and a monthly treasurer report is issued. While no system is perfect, the city has taken several positive steps to ensure all financial transactions are approved.

Gridley Electric Department

Gridley Electric Utility, operating since 1910, oversees the procurement and delivery of wholesale power to the City of Gridley. Gridley is a member of the Northern California Power Agency (NCPA) with ownership in a hydroelectric generator at the Shasta Powerplant, two geothermal plants, two combustion turbines and 4% ownership in the Lodi Energy Center.

Gridley contracted with BART to build two solar array systems: a 1.0 MW and a 2.5 MW solar array system. The solar plants were built at no cost to the city of Gridley. Gridley Main 1, the 1.0 MW system, was placed in service in March 2013. The long-term contract provides BART with 2.5 MW of power.

Besides the solar plant, Gridley owns and maintains two substations and the city's distribution lines. Gridley has a contract to maintain Biggs' powerlines and substation. Gridley consumers have a choice of purchasing their electricity from either the City of Gridley or PG&E. Gridley rates are less than PG&E's rates and the monies received by the Gridley Electrical Fund subsidize the Gridley General Fund. This on-going stream of income contributed $3 million to the city in calendar year 2012.

City of Oroville

In 1856, the town of Ophir was re-christened Oroville and became the county seat of Butte County. It was one of the most populated mining towns in California and became its fourth city in importance. Incorporated in 1906, it currently has an estimated population of 16,000 and a total of 55,000 in the greater Oroville area.

Oroville is managed by a City Council consisting of seven members, including the mayor. The mayor is elected separately and serves a four year term. Five council members serve a four year term and the council member receiving the least amount of votes serves a two-year term. As of April 2013, the City Administrator position is filled with an Interim City Administrator.

The City of Oroville's revenue sources include:

- Sales Tax – 26%
- Utility User Tax – 15%
- Property Tax – 11%
- Departmental Revenues, i.e. fees and fines – 9%

- Transient Occupancy Tax – 3%

In connection with the Federal Energy Regulatory Commission (FERC) relicensing of Oroville Dam, the California Department of Water Resources (DWR) entered into an agreement with the City of Oroville that was designed to benefit the local community. The agreement established the Project Supplemental Benefits Fund (SBF) that DWR funds on an annual basis and designated the City of Oroville as the Fund Administrator. The City receives compensation for administering the fund. The SBF money is provided as grants to organizations that stimulate recreation, tourism and economic development to the community. From 2009 to 2012, DWR has funded the SBF $100,000 a year. When the relicensing of Oroville Dam is completed, DWR will provide up to $61,270,000, with a combination of initial payments and annual payments for the term of the new license.

The City of Oroville is designated as one of 44 Enterprise Zones in the state and is currently tracking 13 businesses. This classification provides many incentives for a new business in the zone including wage credits, sales tax credits and business and property expenses for a period of five years.

An issue that the City Council addressed in 2012-13 was fee waivers for the use of city facilities and parks. Over the past 24 months, the City Council had granted fee waivers in excess of $68,000 requested by various groups for special events, while they denied others. In January 2013, the Council adopted a new Facility and Park Fee Waiver Policy to be consistent on granting fee waivers.

The City of Oroville is facing fiscal problems due to the loss of RDA revenue. When the RDA was started, the City loaned it $1.8 million for start-up costs. In 2012, the RDA repaid the loan to the city. The State is now demanding that loan repayment money be paid to the State with the rest of the RDA funds. This is in litigation with many other cities in the State that started their RDA in the same fashion. Four percent of Oroville's 2011-12 operating budget was funded by RDA revenue.

The City of Oroville has not seen reductions in other revenues; however, current annual operating expenditures exceed revenues by approximately $4,300 per day. The City has been using its contingency fund to balance the operating budget. The largest operating expenditures are employee salaries (48%) and employee benefits (30%).

The Interim City Administrator is developing various options to address the projected 2013-14 budget deficit of $2 million. These were presented to the City Council for review.

Town of Paradise

The Paradise community dates back to the Gold Rush days of the 1850's. It once had its own railroad station. Canals built for the hydraulic mining of gold still exist. However, Paradise did not become the incorporated Town of Paradise until 1979, which makes it Butte County's youngest incorporated area. The town of 18.2 square miles has a population under 27,000. Although the Town is proud of its distinct character, it is still basically a bedroom community with many of its citizens working and shopping in Chico and Oroville. The largest employer in Paradise is Feather River Hospital and the adjacent medical community.

The Town of Paradise's management is in transition. The long-term Town Manager retired as of December 31, 2012. As part of the budget process, the plan for the fiscal year 2012-13 was for the Town Manager to work part-time from June through December and then have the Assistant Town Manager become the Interim Town Manager. As part of the 2013-14 budget process the Town Council will make plans for procuring a new Town Manager.

Paradise's revenue sources include:

- Property Taxes – 46%
- Motor Vehicle Taxes - 21%
- General Sales & Use Taxes – 18%

As of February 2013, fiscal year 2012-13 expenses exceeded revenue by $294,000. The Town management expects to be in balance by the end of the fiscal year by reducing expenses. To save costs this fiscal year, the Town contracted with CAL FIRE rather than operate a Town fire department. However, the non-recurring costs in transitioning to CAL FIRE have been more than anticipated and could make it difficult to balance the budget this fiscal year.

The Town lost $2.6 million in General Fund Revenue as the result of declining property values since 2008-09. Budget analysis for the fiscal year 2013-14 indicates that there should be a modest increase in its primary revenue income due to the improvement in the economy. In preparing the 2013-2014 budget, the Town plans to continue to reduce expenses. The Town continues to negotiate with employee bargaining units on salary and benefit packages. This includes placing caps on medical insurance contributions, having employees pay a greater percentage contribution to CalPERS, and establishing a third tier of retirement benefits. Employee concessions have totaled $560,000 over the last four years. The Town is also planning to defer maintenance and postpone equipment purchases when possible. Further cuts in staffing will be a last resort.

The Town of Paradise's diligence in solving immediate fiscal problems will not lead to long-term fiscal health. The Town of Paradise is a bedroom community that is without an adequate retail sales tax base. Paradise needs to increase its sales tax base. This could be accomplished by attracting additional retailers. Paradise should be able to attract new business investors due to its customer base which includes customers from the Upper Ridge areas such as Magalia and Stirling City. The primary barrier to growth is the lack of a sewer system and possible water shortages. (*For information about the Town's water situation, see the report Water: Butte County's Vital Resource, Paradise Irrigation District, found elsewhere in this Grand Jury Report.)*

The Town, both residential and business districts, is on septic systems. The Town of Paradise is the largest community west of the Mississippi River without a sewer system. When a large retail complex wishes to locate in Paradise, it must build a self-contained wastewater system. This is a costly challenge to these businesses. Lack of a sewer system is also making growth difficult for the existing businesses whose septic systems are reaching capacity. Some heavy-use businesses, such as restaurants, must pump their systems daily. Due to the mountain topography, it is not practical to have a sewer system for all residential areas. Paradise has been exploring the creation of a sewer system for the business area. There are tentative talks with Chico about connecting to Chico's treatment plant, which has excess capacity. This could be beneficial to both communities. Without solving the sewer/septic issues, business growth in Paradise is limited. Without business growth, the Town of Paradise will have limited options for solving its financial problem.

FINDINGS

Biggs

F1 The City of Biggs traditionally balances its General Operating Budget by supplementing its revenue with monies from the Electric Utilities Fund.

F2 Biggs wastewater treatment facility is antiquated and will need to be upgraded in the near future.

F3 Many roads need maintenance and repair.

Chico

F4 Primary revenue sources of Chico are taxes which have been reduced by the slowing economy.

F5 The City of Chico had a significant turnover in senior management in 2012-13 and is in the process of restructuring the city government.

F6 The City of Chico was slow to respond to the loss of RDA funding and of other funding sources.

F7 City management provided the Grand Jury with some financial data that was outdated, incomplete and misleading.

F8 Shortfalls in operating revenues are being covered by transfers from non-general revenue funds. Some of these funds continue to carry significant negative balances.

Gridley

F9 Gridley traditionally balances its General Operating Budget by supplementing its revenue with monies from the Electric Utilities Fund.

F10 Gridley strengthened its internal controls after an embezzlement discovered in 2010.

Oroville

F11 The City of Oroville, under contract with DWR, is the Fund Administrator for the Project Supplemental Benefits Fund and will be disbursing grants to the community to stimulate recreation, tourism and economic development.

F12 The City Council's adoption of a new Facility and Park Fee Waiver Policy will bring consistency to this process.

F13 Although the City of Oroville has a shortfall in its annual operating expenditures as compared to its revenues, City management is transparent about their steps to correct the situation.

F14 The City of Oroville balanced its operating budget by using its Contingency Fund.

Paradise

F15 The Town of Paradise is primarily a residential community with minimal retail and commercial businesses. Therefore, Paradise residents often work and shop elsewhere, leaving their sales tax dollars in other jurisdictions.

F16 The Town of Paradise has experienced revenue challenges for many years, which impact town services.

F17 The Town of Paradise carefully planned for the transition to a new town manager.

F18 The Town of Paradise's lack of a sewer system has been a barrier in attracting significant new retail and commercial businesses.

F19 A sewer system for the residential districts is impractical due to the Town of Paradise's topography.

RECOMMENDATIONS

BIGGS

R1 The City of Biggs should explore all funding possibilities for upgrading its wastewater treatment facility and road maintenance.

CHICO

R2 The City of Chico should become more transparent in its financial condition, reporting and budgeting process.

R3 The City of Chico should continue the process of restructuring the city government.

R4 The City of Chico should develop a viable financial plan to replenish funds with negative balances.

GRIDLEY

None.

OROVILLE

R5 The City of Oroville should develop a sustainable financial plan to replenish their contingency fund.

PARADISE

R6 The Town of Paradise should explore all options for a sewage system in its business districts and adopt a plan to resolve this problem.

REQUEST FOR RESPONSES

Pursuant to Penal Code sections 933 and 933.05 the Grand Jury requests responses to the recommendations as follows:

- Biggs City Council
    - A response to Findings F1 through F3 and Recommendation R1

- Chico City Council
    - A response to Findings F4 through F8 and Recommendations R2 through R4

- Gridley City Council
    - A response to Findings F9 through F10

- Oroville City Council
    - A response to Findings F11 through F14 and Recommendation R5

- Paradise Town Council
    - A response to Findings F15 through F19 and Recommendation R6

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury do not contain the name of any person of facts leading to the identity of any person who provides information to the Civil Grand Jury.

