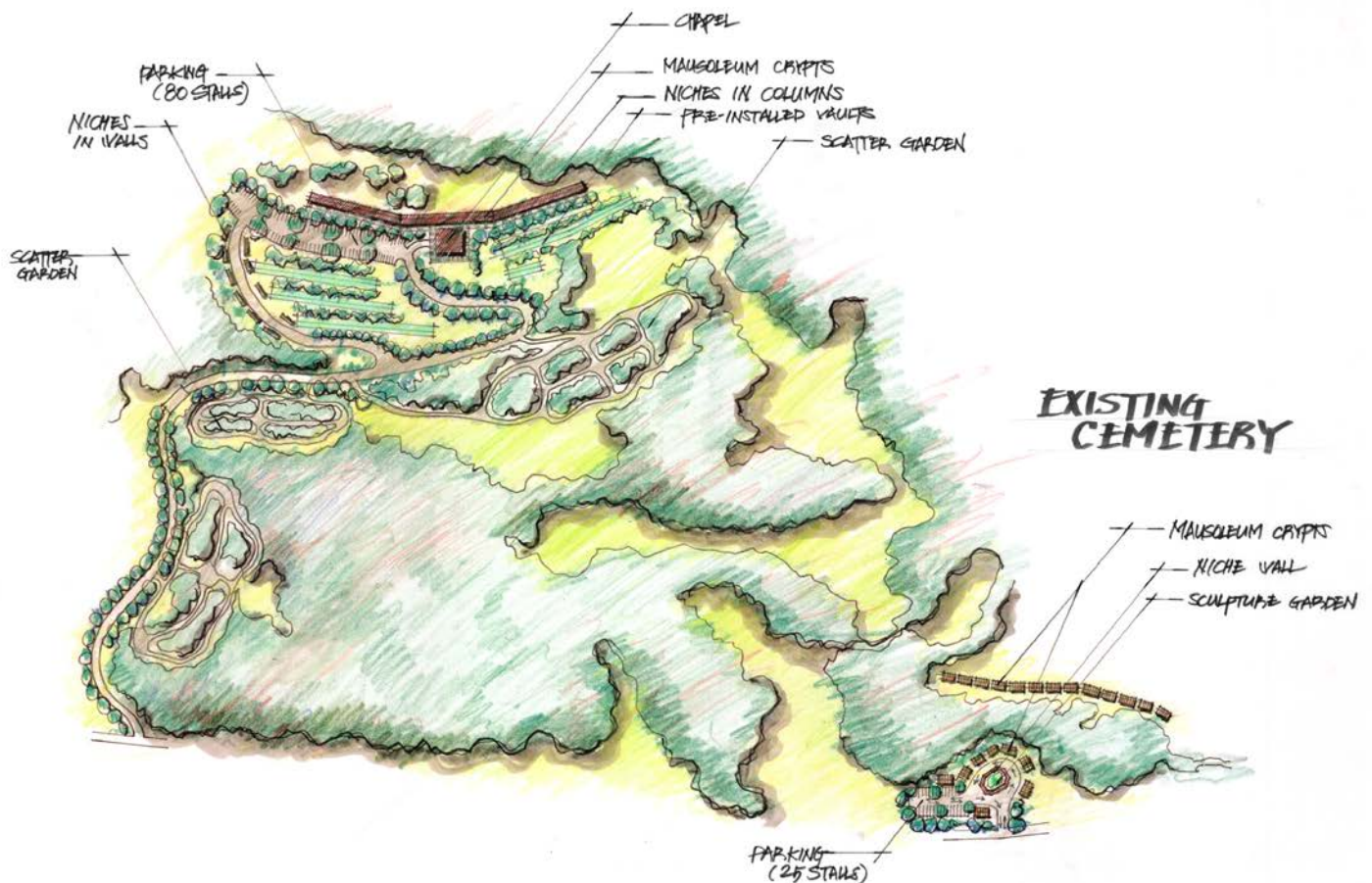
"We call that person who has lost his father, an orphan; and a widower that man who has lost his wife. But that man who has known the immense unhappiness of losing a friend, by what name do we call him? Here every language is silent and holds its peace in impotence."

-Joseph Roux

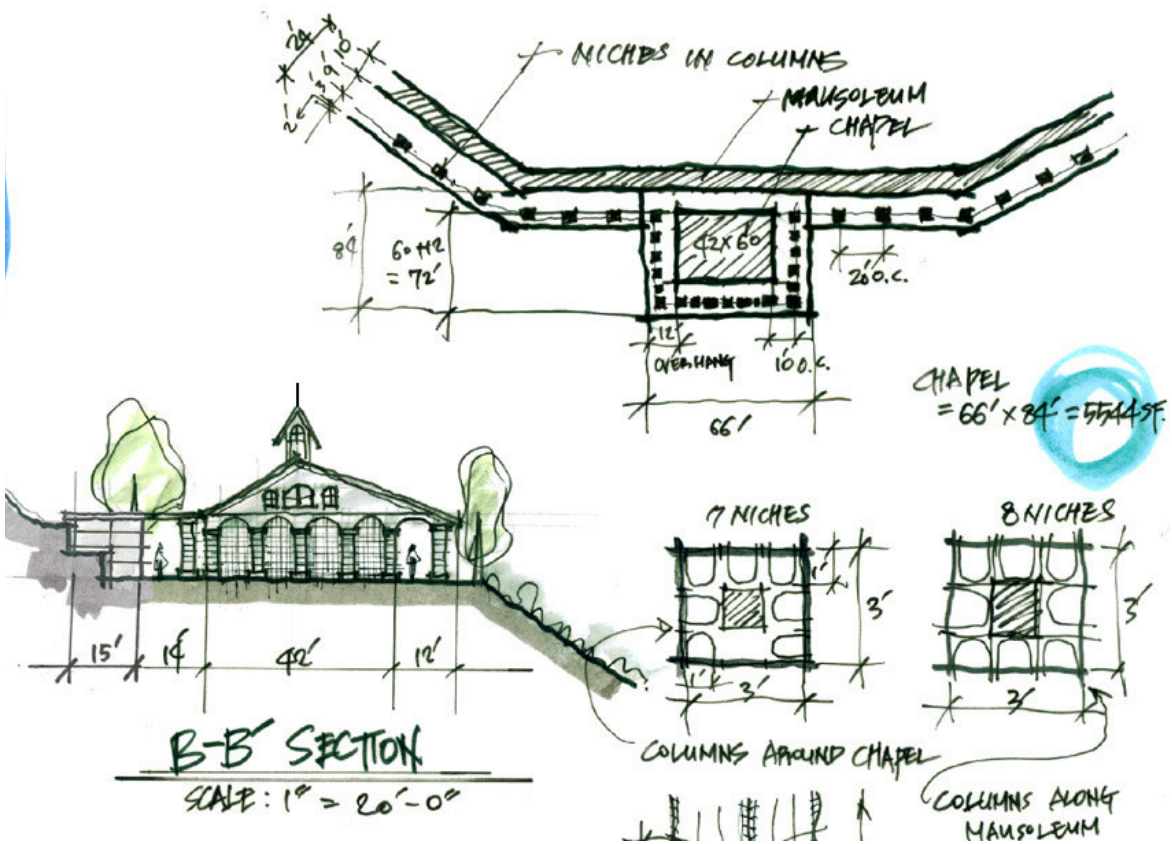
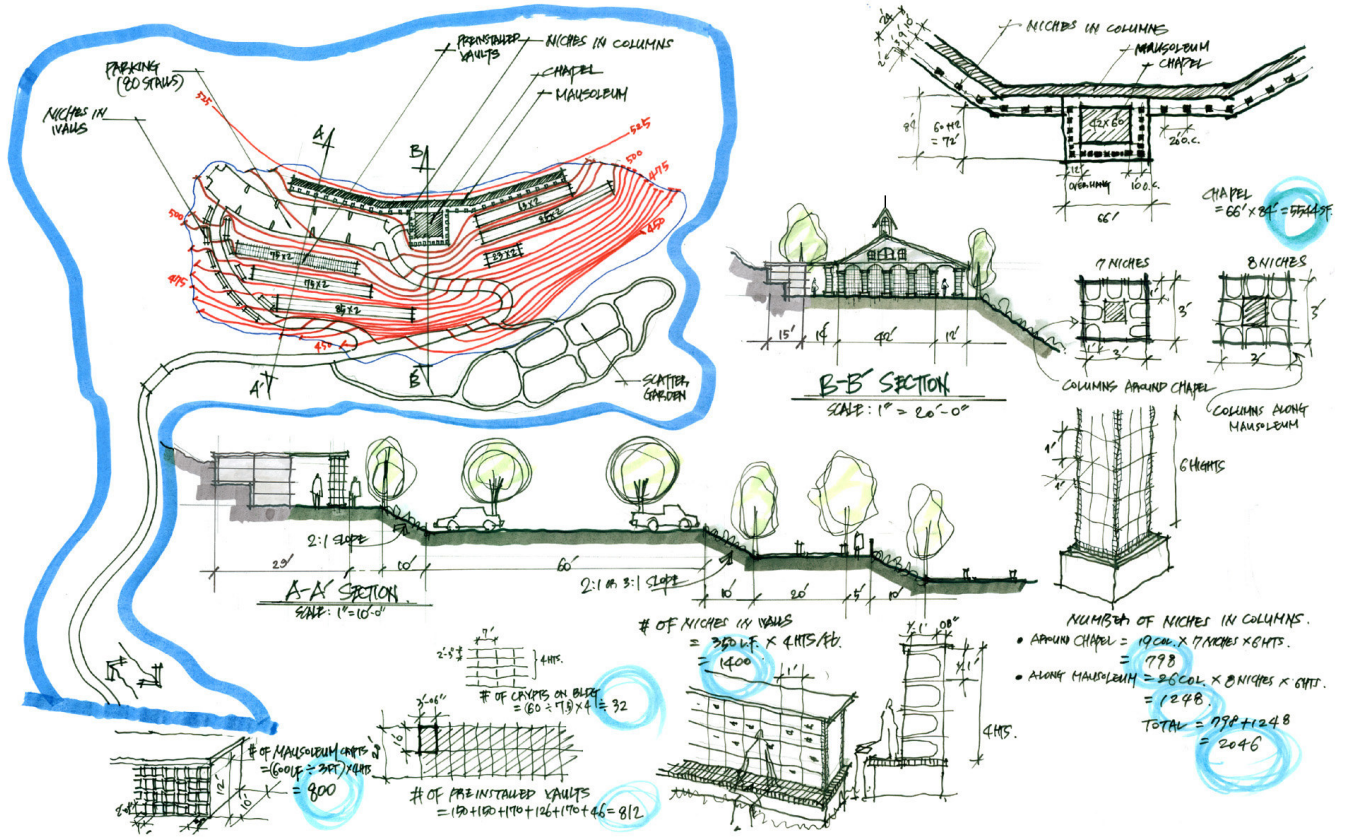
The table below is an inventory of the products that will be available for sale in all phases of the Upper Mountain development.

Upper Section Products	
Mausoleum Crypts	1,200
Mausoleum Crypts on Building	88
Niches in Columns	2,046
Niches in Walls	1,400
Pre-installed Vaults	812
Scatter Garden Sales	3,000

Sketches on the following pages illustrate the concepts for the improvements at the Mountain Cemetery.



ACTION PLAN

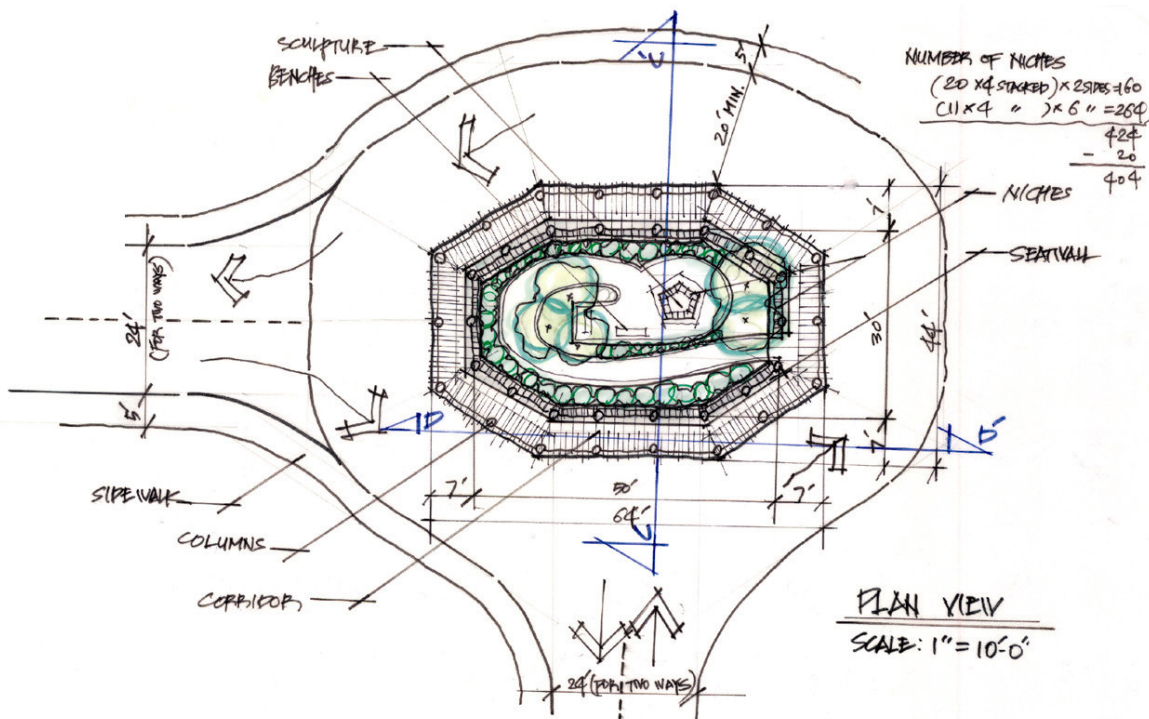
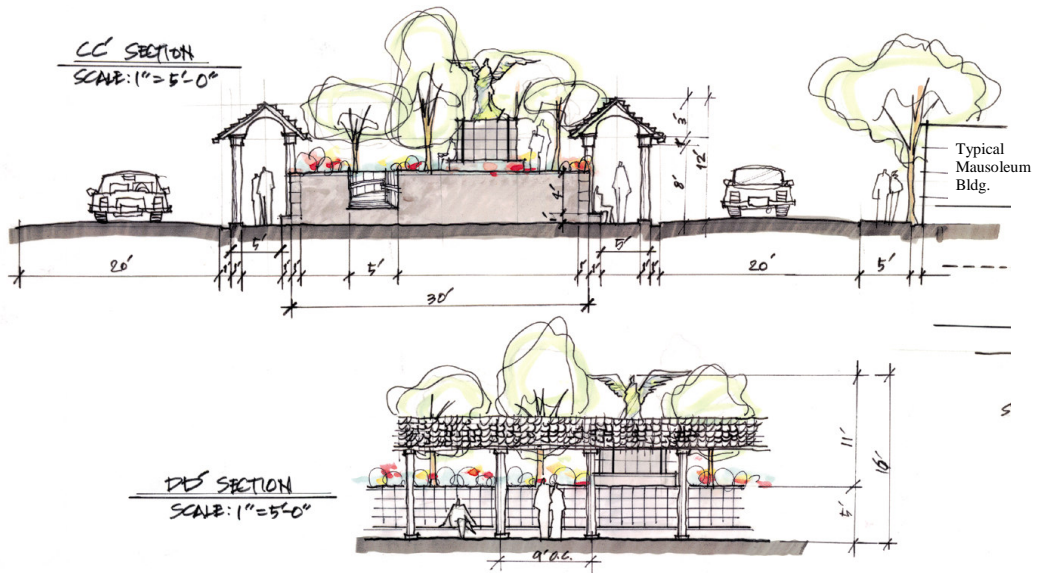
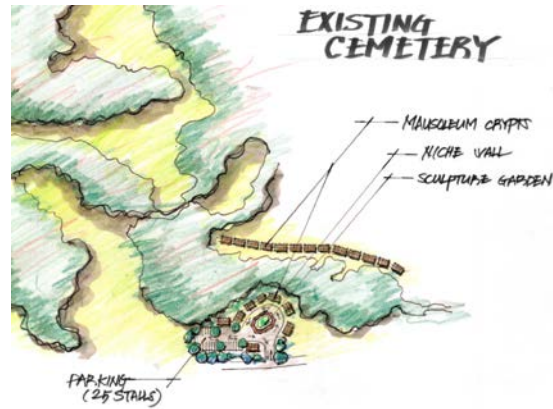