Appendix A

City of Chico's Response to the Butte County Grand Jury's
QUESTIONS FOR CITY MANAGERS
March 8, 2013

1. During the current fiscal year (ending June 30, 2013), do your operation expenditures exceed your revenues?

   No, expenditures do not exceed revenues within the City's General/Park Fund for Fiscal Year 2012-13. The table below provides the City's Adopted Budget, Modified Adopted Budget (which reflects the Adopted budget plus any Council-approved modifications after budget adoption in July) as well as the City's mid-year projection. The Net Revenue/(Deficit) line below indicates that the City no longer has a structural deficit.

GENERAL & PARK FUNDS FY2012-13 BUDGET FUND SUMMARY	ADOPTED BUDGET 2012-13	MODIFIED ADOPTED BUDGET	PROJECTED ACTUALS (as of Jan'13)	VARIANCE FROM BUDGET
Total Tax Revenues	38,917,487	38,917,487	38,501,861	(415,626)
All Other Revenues	1,594,509	1,594,509	1,594,509	0
Other Financing Sources	2,941,605	2,941,605	2,941,605	0
TOTAL REVENUE SOURCES	43,463,802	43,463,802	43,037,876	(415,626)
Total Operating Expenditures	42,983,073	43,026,676	41,957,206	(1,069,470)
Capital Improvement Projects	100,000	122,468	174,468	52,000
Other Financing Uses	282,677	282,677	282,677	0
TOTAL EXPENDITURES	43,365,750	43,431,821	42,414,351	(1,017,470)
NET REVENUE/(DEFICIT)	87,851	21,781	623,625	601,844
BEGINNING FUND BALANCE	174,055	254,287	254,287	
Available Funds	**261,907**	**276,068**	**877,912**	**601,844**

If so, by how much?
Not applicable

If so, what is the source of funds you will use to balance the budget?
Not applicable

2. For the fiscal year ending June 30, 2014, how do you plan to balance your budget?
City staff is in the process of developing its FY2013-14 Budget, so figures are not yet available for this fiscal year. The City has only two methods for balancing its budget; reduce costs or increase revenue. The City's General Fund is comprised of 90% tax revenue, which cannot be increased without a vote of the people, therefore if a structural imbalance occurs, the City must reduce expenditures to balance the budget.

3. List all of your revenue sources.
See attached Exhibit A – General & Park Fund Revenue

List the percentage of total revenue for each revenue source.
See attached Exhibit A – General & Park Fund Revenue

4. What percentage of your operating budget is spent on employee salaries?
For the General & Park Funds, 63% of the Total Operating Budget is allocated to pay for salaries, including overtime.

What percentage of your operating budget is spent on employee benefits?
For the General & Park Funds, 25% of the Total Operating Budget is allocated to pay for benefits.

5. Does the city pay all or part of the employee contribution to CALPERS?
The City has nine separate employee groups, and each group independently negotiates the share of CalPERS that the City will pay.

If so, how much does the city pay (break down by employee type, if appropriate)?
Below is the amount of the employee share of CalPERS that the City has agreed to pay for each bargaining unit for Fiscal Year 2012-13. The information is also summarized on the attached Exhibit B - FY2012-13 Summary of Employee Benefits.

Safety Employees – 9% of wages is the Employee Portion:
- Chico Police Officers Association (CPOA) = 9%
- Public Safety Management (PSM) = 9%
- International Association of Firefighters (IAFF) = 7%

Miscellaneous (Non-Safety) Employees – 8% of wages is the Employee Portion:
- Chico Public Safety Association (CPSA) = 8%
- Service Employees International Union – Trades & Crafts (SEIU-TC) = 5%
- Local 39 = 5%
- Management = 4%
- Chico Employees Association (CEA) = 2%
- Confidential Employees = 0%

6. Does the city pay all or part of the employee contribution to medical coverage?
The cost of health insurance is shared between the employee and the City, as is subject to negotiations with each bargaining unit.

If so, how much does the city pay (break down by employee type, if appropriate)?
See attached Exhibit B - FY2012-13 Summary of Employee Benefits.

7. How much is your city's unfunded pension liability?

As of June 30, 2010, the unfunded pension liability for safety employees was $30,206,458 and for non-safety employees it was $33,578,537

What is your plan to address it?
The CalPERS annual contribution rates are adjusted each year to pay the actuarially-determined share of the unfunded pension liability. This share is expressed as a percentage of payroll and is added to the Employer rate for current pension costs. The City does not currently make additional contributions towards the unfunded liability over and above what is incorporated into the annual contribution rates determined by CalPERS each year.

8. What percent of your total operating budget was funded by RDA during the fiscal year ending June 30, 2012?
Prior to the dissolution of the Redevelopment Agency, 2.5% of the City's total operations were funded by the RDA, as adopted in the FY2011-12 Annual Budget.

9. Apart from RDA, has your city recently lost any other sources of revenue?
Yes, the City has lost a substantial amount of revenue in recent years, as summarized below. In addition, Exhibit C summarizes the fiscal impacts of historical State legislation and their impacts on the City's revenue.

General Fund Revenue Losses:
FY2013-14 = ($900,000) in Utility Users Tax from the loss of Measure J (onogoing)
FY2012-13 = ($500,000) in Utility Users Tax from the loss of Measure J (Nov'12)
FY2011-12 = ($750,000) in Vehicle License Fees – (ongoing revenue)
FY2010-11 = ($450,000) in Vehicle License Fees related to annexation
FY2005-06 = ($770,853) payment to the Educational Revenue Augmentation Fund
FY2004-05 = ($770,853) payment to the Educational Revenue Augmentation Fund
FY2002-03 – present ($100,000-150,000/year) in State Mandated Reimbursements. (Outstanding receivable totals approximately $1.2 million owed from the State for past years.)

If so, what were they and what were the average annual amounts of those sources?
See above & attached Exhibit C

10. What other factors are affecting your ability to balance your budget?
The rising costs of health insurance, workers' compensation, pension costs as well as general inflationary factors are a continual challenge for municipalities. In addition, the City of Chico must begin replenishing funds that have been depleted through this past recession, including fleet replacement funds, facility improvement funds, technology replacement funds and liability reserve funds.

11. Please provide a copy of your current fiscal year budget (ending June 30, 2013)
I believe a copy of the City's FY12-13 Budget has been previously provided to a member of the Grand Jury, and can also be accessed on the City's website at http://www.chico.ca.us/finance/budget.asp

City of Chico
2012-13 Annual Budget
General & Park Fund Revenue Sources

EXHIBIT A

GENERAL FUND		FY2012-13 Council Adopted	% of Total
40101	Sales Tax	12,680,300	29.18%
40102	Sales Tax Audit	(5,500)	-0.01%
40103	Public Safety Augmentation	134,600	0.31%
40104	Sales Tax Compensation Fund	4,254,000	9.79%
	Total Sales Tax	17,063,400	39.27%
40201	Property Tax-Secured	3,524,100	8.11%
40204	Property Tax-Unsec	324,400	0.75%
40205	Property Tax-Unitary	213,400	0.49%
40206	Property Tax-Curr Sec Supple	82,900	0.19%
40215	RDA Pass Thru	500,000	1.15%
40225	RDA Pass Thru-Sec Inflation Allocation	248,899	0.57%
40228	CAMPRA Statutory Pass Through	147,889	0.34%
40230	Property Tax-Prior Sec	0	0.00%
40231	Property Tax-Prior Unsec	10,000	0.02%
40234	Property Tax-Prior Unsec Suppl	1,000	0.00%
40265	Property Tax-Inlieu Butte Housing Auth.	5,700	0.01%
40270	Payment In Lieu of Taxes	3,300	0.01%
40290	Property Tax - In Lieu of VLF	6,357,600	14.63%
40295	Property Tax Admin Fee	(289,700)	-0.67%
	Total Property Taxes	11,129,488	25.61%
40301	Business License Tax	489,600	1.13%
40302	DPBIA Bus Lic Tax-Zone A	19,700	0.05%
40303	DPBIA Bus Lic Tax-Zone B	8,100	0.02%
40403	Franchise Fees-Cable TV	559,400	1.29%
40404	Franchise Fees-Gas/Electric	656,300	1.51%
40407	Real Property Transfer Tax	179,400	0.41%
40410	Transient Occupancy Tax	2,023,300	4.66%
	Total Other Taxes	3,935,800	9.06%
40460	UUT Refunds	(7,500)	-0.02%
40490	Utility User Tax - Gas	955,300	2.20%
40491	Utility User Tax - Electric	3,690,000	8.49%
40492	Utility User Tax - Telecom	1,363,500	3.14%
40493	Utility User Tax - Water	787,500	1.81%
	Total Utility User Taxes	6,788,800	15.62%
40501	Animal License	30,600	0.07%
40504	Bicycle License	1,700	0.00%
40506	Bingo License	100	0.00%
40509	Cardroom License	1,000	0.00%
40510	Cardroom Employee Work Permit	700	0.00%
40513	Vending Permit	1,500	0.00%
40514	Solicitor Permit	100	0.00%
40519	Uniform Fire Code Permit	36,700	0.08%
40523	Alarm Permit	16,300	0.04%
40525	Overload/Wide Load Permit	6,000	0.01%
40528	Vehicle for Hire Permit	5,000	0.01%
40534	Hydrant Permit	1,900	0.00%
40540	Parade Permits	3,100	0.01%
40599	Other Licenses & Permits	2,300	0.01%
	Total License & Permits	107,000	0.25%
41220	Motor Vehicle In Lieu	0	0.00%
41228	Homeowners Prop Tax Relief	51,000	0.12%
41235	Peace Officers Standards & Trg	46,000	0.11%
41238	Off Highway Motor Vehicle Fees	0	0.00%
41245	Highway Maintenance St Payment	18,000	0.04%
41250	Mandated Cost Reimbursement	31,600	0.07%
41256	Pers-Emergency Response	25,000	0.06%
41257	Supp-Emergency Response	1,100	0.00%
41258	Mgmt-Emergency Response	0	0.00%
41291	BINTF OCJP Byrnes Grant	36,400	0.08%
41399	Other County Payments	0	0.00%
41499	Other Payments from Gov't Agy	2,000	0.00%
44522	Bullet Proof Vest Grant Program	9,000	0.02%
	Total Other Agencies	220,100	0.51%