ACTION PLAN

The sketches on this page illustrate the "Sculpture Garden" development concept for the area that now serves as the site of the abandoned water storage tank. This area is perfect for development since it is relatively flat and accessible to West First Street.

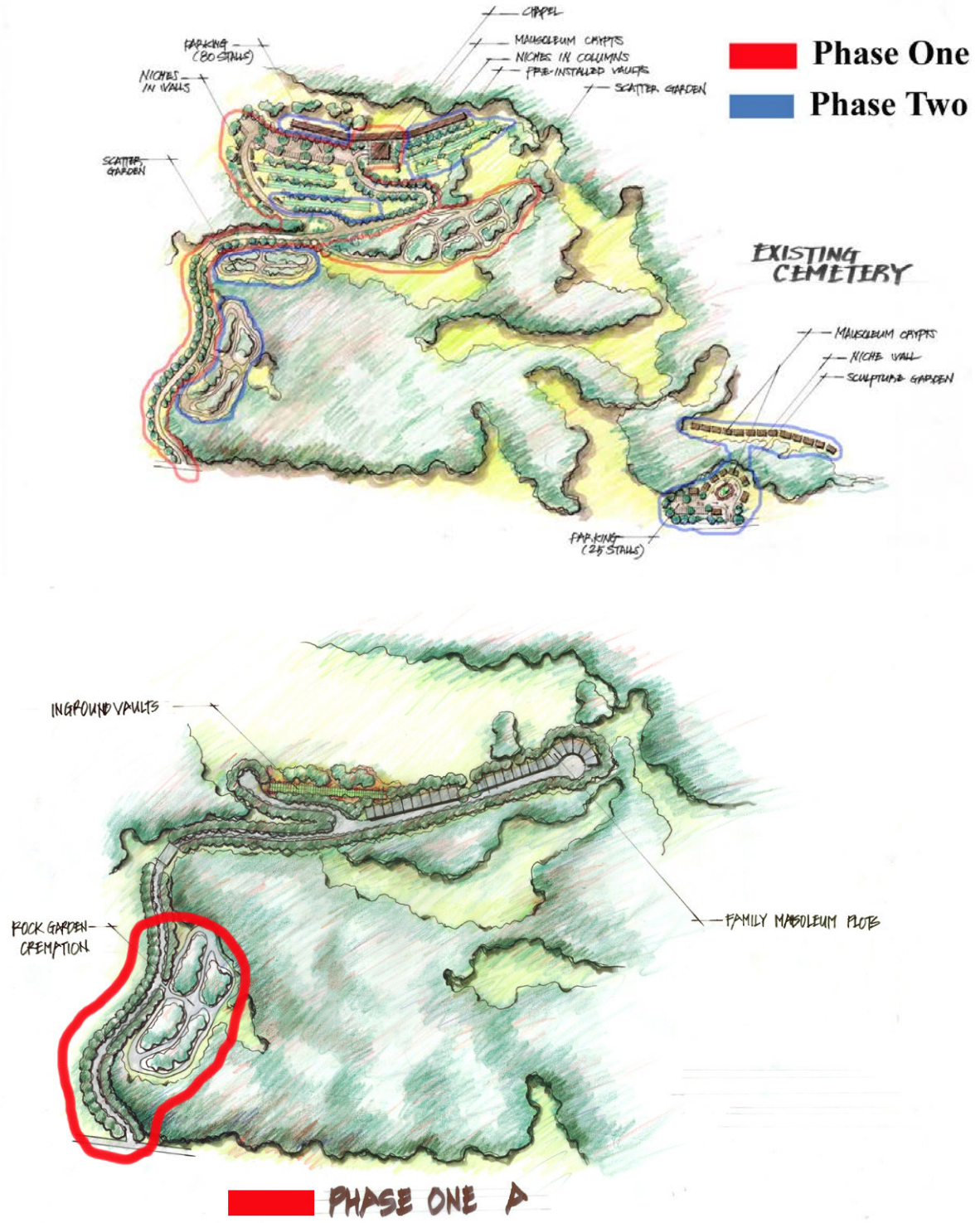
The products shown in this area are all above-ground and either cremation products or outdoor mausoleum crypts similar to the buildings constructed in the lower existing portion of Mountain Cemetery.

area location map



ACTION PLAN

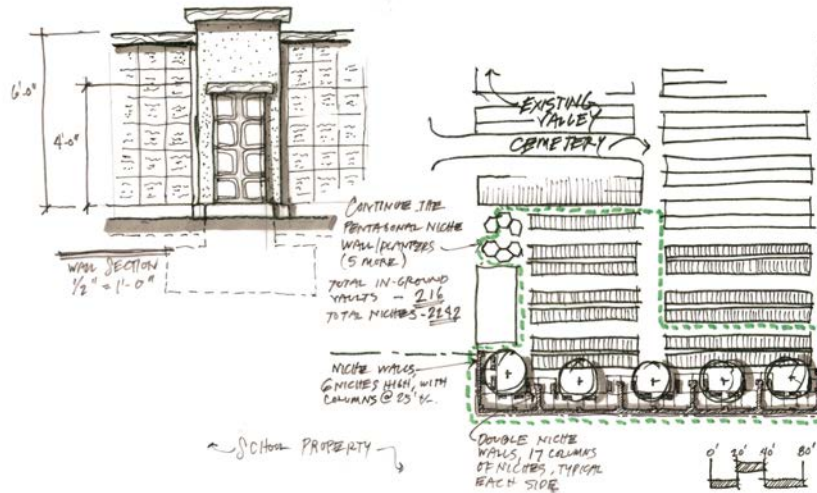
The upper Mountain Cemetery area is divided into phases, as illustrated below. Phase one is divided into smaller phases as shown in lower exhibit



ACTION PLAN

The Valley Cemetery

The Valley Cemetery has very limited room for new development, but there is a potential for installation of a very nice niche wall project. The area between the cemetery and the adjacent elementary school would be enhanced with a screen wall to visually separate the two land uses. The wall could also contain approximately 2249 niches for extended revenue generation of the Valley Cemetery. A sketch follows to illustrate the concept.



The Veteran's Cemetery

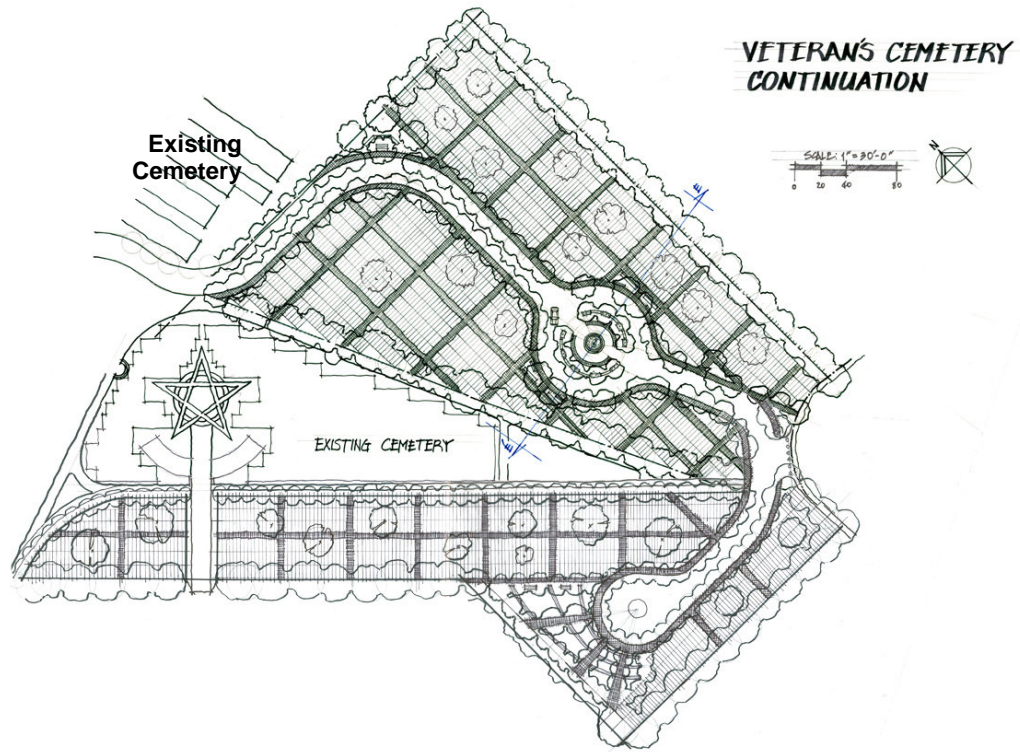
The Veteran's Cemetery will have a very appealing fountain sculpture in operation soon. The recommendation for this cemetery is to initiate a premium price range for graves located close to the fountain and near walkways, benches and trees. This will aid in the accelerated debt service. The chart below illustrates the quantities and increased prices.

Veteran's Cemetery Completion Prices (excludes endowment charges)		
Lawn Full-body Crypts premium price	62 ea	\$6,000
Lawn Full-body Crypts mid-price	136 ea	\$5,200
Lawn Full-body Crypts normal price	266 ea	\$4,365 (unchanged)
Cremains Premium	124 ea	\$2,400
Cremains Mid-Premium	272 ea	\$2,000
Cremains Normal	532 ea	\$1,440 (unchanged)