City of Chico
2012-13 Annual Budget
General & Park Fund Revenue Sources

GENERAL FUND		FY2012-13 Council Adopted	% of Total
42101	DUI Response Fee	0	0.00%
42102	Public Safety 2nd Response Fee	0	0.00%
42104	Weed & Lot Cleaning Fee	9,200	0.02%
42105	UFC Inspection Fee	23,000	0.05%
42106	Code Enforcement Reinsp Fee	300	0.00%
42107	Animal Control Impound Fees	22,000	0.05%
42108	Feed and Care	34,000	0.08%
42109	Spay/Neuter Fine	12,000	0.03%
42110	Impound Fees	50,000	0.12%
42111	Reposession of Vehicle Fee	800	0.00%
42112	Parking Citation Sign Off Fee	200	0.00%
42113	VIN Verification Fee	300	0.00%
42120	Surrenders	1,000	0.00%
42121	Animal Disposal Fees	1,000	0.00%
42417	Abandonment Fee	3,500	0.01%
42601	Parking Fine Admin Fee	0	0.00%
42603	Fingerprinting Fee	15,000	0.03%
42604	Sale of Docs/Publications	13,000	0.03%
42605	Appeals Fee	1,000	0.00%
42670	Franchise Review Fee Event	1,500	0.00%
42690	Health Insurance Admin Fees	700	0.00%
42699	Other Service Charges	6,500	0.01%
	Total Charges For Curr Serv	195,000	0.45%
40524	False Alarm Fines	10,000	0.02%
43001	Motor Vehicle Fines-Court	0	0.00%
43004	Criminal Fines-Court	164,800	0.38%
43011	Restitution-Court	1,700	0.00%
43016	Parking Fines	527,900	1.21%
43018	Administrative Citations	16,000	0.04%
	Total Fines, Pen & Forfeitures	720,400	1.66%
44101	Interest on Investments	5,200	0.01%
44120	Interest on Loans Receivable	0	0.00%
44129	Other Interest Earnings	26,400	0.06%
44130	Rental & Lease Income	91,179	0.21%
44140	Concession Income	0	0.00%
44202	Late Fee-Business License	5,000	0.01%
44203	Late Fee-DPBIA	500	0.00%
44204	Late Fee-Dog License	1,600	0.00%
44220	Bad Check Fee	0	0.00%
	Total Use Of Money & Prop	129,879	0.30%
44501	Cash Over/Short	0	0.00%
44502	Refund from Comm Agy(121)	0	0.00%
44504	Trading Card Revenue	0	0.00%
44505	Miscellaneous Revenues	15,000	0.03%
44512	Reimbursment-Subpeona/Jury Dty	300	0.00%
44516	Police Officer-Reimbursement	27,400	0.06%
44517	Firefighter-Reimbursement	500	0.00%
44519	Reimbursement-Other	5,000	0.01%
44520	Extradition Revenue	1,000	0.00%
44521	Crossing Guard Reimbursement	12,200	0.03%
44523	Reimbursement-Planning	2,000	0.00%
44529	Refund-Other	0	0.00%
44531	Graffiti Reimbursement	500	0.00%
44580	Settlement Proceeds	0	0.00%
46001	Donation from Private Source	13,000	0.03%
46007	Sale of Real/Personal Property	40,000	0.09%
46010	Reimb of Damage to City Prop	10,000	0.02%
49992	Principal on Loans Receivable	0	0.00%
49998	Revenue from Prior Year	0	0.00%
	Total Other Revenues	126,900	0.29%
	Total Revenue-General Fund	**40,416,767**	**93.01%**

EXHIBIT A

City of Chico
2012-13 Annual Budget
General & Park Fund Revenue Sources

GENERAL FUND		FY2012-13 Council Adopted	% of Total
PARK FUND			
42441	Tree Replacement In-Lieu Fee	2,000	0.00%
42501	Park Use Fees	30,800	0.07%
42604	Sales of Docs/Publications	1,000	0.00%
42699	Other Service Charges	8,700	0.02%
43018	Administrative Citations	15,000	0.03%
44101	Interest on Investments	(18,850)	-0.04%
44131	Lease-Bidwell Park Golf Course	46,380	0.11%
44140	Concession Income (Bidwell Pk Riding Stable)	8,200	0.02%
44501	Cash Over/Short	0	0.00%
44505	Miscellaneous Revenues	1,000	0.00%
46002	Caper Acres Donations	0	0.00%
46003	General Park Donations	0	0.00%
46010	Reimb. of Damage to City Property	1,000	0.00%
	Total Revenue-Park Fund	**95,230**	**0.22%**
OTHER FINANCING SOURCES			
Fund 211	Traffic Safety Fund	120,000	0.28%
Fund 212	Transportation Fund	250,000	0.58%
Fund 214	Private Activity Bond Fund	49,605	0.11%
Fund 307	Gas Tax Fund	2,522,000	5.80%
	Total Other Financing Sources	**2,941,605**	**6.77%**
	Total Revenue Sources - General & Park Funds	**43,453,602**	

CITY OF CHICO
FY 2012-13 ANNUAL BUDGET

SCHEDULE OF EMPLOYEE BENEFITS

MONTHLY CONTRIBUTION ($ or %)
2012-13 RATES

BENEFIT CATEGORY	CITY	EMPLOYEE	REMARKS
RETIREMENT			Rates per Contractual Agreement with PERS. City pays 9% of employee contribution for PSM, 2% for CEA, 5% for SEIU-TC, 7% for IAFF employees, 9% for CPOA employees, 8% for CPSA employees, 0% for Confidential employees, and 4% for Management employees pursuant to provisions of Memorandum of Understanding and Pay and Benefit Resolutions.
A. Safety	31.006%	9% + $.93/Pay Period	
B. Miscellaneous	23.831%	8% + $.93/Pay Period	
UNEMPLOYMENT INSURANCE	DNA		As billed by State - Direct Reimbursement.
GROUP HEALTH INSURANCE			Per Insurance Agreement - CSAC-EIA/Anthem Blue Cross and Memorandum of Understanding Chico Police Officers Association, Chico Public Safety Association, International Firefighters Association, Confidentials, Chico Employees Association, Service Employee International Union units, and by Council Resolution for Management, and Public Safety Management.
Anthem Blue Cross			
90/10 PPO			
Single	$335.30	$267.98	
Double	$709.43	$573.21	
Family	$923.71	$728.43	
80/20 PPO			
Single	$383.24	$173.64	
Double	$813.75	$370.23	
Family	$1,055.65	$469.41	
EPO			
Single	$520.17	$83.77	
Double	$1,120.84	$163.20	
Family	$1,437.77	$216.17	
HDHP			
Single	$389.82	$0.00	
Double	$828.78	$0.00	
Family	$1,067.54	$0.00	
HEALTH SAVINGS ACCOUNT			Per Sterling HSA agreement, and Memorandum of Understanding and Council Resolutions. Employees must be enrolled in the Anthem HDHP insurance plan to be eligible for the Health Savings Account.
A. IAFF			
Single	$100.00		
Double	$160.00		
Family	$200.00		
A. All Other Groups			
Single	$83.13		
Double	$133.00		
Family	$166.25		
GROUP DENTAL INSURANCE			Per Delta Dental agreement, and Memorandum of Understanding and Council Resolutions.
A. CNF, MGT, PSM, IAFF, SEIU, CEA	$58.53	$19.52	
B. CPOA, CPSA	$3.96	$74.09	
GROUP LIFE INSURANCE	$0.108/month per $1,000 Emp Annual Salary + $0.46	0	Per Insurance Agreement - Unum, and Memorandum of Understanding and Council Resolutions.

SCHEDULE OF EMPLOYEE BENEFITS

	MONTHLY CONTRIBUTION ($ or %) 2012-13 RATES		
BENEFIT CATEGORY	CITY	EMPLOYEE	REMARKS
GROUP SHORT-TERM/LONG-TERM DISABILITY INSURANCE			
A. CNF, MGT, PSM (PD), SEIU-TC, CPSA	1% of salary	.15% of salary	Unum Insurance Company. IAFF represented employees and CPOA employees have an alternative plan under which the City pays full cost.
B. CEA	0	1.15% of salary	
C. CPOA	$19.50/month		
D. IAFF	$20.00/month		
GROUP VISION INSURANCE	$5.40/emp per month	$5.41 1 dependent	Per SafeGuard Vision Plan agreement, and Memorandum of Understanding and Council Resolutions.
All permanent employees		$8.75 2+ dependents	
RETIREE MEDICAL TRUST			
A. CPOA	$300/month		Per Memorandum of Understanding.
B. PSM (PD)	$300/month		
C. IAFF	$350/month		
FICA - MEDICARE			Per Federal Insurance Contribution Act for all employees hired after 4/1/86 only. A number of permanent employees hired prior to 4/1/86 have elected to be subject to Medicare, with the City paying 1.45% of that contribution.
A. CNF, MGT, PSM, SEIU-TC	2.90%		
B. CPOA, CPSA, CEA	1.45%	1.45%	
C. Hourly-Exempt Employees	1.45%	1.45%	
FICA - SOCIAL SECURITY			
A. Hourly-Exempt Employees	6.20%	4.20%	For all employees not subject to PERS.
UNIFORM ALLOWANCE			
A. Police Personnel			
1. CPOA	$900/year		Per Resolution #27-11, adopted 03/15/11.
2. CPSA	$550/year		Per Resolution #02-11, adopted 01/18/11.
3. PSM	$0/year		
B. Fire Personnel			
1. IAFF	$500/year		
2. PSM	$500/year		
C. Misc. Personnel			
1. Parking Meter Coll/Rep	$350/year		Per Resolution #91-11 adopted 12/20/11.
2. Tree Maintenance Worker	$250/year		Per Resolution #91-11 adopted 12/20/11.
D. Park Ranger	$350/year		Per Resolution #91-11 adopted 12/20/11.
TOOL ALLOWANCE	$400/year		Mechanics only. Per Memorandum of Understanding (SEIU-TC) Per Resolution #91-11 adopted 12/20/11.
EDUCATIONAL REIMBURSEMENT	0%	100%	Per Budget Appropriation. Reimbursement made to employee for approved tuition, books, etc., per provisions of Administrative Procedures and Policy No. 15-5 for qualifying courses.