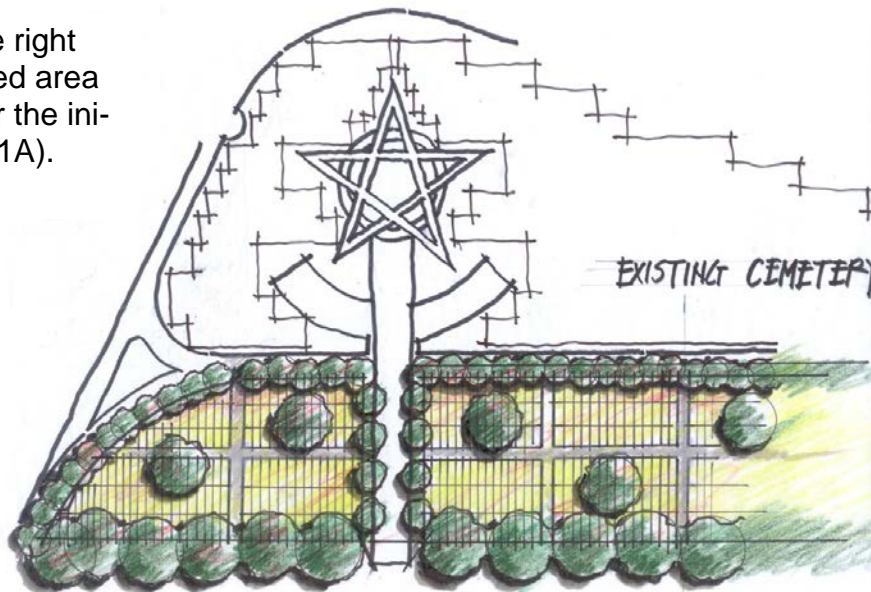
ACTION PLAN

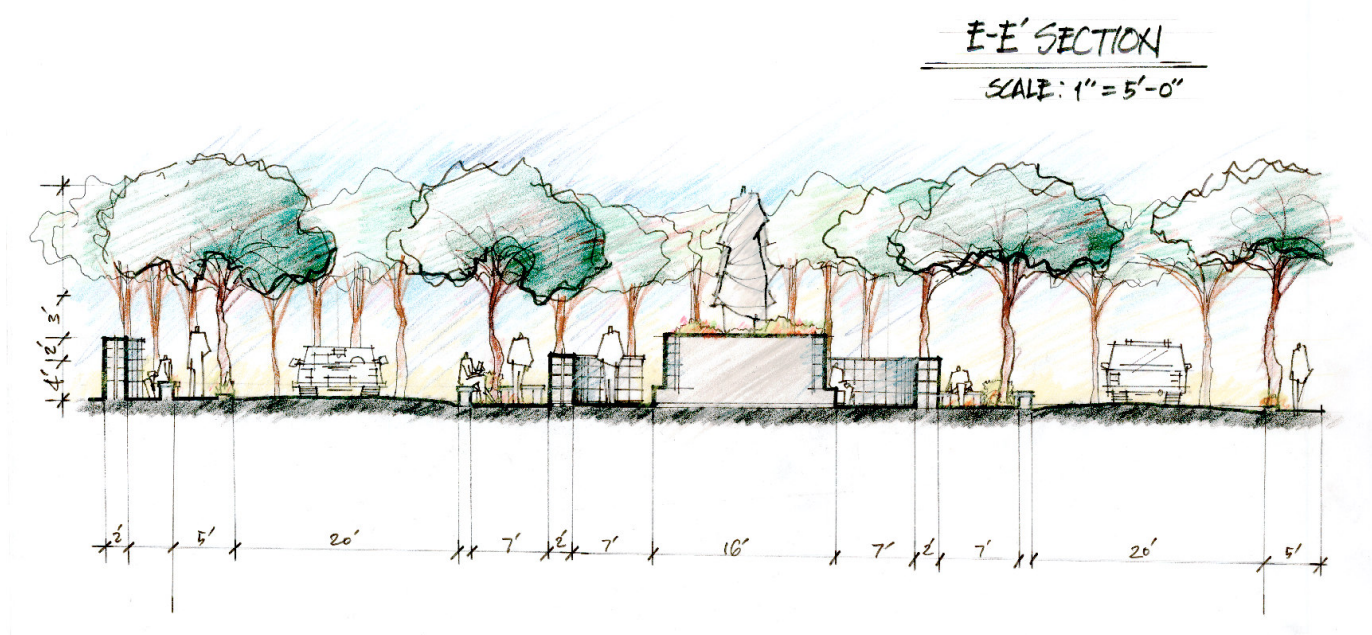
Land Purchase

Adjacent to the Veteran's Cemetery is vacant land that is currently owned by Sonoma County. This Action Plan recommends entering into negotiations with the County to purchase the land for expansion of the cemetery for general public use. One objective of the Action Plan is to create a balanced product inventory. The flat property between the Veterans Memorial Building Hall parking lot and First Street is ideal for moderately priced in-ground full-body burials and some limited above-ground niche walls. The exhibit below illustrates the concept.



The drawing to the right shows the proposed area of development for the initial phase (Phase 1A).





PRODUCTS AND PRICING

The proposed action plan generates substantial additional cemetery capacity across all existing product lines and adds new products across a range of prices as shown in Table 11. An updated fee schedule for the existing inventory is also proposed in Table 8. The proposed fee schedule reflects the values inherent in the proposed burial options and price points somewhat below the highest priced competitors (Santa Rosa Memorial Park, Cypress Hill Memorial Park in Petaluma and Woodlawn Cemetery in Colma). A comparison of neighboring cemetery providers is shown in Tables 9 and 10. Tables 8 and 11 summarize the proposed fees by product type and location, for both the existing inventory and the proposed development program. The fees in the tables include plot charges, liner charges, open and closing charges, and administrative charges. The City's two sets of non-resident fees (one for out-of-city residents and a higher fee for out-of-county residents) are not included and would be in addition to the fees shown on the tables.

TABLE 8 SONOMA CEMETERIES ACTION PLAN: PRODUCT AND PRICING SUMMARY FOR EXISTING INVENTORY (2005 dollars)					
	Products	Existing Fee¹	Proposed Fee (total)²	Endowment Charge³	TOTAL
Mountain Cemetery					per product
Mausoleum crypts - single	28	\$5,300	\$ 5,600	\$ 1,120	\$ 6,720
Mausoleum crypts - double	28	\$9,105	\$ 9,200	\$ 1,840	\$ 11,040
Niches	401	\$1,270	\$ 1,900	\$ 500	\$ 2,400
Earth cremains	96	\$950	\$ 1,800	\$ 500	\$ 2,300
Columbarium	21		\$ 1,900	\$ 500	\$ 2,400
Babyland	30	\$995	\$ 750	\$ 500	\$ 1,250
	604				
Valley Cemetery Annex					
Lawn crypts	62	\$1,700	\$ 3,200	\$ 640	\$ 3,840
Earth cremains	172	\$950	\$ 1,500	\$ 500	\$ 2,000
Columbarium	48		\$ 1,600	\$ 500	\$ 2,100
	282				
Veteran's Cemetery Completion					
Lawn crypts - baseline	60	\$4,525	\$ 4,500	\$ 900	\$ 5,400
Cremains - baseline	163	\$1,365	\$ 1,800	\$ 500	\$ 2,300
	223				
TOTAL EXISTING INVENTORY	1,109				
Family Mausoleum Plots	2		\$ 22,500	\$ 4,500	\$ 27,000

NOTE: Represents existing inventory as of April 15, 2005 with the addition of approved projects to add capacity at the Mountain Cemetery for 56 mausoleum crypts and a 400-unit niche wall. Cremains as second interments with ground burials represent another potential means of expanding capacity. The estimates in the table do not include that capacity. That additional supply would only extend the absorption period for the development program, since it would compete with other cemetery products.

¹ The existing fee shown here includes all current charges (plot, liner, open & close, administrative charge and endowment) except non-city resident charges.

² The total fee includes the plot charge, liner, open & close, and administration charge. In addition, non-resident fees would be charged for sales to out-of-city and out-of-county residents.

³ The endowment fee is calculated as the greater of 20 percent of the total fee or \$500, the average amount per unit that would generate required stabilized operating revenue in perpetuity.

SOURCE: RJM Design Group and Hausrath Economics Group.

**TABLE 11
SONOMA CEMETERIES ACTION PLAN: PRODUCT AND PRICING SUMMARY FOR PROPOSED DEVELOPMENT PROGRAM (2005 dollars)**

Mountain Cemetery	Products	Total Fee¹	Endowment Charge²	TOTAL
Upper Section				
Mausoleum crypts	1,200	\$ 8,000	\$ 1,600	\$ 9,600
Crypts in building	88	\$ 9,800	\$ 1,960	\$ 11,760
Niches in columns	2,046	\$ 4,200	\$ 840	\$ 5,040
Niches in walls	1,400	\$ 2,800	\$ 560	\$ 3,360
Ground burial crypts ³	812	\$ 6,500	\$ 1,300	\$ 7,800
Scatter garden	3,000	\$ 2,400	\$ 500	\$ 2,900
	8,546			
Lower Section				
Mausoleum crypts - Sculpture Garden	1,600	\$ 6,300	\$ 1,260	\$ 7,560
Mausoleum crypts - lower expansion area	2,000	\$ 5,600	\$ 1,120	\$ 6,720
Double crypts- lower expansion area	600	\$ 10,800	\$ 2,240	\$ 13,040
Niches in walls at Sculpture Garden	404	\$ 2,400	\$ 500	\$ 2,900
Niches at base of sculpture	40	\$ 4,000	\$ 800	\$ 4,800
Niches in walls at lower expansion area	2,500	\$ 1,900	\$ 500	\$ 2,300
Double niches-lower expansion area	500	\$ 3,500	\$ 1,000	\$ 4,500
	7,644			
Valley Cemetery				
Lawn crypts ³	216	\$ 3,200	\$ 640	\$ 3,840
Niches in walls	400	\$ 1,800	\$ 500	\$ 2,300
Ossuary ⁴	na			
	616			
Veteran's Cemetery Completion				
Lawn crypts - premium ³	62	\$ 6,000	\$ 1,200	\$ 7,200
Lawn crypts - moderate ³	136	\$ 5,200	\$ 1,040	\$ 6,240
Lawn crypts - baseline ³	266	\$ 4,500	\$ 900	\$ 5,400
Cremains - premium	124	\$ 2,800	\$ 560	\$ 3,360
Cremains - moderate	272	\$ 2,000	\$ 500	\$ 2,500
Cremains - baseline	532	\$ 1,800	\$ 500	\$ 2,300
	1,392			
New Cemetery Expansion Area				
Lawn crypts - premium ³	136	\$ 6,000	\$ 1,200	\$ 7,200
Lawn crypts - moderate ³	473	\$ 5,200	\$ 1,040	\$ 6,240
Lawn crypts - baseline ³	1,926	\$ 4,500	\$ 900	\$ 5,400
Cremains - premium	124	\$ 2,800	\$ 560	\$ 3,360
Cremains - moderate	450	\$ 2,000	\$ 500	\$ 2,500
Cremains - baseline	532	\$ 1,800	\$ 500	\$ 2,100
	3,641			
TOTAL NEW INVENTORY	21,839			
Family Mausoleum Land Sales	41	\$ 30,000	\$ 6,000	\$ 36,000

¹ The total fee includes the plot charge, liner, open & close, and administration charge. In addition, non-resident fees would be charged for sales to out-of-city and out-of-county residents.

² The endowment fee is calculated as the greater of 20 percent of the total fee or \$500, the average amount per unit that would generate required stabilized operating revenue in perpetuity.

³ Ground burials and lawn crypts would be developed with pre-installed vaults. Cremains as second interments with ground burials represent another potential means of expanding capacity. The estimates in the table do not include that capacity. That additional supply would only extend the absorption period for the development program, since it would compete with other cemetery products.

⁴ An ossuary would have large capacity for co-mingled cremains. It offers the possibility of a lower-priced burial option, including the potential for accommodating indigent remains for a nominal fee.

ACTION PLAN

Do not fear
death so much,
but rather the
inadequate life.

-Bertolt Brecht

The proposed fee schedule separately identifies an endowment charge. The floor for the endowment fee is established by the average fee that would generate enough endowment principal to sustain estimated stabilized operating revenue in perpetuity. This amount is estimated to be about \$500 per burial site. Therefore, the minimum proposed endowment fee is \$500. The higher fees are calculated at 20 percent of the at-need fee.

Table 12 summarizes a phasing plan for the proposed development program. The table shows the total capacity that would occur with each phase, land acquisition costs and total construction costs and the total sales revenue associated with each phase, assuming all burial sites were sold at the proposed rates outlined above and that those rates were adjusted periodically to keep up with inflation and other cemetery cost increases. The “Cost per Unit” and “Sales per Unit” averages at the bottom of the table illustrate the potential spread between development costs and revenues for the mix of product types by phase.

ACTION PLAN

**TABLE 12
SONOMA CEMETERIES ACTION PLAN: PROPOSED NEW DEVELOPMENT PHASING**

	Phase 1A	Phase 1B	Phase 2	Phase 3	Total
Mountain Cemetery - Upper Section					
Capacity	840	2,838	4,868	-	8,546
Construction Cost	\$1,533,960	\$6,127,000	\$4,513,200	-	\$12,174,160
Income from Sales ¹	\$ 3,410,000	\$12,822,400	\$19,221,200	-	\$35,453,600
Mountain Cemetery - Lower Section					
Capacity	-	-	2,044	5,600	7,644
Construction Cost	-	-	\$3,961,200	\$7,732,000	\$11,693,200
Income from Sales ¹	-	-	\$ 8,168,000	\$15,800,000	\$23,968,000
Valley Cemetery					
Capacity	100	316	200	-	616
Construction Cost	52,500	\$178,000	\$120,000	-	\$350,500
Income from Sales ¹	\$320,000	\$ 731,200	\$ 705,600	-	\$1,756,800
Veteran's Cemetery - Completion					
Capacity	-	600	792	-	1,392
Construction Cost	-	\$240,000	\$264,000	-	\$504,000
Income from Sales ¹	-	\$ 2,463,800	\$ 1,661,200	-	\$4,125,000
New Cemetery Expansion Area					
Capacity	363	1,206	1,200	872	3,641
Land Acquisition	\$433,500	-	-	-	\$433,500
Construction Cost	\$259,650	\$679,900	\$677,500	\$619,600	\$2,236,650
Income from Sales ¹	\$1,808,600	\$4,284,800	\$4,130,000	\$3,924,000	\$14,147,400
Total Capacity	1,303	4,960	9,104	6,472	21,839
Total Cost²	\$2,849,513	\$9,031,125	\$11,919,875	\$10,439,500	\$34,240,013
Total Sales¹	\$5,538,600	\$20,302,200	\$33,886,000	\$19,724,000	\$79,450,800
Cost per Unit	\$2,187	\$1,821	\$1,309	\$1,613	\$1,568
Sales per Unit	\$4,251	\$4,093	\$3,722	\$3,048	\$3,638

¹ All charges except the endowment charge and any non-resident fees. Estimate on this table does not include revenue from ossuary interments.

² Total development cost including land acquisition, construction, soft costs, and contingency. Soft costs and contingency together are assumed to equal 25% of the combined land acquisition and construction cost.

SOURCE: RJM Design Group

ACTION PLAN

Phase 1A includes developing the necessary roadway infrastructure and a portion of the upper section of the Mountain Cemetery, development of new ground burial sites in the Valley Cemetery, and acquisition and partial development of vacant land adjacent to the Veteran's Cemetery.

Phase 1B continues development of the upper Mountain Cemetery, including the development of a chapel. The chapel represents a significant investment (estimated at about \$2 million; it is proposed to enhance the attraction of the Mountain Cemetery and contribute to the range of facilities and services that the city's cemeteries can offer. The chapel and its services would be an integral part of the enhanced marketing program for the Sonoma Cemeteries. In addition, the chapel offers the opportunity to expand the array of premium burial sites offered at the Mountain Cemetery. Phase 1B also includes continued development at the Valley Cemetery, the Veteran's Cemetery, and the new cemetery expansion area acquired in Phase 1A.

Phase 2 includes the completion of the upper Mountain Cemetery, development of the former water tank site at the Lower Mountain Cemetery (a sculpture garden is proposed), further development of the Valley Cemetery niche walls, and continued development at the Veteran's Cemetery and the new cemetery expansion area.

Finally, Phase 3 includes development of mausoleums in the lower section of the Mountain Cemetery and continued development of the new cemetery expansion area.

Achieving this development program requires a financial plan and a marketing plan. Table 13 outlines a financial plan for development through the year 2030—the beginning of Phase 2 of the development program. In the financial plan, in order to maintain a reasonable relationship between revenues and costs, the phases outlined in Table 12 are further subdivided. This enables a staged approach to development, reducing the amount of debt required up front, while the plan is being tested. Ultimate buildout of phase 2 will be reached at approximately 2078. At that point, the city will retire the properties discussed in this plan and either cease providing cemetery services or use the proceeds earned by the action plan and purchase more property to continue providing cemetery services. The following text defines the various line items and assumptions behind the financial analysis.