EXHIBIT C

CITY OF CHICO
FY2012-13 ANNUAL BUDGET
SUMMARY OF IMPACTS OF STATE LEGISLATION

Description	1990-1995	1995-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	— Projected — 2011-12	2012-13	Total
GENERAL FUND:																
Fines and Forfeitures	492,000	369,000														881,0
Cigarette Tax	338,000	485,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	2,084,0
ERAF* Shift	1,018,518	3,385,974	862,900	921,884	1,013,304	1,115,390	1,876,138	1,991,627	1,343,481	1,483,710	1,564,140	1,559,618	1,509,506	1,505,435	1,505,435	22,857,0
ERAF* Shift - Prop. Tax - Per Capita Reduction	389,505															389,6
Motor Vehicle License Fees	(88,560)					1,163,084	(1,163,084)						450,000	750,000	750,000	1,881,4
Transportation Planning & Development	(82,000)															(82,0
Sales Tax (Proposition 172)	(148,283)	(481,695)	(118,365)	(111,764)	(117,591)	(129,230)	(141,862)	(153,612)	(156,739)	(153,963)	(136,262)	(126,398)	(135,148)	(129,400)	(134,600)	(2,874,9
Trailer Coach In Lieu Fees	7,800															7,8
Property Tax Administration Fees (SB 2557)	266,054	287,761	77,878	78,997	81,767	93,179	62,738	63,917	239,412	249,714	276,096	256,876	272,053	289,706	289,700	2,886,8
Booking Fees (SB 2557)	115,238	218,032	1,342	(29,210)	11,160	66,884	(571)	50,998	5,153	-	-	-	-	-	-	439,0
Local Government Fiscal Relief	-	(135,581)	(181,204)													(316,7
Total General Fund	2,308,272	4,128,491	739,551	956,907	1,085,640	2,406,307	730,359	2,049,930	1,528,307	1,676,460	1,800,973	1,787,096	2,193,411	2,512,741	2,507,535	28,411,8
REDEVELOPMENT AGENCY[1]:																
ERAF* Shift	949,792				312,757	532,427	928,917	993,110							n/a	3,717,0
Property Tax Administration Fee	587,122	1,012,856	275,592	282,630	295,705	340,432	437,631	478,061	424,323	487,384	544,923	533,794	540,969	279,630	n/a	6,621,0
SERAF* Tax Increment Shift (ABX4-26)	-											9,248,048	1,904,010		n/a	11,152,0
Residual Tax Increment Payment (AB1484)															961,208	961,2
Total Redevelopment Agency (RDA)	1,536,914	1,012,856	275,592	282,630	608,462	872,859	1,366,548	1,471,171	424,323	487,384	544,923	9,781,842	2,444,979	279,630	961,208	22,361,3
TOTAL IMPACTS (General Fund & RDA)	3,845,186	5,141,347	1,015,143	1,239,537	1,694,102	3,279,166	2,096,907	3,521,101	1,952,630	2,163,844	2,345,897	11,568,938	4,638,390	2,792,371	3,468,743	60,783,3

[1] Effective February 1, 2012, the Redevelopment Agency was dissolved pursuant to Assembly Bill No. 1x26.

* Definitions:
ERAF - Education Revenue Augmentation Fund (Shift per Health and Safety Code § 33681.7)
SERAF - Supplemental Education Revenue Augmentation Fund

APPENDIX B

City of Chico
Budget Session

Condition: In five years, the City has deficit spent or reduced their cash basis by **$20.5 million**. This represents a deficit spend of about **$4.1 million annually**.

Exhibit 1 Cash Balances

Fund	Fund #	Actual 6/30/07	Actual 6/30/12	Comment
General Fund	001	$5,170,346	($245,592)	
Emergency Reserve Fund	003	5,568,153	5,586,104	
Transportation Fund	212	1,428,079	47,499	
Gas Tax Fund	307	1,744,844	3,636	
Capital Projects Fund	400	-	(1,019,740)	Balance could double depending on ability to fully allocate all O/H
Airport Fund	856	(183,650)	(774,458)	
Private Development Fund	862	(3,427,785)	(9,004,194)	
Subdivision Fund	863	677,127	(742,692)	Balance estimated at <$1.1M> at 6/30/13
General Liability	900	2,000,000	991,847	
Workers Comp Ins Reserve	901	4,977,739	3,723,079	Actuary determined target of $4.98 million
Equipment Replacement Fund	932	3,186,773	2,693,210	Balance estimated at <$1.2M> at 6/30/14 if budgeted (CIP schedule) replacements occur
Facility Maintenance Fund	933	789,426	200,648	Balance estimated at <$400k> at 6/30/14 if budgeted (CIP schedule) replacements occur
Totals		**$21,931,052**	**$1,459,347**	

** "Cash" – Net working capital (short-term assets less short-term liabilities)

Action Plan: Establish a 10-year plan to restore deficit balances and begin funding the plan.

Alternative: Continue increasing the deficit until cash runs out.

As a result: The City has risked fiscal solvency by degrading cash available to transact daily business.

Since the timing of revenue receipts and cash disbursements varies, it is critical to have sufficient cash to pay bills and sustain any abnormal expenditures (for example, capital expenditures that take 90+ days for reimbursement) and any negative impacts to revenue.

Exhibit 2 Cash flow Balance Estimates

Month	Cash Balance	Inflows	Outflows	Balance
March 2013	$17,875,000			$17,875,000
April	17,875,000	5,000,000	(7,000,000)	15,875,000
May	15,875,000	12,320,000	(6,400,000)	21,795,000
June	21,795,000	5,450,000	(5,300,000)	21,945,000
July	21,945,000	5,880,000	(6,900,000)	20,925,000
August	20,925,000	5,550,000	(7,700,000)	18,775,000
September	18,775,000	4,500,000	(6,400,000)	16,875,000
October	16,875,000	5,175,000	(9,400,000)	12,650,000
November	12,650,000	5,500,000	(6,750,000)	11,400,000
December 2013	11,400,000	3,400,000	(8,500,000)	6,300,000**

** Estimates and subject to change

**December 2013 – about $5 million of cash balance represents restricted bond proceeds.

Action Plan: Long-term: Establish a 10-year plan to restore deficit balances and begin funding the plan. Restored deficit balances represents cash in the bank available for City use.

Short-term: Obtain a Tax Revenue Anticipation Note or Line of Credit to buffer cash needs

Alternative: Continue increasing the deficit until cash runs out. Utilized legally restricted money to pay ongoing operational cost (illegal).

What are we projecting?

The City is looking at about 4.2 million increases in deficits due to operations for FY2013-14.

Exhibit 3 FY2013-14 Preliminary Budget
Revenue vs. Expenditures by Fund before Transfers

Fund	Revenue	Expenses	Net
001 & 002 General/Parks Fund	$41,559,993	($46,333,843)	($4,773,850)
050 Donations	$20,000	($16,401)	$3,599
210 PEG Fund	$108,000	($490,279)	($382,279)
212 Remediation	$2,933,839	($3,199,929)	($266,090)
213 Abandon Vehicle Abatement	$60,900	($13,554)	$47,346
217 Asset Forfeiture	$35,000	($67,350)	($32,350)
303 Passenger Facility Charges	$67,000	($468,937)	($401,937)
305 Bikeway Improvement	$80,000	($13,919)	$66,081
307 Gas Tax	$3,408,546	($1,659,575)	$1,748,971
308 Street Facility Improvement	$600,000	($354,199)	$245,801
309 Storm Drain Facility	$20,000	($381,539)	($361,539)
312 Remediation	$0	($202,500)	($202,500)
320, 321, 322, 323, 850 Sewer Funds	$14,282,627	($19,170,363)	($4,887,736)
330 Community Park	$275,000	($20,260)	$254,740
332 Bidwell Park land Acquisition	$25,250	$0	$25,250
333 Linear parks/Greenways	$35,000	($42,800)	($7,800)
335 Street Maintenance Equipment	$25,000	($1,951)	$23,049
336 Administrative Bldg	$40,400	$0	$40,400
337 Fire Protection Bldg & Equip	$110,000	($4,776)	$105,224
338 Police Protection Bldg & Equip	$202,000	($5,419)	$196,581
341-348 Zones A-I Neighborhood Parks	$75,554	($29,741)	$45,813
392 Affordable Housing	$278,848	($204,946)	$73,902
853 Parking Revenue	$983,900	($1,154,976)	($171,076)
856 Airport	$631,425	($560,460)	$70,965
862 Private Development	$1,674,000	($1,856,998)	($182,998)
863 Subdivisions	$130,000	($498,388)	($368,388)
TOTALS	**$67,662,282**	**($76,753,103)**	**($9,090,821)**
TOTALS w/o Sewer Funds	**$53,379,655**	**($57,582,740)**	**($4,203,085)**

Action Plan: <u>Short-term and Medium-term</u>: Realign expenses to match revenues.

How Did We Get Here?

There are a number of factors contributing to our situation.

- **Poor Fiscal Planning (Expenditures Exceed Revenues)**

As projected in Exhibit 3 for 2013-14, we anticipate the current City operations and capital activity to overspend by over $4 million.

General Fund: The General Fund operations are consistently in excess of the revenue sources available to cover their costs.

- **Cost Allocation Plan**

The City has been passing more cost from the General Fund to other funds than allowable thereby inflating the General Fund resources available in each year (about $2.3 million/annually). As a result, the City has obligated or spent money that should not have been available.

- **Fees and Charges Do Not Cover their Costs**

City fees and charges are significantly below what the true cost of service provided by the City. As a result, the General and other Funds "subsidize" these activities when they should be paid by those who benefit.

- **City did not respond quickly to the changing economic environment**

City revenue was impacted by the economic slump and dissolution of the RDA. While we made adjustments, the City's focus on minimizing service level impacts and dwindling revenue sources compounded the problem over years. Today, we are dealing with the cumulative effects of this problem.