Total development cost: includes the cost of land acquisition, construction, soft costs (including design and environmental review), contingency, and financing transaction costs.

Amount financed: The financial plan relies on debt to develop the first phases of the program. The fully-amortized financing assumes 30 year terms and annual interest rates of 5 percent.

ACTION PLAN

Additional capacity: This line item indicates the additional burial capacity associated with each increment of development. The analysis assumes that the capacity added at each subdivision reflects the overall mix of product types for that phase.

Annual sales: The annual sales are averages assuming an increase in the market share for the Sonoma Cemeteries, as a result of the range of product types developed under the Action Plan and a successful marketing program. The assumption for the financial plan is that the share of local burial need captured by the Sonoma Cemeteries increases from 36 percent to 45 percent. The number of sales could also increase because the cemeteries attracted sales from a broader market area. If this occurred in addition to the increase in primary market area capture, then the absorption would occur at a faster pace and the development program could be accelerated. The table shows total annual sales. The financial plan detail assumes that after 2007, the existing inventory would account for five percent of annual sales and the capacity associated with the proposed development program would account for the balance. The existing inventory as of 2005 (including approved expansions) represents about five percent of the total future capacity at buildout of the proposed development program.

Available inventory: The available inventory starts with the 1,109 sites that will be available following construction of approved capacity expansions at the Mountain Cemetery. The additional capacity associated with each element of the development program is added to that inventory and capacity is deducted according to the rate of average annual sales.

Revenue from sales and operations: The revenue estimate includes sales of existing inventory and sales of proposed new inventory at the proposed updated fee schedule. For each phase, the revenue estimate is based on the average over all product types available in that phase. The revenue estimate includes periodic sales of family plots. The estimate also includes "Other revenue from Operations". This includes engraving and permit fees, non-resident fees, and rental of the chapel in later years. The baseline revenue estimate from current budgets is assumed to increase over time in proportion to the increase in annual sales.

Transfer from the endowment: Each year when there is a need to supplement operations and maintenance revenue, endowment interest income (assumed to accrue at a rate of three percent annually) is transferred to the cemetery operations fund. The endowment fees have been set so that the fund will grow large enough to provide permanent, fully-funded maintenance and care for the cemetery properties when they have fully sold out and there is no other revenue source. The principal is always protected by law, and the interest income provides the "retirement" maintenance funding.

ACTION PLAN

Transfers in: Currently, the cemetery operations and maintenance fund receives annual transfers from the General Fund (hiking trail lease agreement) and the Water Utility (water tank site lease agreement). According to city staff, it is reasonable to assume that these transfers will continue during the life of the action plan.

Transfers from earnings: This line item shows the amount of retained earnings that can be applied to development costs after about 10 years of the Action Plan. Eventually, these transfers enable development to proceed on a pay-as-you-go basis, without the need to incur debt service and other costs of financing.

Cemetery operations and management costs: The costs for the Action Plan assume increases to one full-time cemetery manager and increases in Public Works Administrator staff allocation to accomplish the development program. Personnel costs are estimated at average annual staffing costs including benefits as of the 2004-2005 budget year. Services and supplies annual costs are increased proportional to the increase in personnel costs. In 2008-09, additional staffing is assumed—one half-time clerical position. Annual operating costs before debt service at this level of operations and maintenance would be about \$500,000 per year (in 2005 dollars).

Marketing: As noted above, the success of the Action Plan depends on increasing the sales at the Sonoma Cemeteries. A marketing program would describe the wider range of products available, including premium burial sites, and would generally increase awareness of the Sonoma Cemeteries and their unique offerings in the market area and in the greater Bay Area region. This program would require an investment of about \$45,000 per year for the first five years. The financial plan shows a stabilized investment of \$20,000 per year on-going.

Debt service – existing: The financial plan includes the obligation to pay off the existing debt and new debt to construct approved additional capacity at the Mountain Cemetery. The plan incorporates the payment schedule from the recent refinancing that combined existing with new capital needs.

Debt service – new: This line item summarizes the annual payments from several financings that would occur in the first phases of the action plan.

Net Revenue / (Cost): This is the difference between costs and revenues on an annual basis. Capital costs are included only to the extent they are covered by debt service and when transfers from accrued earnings are used to pay development costs in later phases of the development program.

Retained Earnings/ (Deficit): This is the cumulative sum of deficits and surpluses. In later phases, this fund develops a surplus that can be used to fund cemetery development on a pay-as-you-go basis.

ACTION PLAN

Table 13 Financial Plan for Proposed Development Program Assuming Increase In Market Share (thousands of 2005 dollars)

THROUGH PHASE 1A (2005 - 2011)									
PHASE 1A									
	2003/04 Actual	2004/05 Budget	Estimate 2004/05	1A.1 2005/06	2006/07	2007/08	2008/09	1A.2 2009/10	2010/11
Total Development Cost	\$0	\$0	\$0	\$1,772	\$0	\$0	\$0	\$1,206	\$0
Amount Financed	-	-	-	\$1,772	-	-	-	\$1,206	-
Additional Capacity			-	650				653	
Annual Sales				120	230	230	230	230	230
Available Inventory			1,109	1,639	1,409	1,179	949	1,372	1,142
Annual Revenue									
Revenue from sales and operations	\$273	\$276	\$278	\$278	\$1,028	\$1,043	\$1,043	\$983	\$983
Transfer from Endowment	10	10	5	7	13	20	26	31	37
Transfers in	59	56	56	56	56	56	56	56	56
Transfers from Earnings	-	-	-	-	-	-	-	-	-
Total Annual Revenue	\$342	\$342	\$339	\$341	\$1,098	\$1,119	\$1,125	\$1,071	\$1,077
Annual Costs									
Cemetery Operations & Management	\$407	\$372	\$450	\$450	\$450	\$450	\$500	\$500	\$500
Marketing	-	-	-	45	45	45	45	45	20
Debt Service - existing	29	66	117	117	117	117	117	117	117
Debt Service - new	-	-	-	115	115	115	115	194	194
Total Annual Costs	\$436	\$437	\$567	\$728	\$728	\$728	\$778	\$856	\$831
Net Revenue / (Cost)	(\$94)	(\$95)	(\$228)	(\$386)	\$370	\$392	\$348	\$215	\$246
Retained Earnings / (Deficit)	(\$94)	(\$189)	(\$418)	(\$804)	(\$434)	(\$42)	\$306	\$521	\$767