Appendix C

Purpose of the Report

This report presents the results of the June 30, 2011 actuarial valuation of the SAFETY PLAN OF THE CITY OF CHICO of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

Required Employer Contributions		**Fiscal Year 2012/2013**		**Fiscal Year 2013/2014**
1. Contribution in Projected Dollars				
a) Total Normal Cost	$	4,864,164	$	5,028,231
b) Employee Contribution[1]		1,532,288		1,556,085
c) Employer Normal Cost [(1a) – (1b)]		3,331,876		3,472,146
d) Unfunded Contribution		1,947,083		1,941,255
e) Total Employer Contribution [(1c) + (1d)]	$	5,278,959	$	5,413,401
f) Employee Cost Sharing				0
g) Net Employer Contribution [(1e) – (1f)]				5,413,401
Annual Lump Sum Prepayment Option[2] [(1g) / 1.075^.5]	$	5,085,570	$	5,221,148
2. Contribution as a Percentage of Payroll				
a) Total Normal Cost		28.570%		29.082%
b) Employee Contribution[1]		9.000%		9.000%
c) Employer Normal Cost [(2a) – (2b)]		19.570%		20.082%
d) Unfunded Rate		11.436%		11.228%
e) Total Employer Rate [(2c) + (2d)]		31.006%		31.310%
f) Employee Cost Sharing				0.000%
g) Net Employer Contribution Rate [(2e) – (2f)]				31.310%

[1]This is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula. Employee cost sharing is shown separately and is therefore not included in this line item.

[2]Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30.

Funded Status

		June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits	$	174,597,829	$	185,636,160
2. Entry Age Normal Accrued Liability		137,083,425		147,065,317
3. Actuarial Value of Assets (AVA)		106,876,967		114,849,939
4. Unfunded Liability (AVA Basis) [(2) – (3)]	$	30,206,458	$	32,215,378
5. Funded Ratio (AVA Basis) [(3) / (2)]		78.0%		78.1%
6. Market Value of Assets (MVA)	$	84,566,533	$	103,386,809
7. Unfunded Liability (MVA Basis) [(2) – (6)]	$	52,516,892	$	43,678,508
8. Funded Ratio (MVA Basis) [(6) / (2)]		61.7%		70.3%
Superfunded Status		No		No

Cost

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5% for the past twenty year period ending June 30, 2012, returns for each fiscal year ranged from -24% to +21.7%

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

Purpose of the Report

This report presents the results of the June 30, 2011 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF CHICO of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

		Fiscal Year 2012/2013		Fiscal Year 2013/2014
Required Employer Contributions				
1. Contribution in Projected Dollars				
a) Total Normal Cost	$	3,729,383	$	3,405,122
b) Employee Contribution[1]		1,504,390		1,357,366
c) Employer Normal Cost [(1a) – (1b)]		2,224,993		2,047,756
d) Unfunded Contribution		2,256,332		2,406,764
e) Total Employer Contribution [(1c) + (1d)]	$	4,481,325	$	4,454,520
f) Employee Cost Sharing				0
g) Net Employer Contribution [(1e) – (1f)]				4,454,520
Annual Lump Sum Prepayment Option[2] [(1g) / 1.075^.5]	$	4,317,157	$	4,296,321
2. Contribution as a Percentage of Payroll				
a) Total Normal Cost		19.832%		20.069%
b) Employee Contribution[1]		8.000%		8.000%
c) Employer Normal Cost [(2a) – (2b)]		11.832%		12.069%
d) Unfunded Rate		11.999%		14.185%
e) Total Employer Rate [(2c) + (2d)]		23.831%		26.254%
f) Employee Cost Sharing				0.000%
g) Net Employer Contribution Rate [(2e) – (2f)]				26.254%

[1]This is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula. Employee cost sharing is shown separately and is therefore not included in this line item.

[2]Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30.

Funded Status

		June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits	$	156,064,244	$	163,025,926
2. Entry Age Normal Accrued Liability		131,660,734		140,380,989
3. Actuarial Value of Assets (AVA)		98,082,197		103,493,220
4. Unfunded Liability (AVA Basis) [(2) – (3)]	$	33,578,537	$	36,887,769
5. Funded Ratio (AVA Basis) [(3) / (2)]		74.5%		73.7%
6. Market Value of Assets (MVA)	$	77,577,007	$	93,027,024
7. Unfunded Liability (MVA Basis) [(2) – (6)]	$	54,083,727	$	47,353,965
8. Funded Ratio (MVA Basis) [(6) / (2)]		58.9%		66.3%
Superfunded Status		No		No

Cost

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5% for the past twenty year period ending June 30, 2012, returns for each fiscal year ranged from -24% to +21.7%

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

WATER: BUTTE COUNTY'S VITAL RESOURCE

SUMMARY

Nothing is more important to life than water. In Butte County we are fortunate to have not only a high quality, but also a high quantity, of water. Most of California is not this fortunate and many parts of the state are looking to the Northern Sacramento Valley for a water supply.

Water is an especially important topic this year, as the state is proposing to build two large tunnels in the Delta to deliver Northern California water to Southern California. California State University, Chico (CSUC) and Butte College chose *Unquenchable: America's Water Crisis and What To Do About It* for their academic year 2012-13 Book in Common program. These were two of the reasons the Grand Jury felt this was a key time to do a study on Butte County water. Since water is such a diverse issue, the Grand Jury had to decide which areas were the most important to investigate.

The Grand Jury decided to interview some of the water districts in Butte County and learn how water is managed and what type of stewardship our water is receiving. When the Grand Jury decided to investigate the subject of water in Butte County, we knew it was a tremendous task which would require enormous amounts of time and energy to fully grasp the subject. Frequently there is an article in our local papers on this subject. Our hope is that the citizens of this area educate themselves on this topic, insist that our elected representatives keep us informed and encourage the news media to continue to investigate and report all pertinent information. Butte County citizens must remain diligent or risk losing our groundwater and surface water rights.

GLOSSARY

- Area of Origin **-** Existing water right priority system
- Acre-feet - The volume of water that would cover one acre to a depth of one foot;

  325,900 gallons
- BUCRA **-** Butte County Rice Growers Association
- Cal Water **-** California Water Service Company
- Conjunctive Use **-** The deliberate use of groundwater and surface water

- CFS - Cubic feet per second (cfs), a measurement of the flow of water
- DTSC - Department of Toxic Substance Control
- DWR - California Department of Water Resources
- EPA - Environmental Protection Agency
- Ground Water Rights - Landowner water rights on landowner's parcel
- LTA - Lower Tuscan Aquifer; extensive underground water storage located in Butte, Glenn, Tehama, Sutter and Colusa Counties
- NSVIRWMP - Northern Sacramento Valley Integrated Regional Water Management Plan
- OFD - Oroville Field Division
- OWID - Oroville Wyandotte Irrigation District
- PG&E - Pacific Gas and Electric Company
- PID - Paradise Irrigation District
- Plumes - A toxic area within an aquifer
- Riparian Water Rights - A right of landownership that is adjacent to a body of water
- SFPP - South Feather Power Project
- SFWPA - South Feather Water Power Agency
- SWP - State Water Project; Lake Oroville Complex, Clifton Court, California Aqueduct, San Luis Reservoir, Quail Lake, Pyramid Lake, Castaic Lake, Silverwood Lake, Lake Perris, Lake Arrowhead and the powerplants and pumpingplants required to move the water south.

- SWB - State Water Bank, a program to store water in the aquifer during declared years of drought
- Table A Water - The maximum amounts of allocated Lake Oroville water dictated by the state contracts
- TWSD - Thermalito Water and Sewer District
- VOC - Volatile Organic Compound
- Watershed - A region or area bounded peripherally by a divide and draining ultimately to a particular watercourse or body of water
- WCWD - Western Canal Water District

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Interviewed management of water districts, water experts and county officials
- Attended numerous water conferences
- Researched many documents pertaining to water issues

DISCUSSION

Water, the greatest natural resource in Butte County, provides for life, recreation, agriculture and jobs. From the surface water of rivers and lakes to the groundwater beneath us, faucets deliver water to our homes and businesses.

Butte County's surface water comes from snow melt and runoff into Lake Oroville, Lake Almanor, Concow Reservoir, Paradise Lake, Magalia Reservoir, Ponderosa Reservoir, Little Grass Valley Reservoir, Sly Creek Reservoir, Lost Creek Reservoir, Miners Ranch Reservoir and the Feather River. Surface water is governed by established water rights. Groundwater in the valley is primarily recharged with rain runoff and pumped out from different depths throughout the county for use. The Lower Tuscan Aquifer is the major groundwater source used for domestic water. Groundwater is not regulated nor metered by the state. Groundwater well permits are issued by the county.

Butte County is a geographically diverse county, and covers 1,675 square miles and ranges from 60 to 7,000 feet in elevation. It is home to 220,000 people who require 1.4 million acre-feet per year of water for residential, commercial and agricultural use. There are numerous water districts that distribute the water as well as a wide range of agencies and boards which control its flow and use. Butte County obtains both its aquifer and surface water from the Feather River basin, using only a small amount of water from the Sacramento River.

The Grand Jury wanted to find out more about how the water is distributed and had concerns about the transfer of water from the county to other parts of the state. The Grand Jury wanted to know about the plans that water districts have for drought and other possible conditions that can affect the quality and quantity of Butte County water. To provide answers to these questions, the Grand Jury has prepared the following water district summaries. (See included map.)

Lake Oroville Water

Lake Oroville, the second-largest reservoir in California, provides water to 25 million Californians, plus recreation, agriculture, enhanced fish and wildlife, hydroelectric generation and flood control.

Lake Oroville has the storage capacity of 3.5 million acre-feet of water and a shoreline of approximately 167 miles. The reservoir was formed by the construction of the Oroville Dam downstream of the confluence of the North, Middle and South Forks of the Feather River. The dam is the largest earthen-filled dam in the country at 770 feet high and over a mile wide. It is the keystone facility of the California State Water Project (SWP), Oroville Field Division (OFD).

Oroville Field Division is comprised of Lake Oroville, Hyatt Powerplant, Thermalito Diversion Dam and Powerplant, the Feather River Fish Hatchery, Thermalito Power Canal, Thermalito Forebay, Thermalito Afterbay and the Lake Oroville Visitors Center. OFD also maintains Frenchman Lake, Antelope Lake and Lake Davis on the Upper Feather River. OFD is a 900-megawatt hydroelectric generation complex.

After decades of studies exploring solutions for California water needs and addressing the major flooding events in Northern and Central California, construction began on Lake Oroville Dam in 1957 with an emergency appropriation of $25 million. The flooding of 1955-56 recorded 64 deaths (most in Butte and Sutter Counties) and over $200 million in property damages. In 1961, the construction of the rest of the State Water Project began. In 1964, again there was potentially devastating flooding on the Feather River, but the partially-completed Oroville Dam provided flood control and prevented flooding. Construction of the dam was completed in 1967 and electric power generation began in 1968.

The water from the three branches of the Feather River flows into Lake Oroville. Adjacent to the dam, the Hyatt Inlet Structure allows for temperature control of the water flowing out of the lake through the Hyatt Powerplant, which was constructed in the bedrock under the dam. Shutters are placed in the structure for temperature control for fish and agriculture.

The water flows from the Hyatt Powerplant into the Feather River until it reaches the Thermalito Diversion Dam. There is a minimum flow of 600 cfs that continues in the river through the city of Oroville. The remaining water is diverted through the Thermalito Power Canal into the Thermalito Forebay. Thermalito Water and Sewer District and Cal Water Oroville have turnout structures on the Thermalito Power Canal to supply the water treatment plants for their districts.

The Thermalito Powerplant is located at the southwest corner of the Thermalito Forebay. This plant has been shut down since November 2012 due to a fire. The water from the Thermalito Forebay is now bypassed around the Thermalito Powerplant into the Thermalito Afterbay. The Thermalito Afterbay provides controlled flow releases through the river outlet into the Feather River to eventually flow into the Sacramento Delta. The Thermalito Afterbay was designed as a warming basin for agricultural water to be delivered through two turnout structures for the Western and Richvale Canals.

The long-term water supply contracts between DWR and 29 public agencies and water districts are the basis for the SWP construction and on-going operations. The state provides SWP financing, capital construction, improvements and all operations and maintenance of SWP facilities and agencies. Districts have contractually agreed to repay all associated costs. All contractors pay the same rate per acre-foot for the cost of constructing and operating facilities which store and convey the water supply. In addition, each contractor pays a transportation charge which covers the cost required to deliver the water to its service area. The contractors furthest from the Delta pay higher transportation charges than those near the Delta. Full payments are made each year for fixed SWP costs regardless of how much water the contractors are allowed to take.

The SWP contracts also set the maximum amount of water a contractor may request each year from the SWP. The maximum amounts listed in the contract are known as Table A. Table A Water represents a portion or all of the annual water requested by the SWP contractors and approved for delivery by DWR, based on hydrologic conditions, current reservoir storage and combined requests from the SWP water contractors. DWR announced in March 2013 that the state contractors will receive 35% of their Table A water.

The County of Butte is an SWP contractor and has an allotment of 27,500 acre-feet. Of that total, Del Oro Water Company and Cal Water Oroville are using approximately 2,700 acre-feet. Butte County has short-term lease agreements with the City of Palmdale Water District and the Westside Water District for a portion of that allotment. The revenue from the Table A water nets approximately $1.2 million to Butte County's general fund.

California Water Service Company

California Water Service Company (Cal Water) is the largest investor-owned American water utility west of the Mississippi River and the third largest in the country. Formed in 1926, the San Jose-based company serves more than 472,000 customers through 28 operations centers throughout California. In Butte County, Cal Water has two districts, Chico and Oroville.

Cal Water's Chico District was formed in 1926 with the purchase of several water companies serving Chico at that time. In 1962, Hamilton City joined the Chico Cal Water system. Today Cal Water provides quality well water to 100,323 people in the Chico and Hamilton City area through a complex system. Chico uses 100% ground water distributed through 372 miles of pipeline from 68 wells. Eight storage tanks and eight booster pumps combine to supply water to Chico and Hamilton City. Cal Water's state-required Meter Conversion Program is on target with the city of Chico at 65% completed. Chico's average metered monthly residential bill is $34.14.

In 1927, Cal Water began serving the City of Oroville. Currently, 53 miles of pipeline, two storage tanks, four wells, 13 booster pumps and a water treatment plant are needed to serve 10,000 customers. Eighty-three percent of the City of Oroville's water comes from the West Branch of the Feather River and 17% is well water. The City of Oroville is 100% metered. In Oroville, Cal Water's average residential bill is $52.22. Cal Water, Oroville must treat the surface water which results in additional costs.

The source of Cal Water's groundwater in Butte County is the Lower Tuscan Aquifer. Cal Water's quality assurance program includes vigilant monitoring throughout its systems and testing at its state-of-the-art laboratory.

Del Oro Water Company

Del Oro Water Company was established in 1963 to meet the water needs of residents in Magalia. It is privately owned and currently serves over 20,000 consumers in Butte County, through more than 5,000 water connections in the communities of Paradise Pines, Stirling City, Lime Saddle and Magalia.

Del Oro has water rights to 365 acre-feet annually from Lake Almanor via the Hendricks Canal, which empties into Butte Creek. Del Oro has 667 acre-feet annually of Butte County Table A Water that is pumped out of Lake Oroville into the Lime Saddle area. In addition, Del Oro has five wells in Paradise Pines, two in Magalia and three in the Lime Saddle area. The company has five large water storage tanks, intake pumps to transfer water and two treatment plants. The company has emergency water sources for each of the communities it serves through extensive agreements with the Paradise Irrigation District.

Paradise Irrigation District

The Paradise Irrigation District (PID) was formed in 1916 and is governed by a

Board of Directors, elected by the residents of Paradise. The boundaries of the district are the same as the town of Paradise. The PID owns and operates two reservoirs: Paradise Lake and Magalia Reservoir. These reservoirs rely on rainfall to fill them each year. The total combined storage capacity is 12,293 acre-feet. The water is derived from a 12 square mile watershed area. The PID maintains a water treatment facility which is presently sufficient for 100% of the maximum daily demand. There are 10,500 electronic meters, serving a population of approximately 27,000, and 170 miles of pipeline which the district installs and maintains. The PID has 40 employees.

Key issues identified by the district are:

- A drought will severely decrease the amount of water entering the reservoirs, which only have the capacity for a one-year supply. This would place the PID's customers in a dire position.

- There are over 60 miles of steel pipe remaining to be replaced to reduce pipe leakage in the distribution system.

- Storage capacity in the reservoirs needs to be increased.

- Conserving water is a prime message the PID wants to convey to its consumers.

- Other sources of water, for example pumping from Lake Oroville, can be investigated, as well as the potential use of the Miocene Canal.

- PID has system connections with Del Oro Water Company.

The PID manager and board members are aware of the present and long-term potential water problems and are actively searching for solutions.

South Feather Water and Power Agency

The South Feather Water & Power Agency (SFWPA) provides treated surface water to 6,650 customers. The agency provides untreated agricultural water to 557 customers. All domestic customers are metered. A few irrigation customers also have meters, but most customers have the measured water delivered from open canals.

SFWPA was formed in 1919 and is governed by a five-member board elected by landowners within the water agency boundaries. They maintain 141 miles of pipeline, 110 miles of open ditches and canals, two water treatment plants and a solar plant. They also operate the South Feather Power Project (SFPP).

The original name for SFWPA was Oroville Wyandotte Irrigation District (OWID) and was created in November 1919 with 16,800 acres of land. The district was formed by assuming the old water rights from the South Feather Land and Water Company and the Palermo Land and Water Company. In July 1944, OWID initiated plans to sell water for domestic use.

Currently, SFWPA maintains a service area of more than 31,000 acres. SFWPA operates a hydroelectric power project (SFPP), which includes four power plants on the South Fork of the Feather River. The water sources for SFWPA are the following reservoirs: Sly Creek, Lost Creek, Ponderosa, Little Grass Valley, and Miners Ranch. They have a combined storage capacity of 16,577 acre-feet and can generate up to120 megawatts. The power generated is sold exclusively to PG&E. This revenue is used to offset the operating cost and to lower the water rates to customers, the lowest rate in Butte County. The monthly average bill is $23.42.

SFWPA is currently expanding its water treatment plants. SFWPA's water supply is adequate to meet its projected future use. No future water supply projects or programs are planned.

Thermalito Water and Sewer District

Thermalito Water District was established in 1927 when it was purchased from PG&E. In 1977, the district added sewer service yet did not change its name to Thermalito Water and Sewer District (TWSD) until 2005. The service area is the community of Thermalito and the City of Oroville. The district is governed by a five-member board of directors, which is elected by voters within the district limits.

TWSD serves a population of 10,000 with 2,700 connections. The customer base includes residential, commercial and agricultural users. All water delivered goes through the district's water treatment plant. All customers are metered and charged at one rate. The average residential billing is about $45 a month.

The TWSD primary water source is Lake Concow with a capacity of 8,200 acre-feet. The water for delivery to customers is a blend of surface and ground water. The blend is 12.1% to 23% ground water in the winter and 12.4% to 34.1% ground water in the summer. The surface water is drawn from the Thermalito Power Canal. The measured canal water used in one year is replaced from Lake Concow during the following year. The TWSD currently has four operating wells with the provision that any developer who builds more than 15 units must provide an additional well site. The district currently has two storage tanks of 1 million and 2.1 million gallon capacity located near Table Mountain. A third storage tank is planned near the Oroville Airport, which will be supplied by well water.

TWSD feels that its infrastructure and Lake Concow water rights put the district in a good position to survive a drought or a temporary shutdown. TWSD has mutual assistance agreements with Cal Water and South Feather Water and Power District.

Richvale Irrigation District

Richvale Irrigation District is a private corporation that maintains offices in the Butte County Rice Growers Association (BUCRA) facility in Richvale. It has no connection to BUCRA and is owned by landowners. The Richvale Irrigation District's water rights pre-date 1914 and are part of a four-district coalition with Biggs/West Gridley, Butte and Sutter. The district was formed in 1930 with the buyout of the Sutter Butte District. There are 350 Richvale Irrigation owner-members who own 34,000 acres of farmland, mainly rice, and elect a three-member Board of Directors. Each Richvale landowner is entitled to one vote for each acre of land owned. The district owns and maintains 71 miles of open canals and has no pipelines, with an allocation of 149,000 acre-feet of water a year from Lake Oroville.