ACTION PLAN

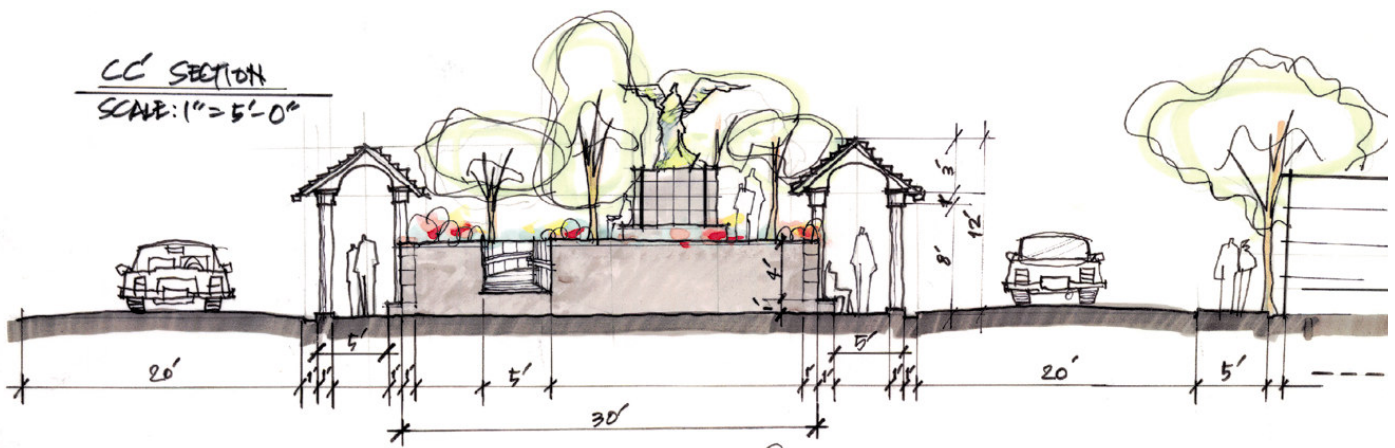
Insert fly out (Phase 1B) from Hausrath Economics

ACTION PLAN

The financing plan assumes development begins in 2006 with land acquisition and construction of about half of the total capacity proposed for Phase 1A. The plan shows an operating annual deficit at this point, but that deficit soon turns to net revenue as the new inventory and new rate schedules take effect. Because of higher sales and higher rates, revenues from sales and operations increase from about \$280,000 per year in 2005 to about \$1 million per year on average over the first 20 years of the development program. In even later years, revenues are projected to increase to higher levels as the increase in mortality results in more demand for burials.

Assuming the increase in annual sales shown in the plan, the balance of Phase 1A would need to be developed by about 2010, and Phase 1B would start in 2012, to keep an inventory balanced across product types and price range. The financial plan shows the large Phase 1B subdivided to maintain a balance between developing new capacity and managing cash flow. Phase 1B is costly because it would include development of the chapel. Additional debt is required.

With the addition of debt service to finance new development, annual costs increase from about \$570,000 in 2005 to about \$1.1 million in 2012. This period would be the time when debt service—existing debt and debt associated with the new development program—would be highest. By about 10 years into the program, enough earnings have accrued to reduce the need for debt to fund the development program. The plan shows transfers from earnings to offset some of the development costs for Phase 1B.2 and Phase 1B.3. Assuming no new debt were required after 2017, debt service payments would eventually decline to zero before mid-century. As can be seen from the financial plan through 2030, the decline in debt service payments and higher average annual sales result in substantial operating surpluses after about 10 years of the Action Plan. These operating surpluses become the basis for funding on-going cemetery development out of retained earnings from operations. By 2020, all of the development can be paid for with earnings.



ACTION PLAN

MARKETING PROGRAM

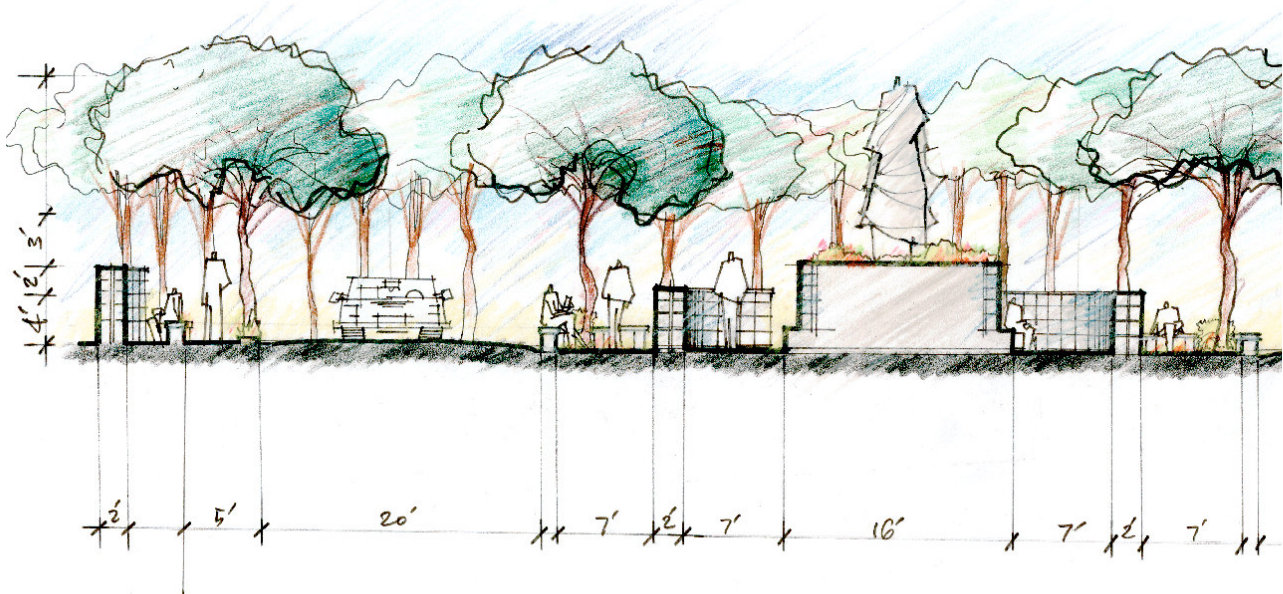
To make the public more aware of the availability and beauty of the new cemetery areas, a marketing program is suggested. A budget of \$45,000 per year for the first five years is proposed. This amount includes the professional services of a marketing/ advertising consultant to provide the development of a marketing image, graphics, a brochure, and website. It would also cover costs to identify important marketing vehicles and costs to secure placement of advertising and feature articles.

The marketing program would also include an internet web page on the existing City website, an advertisement on public access cable channel that broadcasts City Council meetings and/or public service announcements, a city sponsored history docent-led tour program at the cemetery, published full-color brochures to be made available at tourist information kiosks, and personal contact by the cemetery manager with area mortuaries to promote the new products.

CEMETERY BUSINESS ORGANIZATION

As alluded to in the beginning of the action plan chapter, some minor changes will be needed in the structure of the management of the cemeteries. A full-time cemetery manager should be allocated in the fiscal budget no later than 2006-2007 fiscal year. This person will manage the business operation of day-to-day staff management, sales and operations management, and co-management (working with the Public Works Administrator) of the construction projects.

No later than 2008-2009 fiscal year an additional part-time (could be a full-time city employee devoting half weeks) cemetery sales/clerical position should be allocated.



APPENDICES

1. DETAILED FININACIAL PLAN SPREADSHEETS

Pages 49, 50 and 51 show the complete expanded spreadsheets. All of the assumptions and results of the business plan implementation are shown through financial year 2029/2030.

2. DETAILED CONSTRUCTION COST ESTIMATE

Pages 52 and 53 show the complete Preliminary Probably Construction Budget Estimate for the phasing of the project.