The sole source of water is the Thermalito Afterbay. The district also has water rights from Cherokee Creek. Although the district maintains no wells, many of the owners have wells and pump water when necessary. When owners use well water, they pay the district for use of the canals to distribute the water. Richvale Irrigation District does not sell any water outside of the district and has no plans to do so**.**

Western Canal Water District

The Western Canal Water District (WCWD) was formed by a vote of the landowners in December 1984 as a non-profit California water district. The district purchased the Western Canal water system from PG&E, which had acquired it from the Great Western Power Company, which had developed the hydroelectric power facilities on the Feather River around 1911. The acquisition included pre-1914 water rights on the Feather River for use by the district. These consist of 150,000 acre-feet of natural flow of the river and 145,000 acre-feet of water stored in the North Fork Feather River Project. The district also has adjudicated rights to a small amount of Butte Creek water.

The district's original diversion was located at the Western Canal Company's dam on the Feather River. The Lake Oroville Complex changed the geography of the area and the supply is now provided by two outlet structures on the Thermalito Afterbay, with a capacity of 1,250 cfs. WCWD is one of the 29 state water contractors that receive water from Lake Oroville.

The district currently encompasses a land area of approximately 67,500 acres, of which 58,167 acres are irrigable. The primary crop is rice, with small amounts of pasture and orchard crops. They serve two wildlife refuges, the Upper Butte Basin Wildlife Area and the Llano Seco Unit. Duck hunting and the leasing of land for a microwave tower are additional revenue sources.

WCWD is the second-largest irrigated agricultural water district in the Sacramento Valley. Two-thirds of the district is in Butte County and the remaining land is in Glenn County. WCWD delivers untreated water to over 120 rate payers at $4 per acre-feet. The district has 10 employees and an annual operations budget of $1.3 million.

Each year, on average, WCWD and the Joint Water Districts (Richvale Irrigation District, Biggs/West Gridley Water District, and Butte Water District) import 610,000 acre-feet of Feather River water into Butte Basin. This inflow of surface water provides a significant positive effect on keeping high groundwater levels within the basin. Conjunctive use has been practiced during several drought years to assist the State Water Bank. WCWD has developed a Groundwater Management Plan, which provides for conjunctive use in a responsible and safe manner.

The Tuscan Aquifer

The Tuscan Aquifer is an extensive water-bearing formation located in parts of Butte, Glenn, Tehama, Sutter and Colusa Counties, comprising approximately 4,900 square miles. The aquifer's boundaries range from Red Bluff in the north, to the Sutter Buttes in the south, east to the foothills and west into Glenn County.

The California Department of Water Resources (DWR) estimates the Tuscan Aquifer holds approximately 30 million acre-feet, or about nine times the capacity of Lake Oroville. The Tuscan Aquifer is a complex geologic formation. Recent studies indicate the geologic makeup of the Tuscan Aquifer changes over its geographical area. The northern portion of the aquifer is composed primarily of materials called "lahars," a type of mudflow having a mix of rocky debris and water that flows down from a volcano. Some lahar materials are like concrete in their consistency and are likely to limit the ability of water to move through it. In the southern portion of the aquifer, furthest from the volcanic source of the material, the lahar has been changed and reworked by streams, resulting in deposits of sands and gravels. Understanding how the Tuscan Aquifer recharges is an important factor in understanding aquifer dynamics (changes in storage and how water moves into and through the system).

Prior to 2012, it was thought that significant recharge of the Lower Tuscan Aquifer (LTA) occurs from creeks that pass over outcrops of the Lower Tuscan Formation. However, results of Butte County's LTA Project, which included completion of dual ring infiltrometer tests, stream gauging, temperature gradient and water chemistry analysis (i.e., isotope and chemical constituents) indicate that the stretch of these creeks crossing over the outcrops provides little recharge. Data suggest that water recharged to the LTA comes from rainfall over broad areas in the low foothills and valley at or below 2,500 feet elevation. Therefore, light rainfall years limit the amount of recharge to the aquifer. The data from the LTA Project indicate that previously held theories of the Tuscan Aquifer's characteristics may not be valid or at least need to be refined. The complexity of the Tuscan Aquifer requires additional research to continue to expand our understanding of storage and recharge processes.

Butte County will complete its report on the LTA from the Tuscan Aquifer Project by June 2013. Butte County needs to know more about how the Tuscan Aquifer recharges, its relationship to surface water, interconnectedness with different aquifer layers and how additional groundwater demand may affect the basin. Groundwater level data show that in some portions of the LTA, the groundwater elevation has dropped 13 or more feet over the last 20 years in Butte County. The Tuscan Aquifer is one of Butte County's vital resources and needs to be protected from out-of-county interests.

Butte County Toxic Aquifer Plumes

Toxic plumes are areas of measurable quantities of volatile organic compounds (VOC). These contaminants move from their surface source into the aquifer and spread in a widening area, often in the shape of a feather. There are eight toxic plumes in Butte County, all in the Chico area (see included map). The northernmost plume is near the Chico airport and the southernmost is near Hegan Lane and the Midway. Nitrates were the first contaminants detected in the groundwater in 1979. Controlling and treating the plumes is the responsibility of the California Department of Toxic Substance Control (DTSC).

The most serious plume problem, the Number Four Central Plume, starts near Mangrove and Vallombrosa avenues. It runs down to Highway 32, past the California State University, Chico campus. The DTSC has been monitoring and working with this plume since 1986. There are five "pump-and-treat" wells near Chico Junior High School that are used to treat this water. The DTSC has removed in excess of 1,300 pounds of perchloroethylene (PCE) from the aquifer.

Some of the plumes, including the Number Four Central Plume, were the result of dry cleaners that improperly disposed of hazardous materials, including PCE, trichloroethylene (TCE), dichloroethylene (DCE) and pentachlorophenol (PCP), all of which are carcinogenic. PCEs and TCEs are heavier than water and have been found 300-400 feet deep in the aquifer.

Conjunctive Use

Conjunctive use is the combined use of groundwater and surface water to manage water supply reliability. Some water districts practice conjunctive use in their normal operations by blending surface and groundwater in their water treatment plants. This reduces costs.

In November 1996, Butte County voters approved the Groundwater Conservation Ordinance (Chapter 33 of the Butte County Code) which provided groundwater conservation through local regulation of water transfers that move water outside of the county and have a groundwater component. A permit is now required both for the exportation of groundwater outside the county and for groundwater pumping as a substitute for surface water exported outside the county. No permits have been requested since the ordinance was enacted.

Butte County Department of Water and Resource Conservation

“To manage and conserve water and other resources for the citizens of Butte County” is the mission statement of the Butte County Department of Water and Resource Conservation. The department, consisting of four employees, is an effective entity in monitoring, researching, managing, providing community education and coordinating with all water agencies. The department’s staff and its public resources have given invaluable assistance and information, both basic and technical, to the Grand Jury.

In 1996, in order to implement Chapter 33, Butte County established the Water Division in the Butte County Department of Agriculture. In 1999, the division became the Department of Water and Resource Conservation with expanded responsibilities and focus:

- The department continued the protection and management of Butte County’s water resources by implementing, under Chapter 33, a permit process for:

  1) the transfer of surface water outside of the county to be replaced by well water

  2) the sale of groundwater outside of the county

  No permit has been requested to this date. They also implemented, in 2005, the Butte County Groundwater Management Plan. In conjunction with the Board of Supervisors, a Water Resource Element, and other policy goals to sustain groundwater and other natural resources, was included as part of the Butte County General Plan 2030.

- Butte County Board of Supervisors and the department support existing Area of Origin water rights, the water right priority system and the authority to make water management decisions locally to meet the county’s current and future needs.

- The department considers that monitoring and conserving water resources must be based on factual, scientific information. It tracks groundwater conditions by monitoring over 100 wells four times a year. Water from key wells is analyzed to detect saline intrusion or other chemistry changes.

- The department is involved in continuing scientific investigations that are necessary to improve the understanding of our complex water resources and to assure sustainability. The department supports local water supply projects through participation and research. Much of this work has been funded with more than $9 million received in grants. The department is completing the research project on the Lower Tuscan Aquifer funded by a research grant under Proposition 58.

- As an element of the Basic Management Objectives Program, the department provides an evaluation of groundwater conditions in specific areas. The Technical Advisory Committee reviews the groundwater data and provides recommendations for improvements on an annual basis.

- The department is charged with the management of the Butte County Table A allocation. The goal is to fully utilize the Table A allocation to meet Butte County's needs and attain fiscal sustainability. This includes a study with Cal Water on the feasibility of making Table A Water available to Chico and Durham.

- The department makes accessible data and information on Butte County's water resources through its website (www.bcwater@buttecounty.net) and its monthly *Water Solutions* newsletter.

- The department actively supports regional coordination of water resources and advocates for the county's water resource interests.

- The department was an organizing member and is active in the leadership of the Northern Sacramento Valley Integrated Regional Water Management Plan (NSVIRWMP). The NSVIRWMP is made up of six counties: Butte, Tehama, Glenn, Colusa, Sutter and Shasta. The plan coordinates water use and works toward common goals and objectives, including protecting the county's Area of Origin water rights.

In January 2013, the Butte County Board of Supervisors funded the Water Inventory Analysis project. The purpose is to get updated information to enable improved budgeting of water resources, taking into account changing conditions due to drought and climate change.

Like the water that the department protects, the Butte County Department of Water and Resource Conservation is a valuable resource for this county. Many of their projects and plans for protection and conservation of local water control have been models for the rest of California.

CONCLUSION

The Grand Jury was interested in learning about the management and stewardship of Butte County water. Our conclusion is that the Butte County water districts, agencies and county departments that we reviewed are doing an efficient job managing water distribution. There are future potential problems in water supply that need to be brought to the attention of the county's residents. Lack of storage capacity, the decline of the Tuscan Aquifer elevation and increased demand from out-of-county interests may jeopardize our water resources.

Protecting our historical Area of Origin water rights is critical to preserve our quality of life in Butte County. Counties in the north state need to maintain close communication and cooperation to protect our water rights. Our elected officials need to keep the citizens apprised of any impending legislation that would jeopardize Butte County water. The print media and various conservation groups are to be commended for bringing water issues to the public's attention. The public needs to become informed on water developments and be willing to express themselves publicly to protect our Area of Origin water rights.

FINDINGS

F1 The water resources of Butte County continue to be the focus of an ever increasing demand statewide.

F2 The water districts in Butte County each service the needs of their area with the resources they have available.

F3 Butte County currently has the option of using or leasing its Table A water which currently provides a revenue source to the county general fund.

F4 City of Chico is 100% reliant on the Tuscan Aquifer for its water.

F5 In Butte County, the Lower Tuscan Aquifer groundwater elevation has dropped 13 feet or more over the last 20 years.

F6 A report on the Lower Tuscan Aquifer is scheduled to be completed in June 2013 by the Butte County Department of Water and Resource Conservation.

F7 Del Oro Water Company and Paradise Irrigation District have mutual assistance agreements for emergency water distribution to their customers.

F8 Paradise Irrigation District faces future demand and distribution challenges due to limited storage capacity.

F9 Thermalito Water and Sewer District has mutual assistance agreements with Cal Water, Oroville and South Feather Water and Power Agency.

F10 There are eight remaining toxic plumes in Chico that are still being monitored and mitigated.

F11 The Department of Toxic Substance Control and Cal Water have been thorough and vigilant in locating, controlling and cleaning the contaminated plumes in Chico.

F12 The Butte County Department of Water and Resource Conservation has not received any required permit requests for groundwater pumping as a substitute for surface water exported and sold outside the county.

F13 The Butte County Department of Water and Resource Conservation has provided superior leadership in the county and the region on critical water issues.

F14 The Butte County Department of Water and Resource Conservation study of the Tuscan Aquifer may yield a future strategy to halt the decline of the aquifer.

F15 The Butte County Department of Water and Resource Conservation has been critical in supporting this Grand Jury investigation.

RECOMMENDATIONS

R1 The Paradise Irrigation District needs to continue to protect and increase its water storage.

R2 The Butte County Department of Water and Resource Conservation needs to work closely with DWR to protect county Area of Origin water rights.

R3 The Butte County Department of Water and Resource Conservation needs to explore strategies to fully utilize the Table A Water allocations for the benefit of Butte County.

R4 The Butte County Department of Water and Resource Conservation should continue to study the Tuscan Aquifer and keep the public informed of the findings.

REQUEST FOR RESPONSES

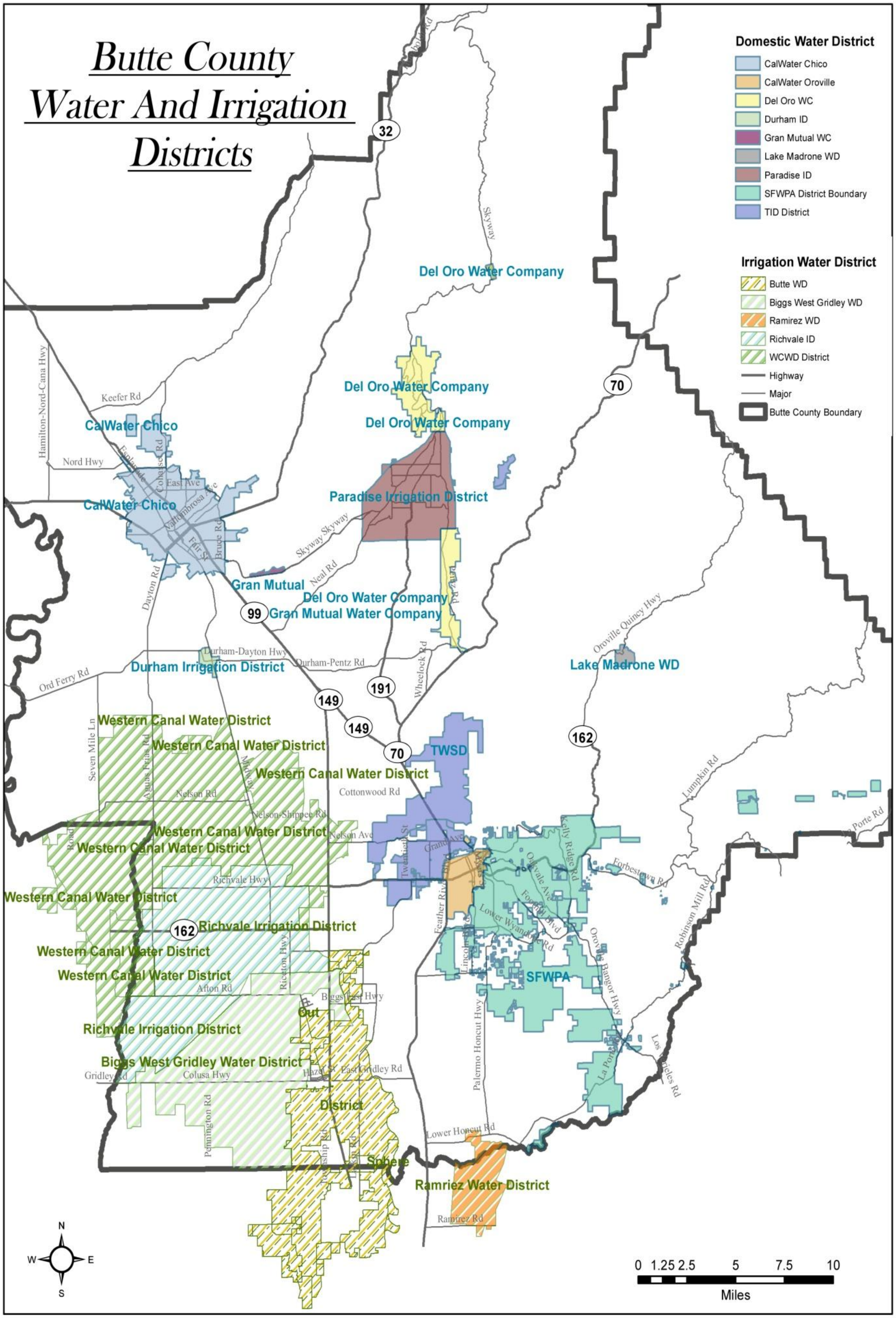
Pursuant to Penal Code sections 933 and 933.05 the Grand Jury requests responses to the recommendations as follows:

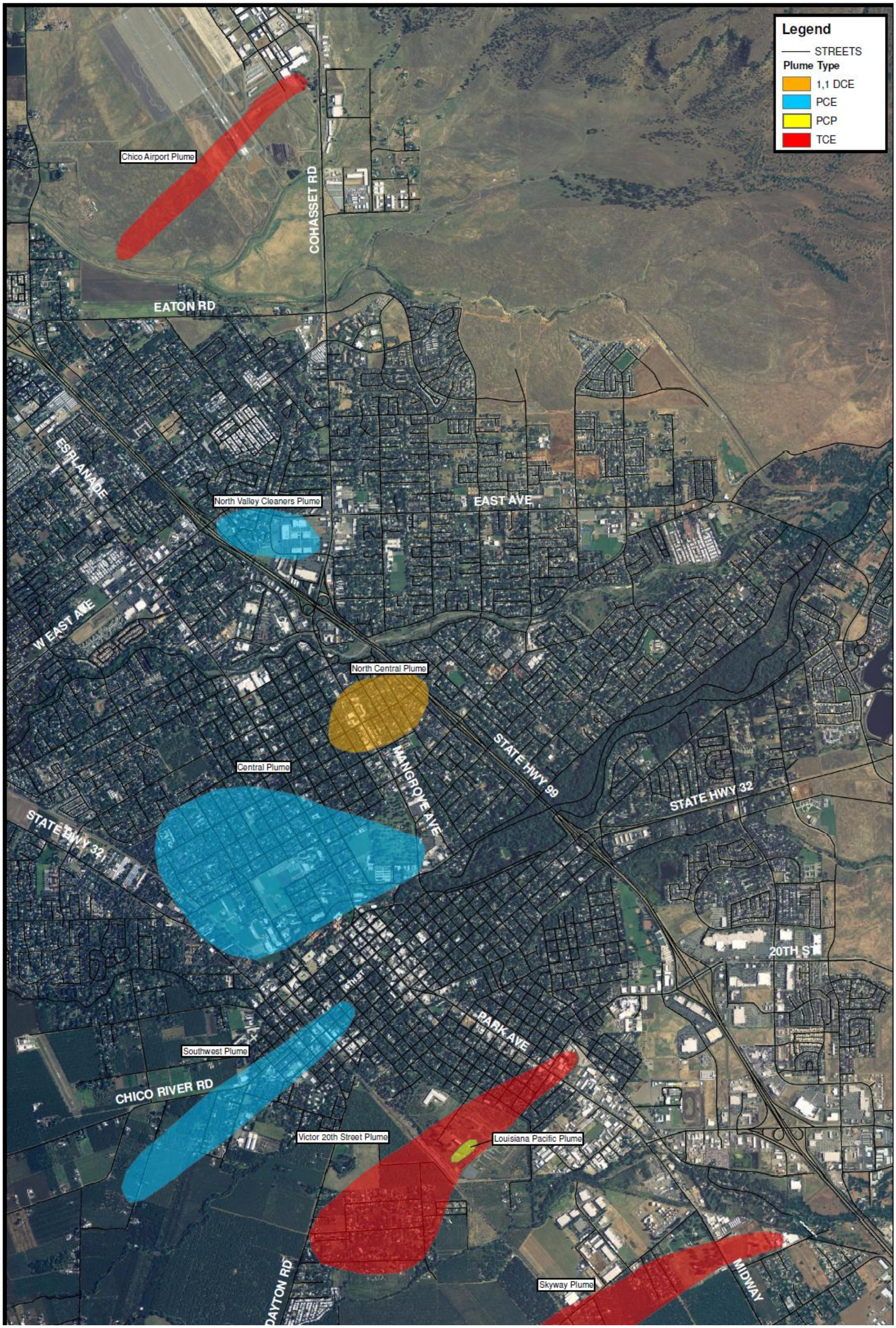
- Paradise Irrigation District Board of Directors
    - A response to Findings F7 and F8 and Recommendation R1

- Butte County Board of Supervisors
    - A response to Finding F3 and Recommendations R2 through R4

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury do not contain the name of any person of facts leading to the identity of any person who provides information to the Civil Grand Jury.


Butte County
Water And Irrigation
Districts
Domestic Water District
CalWater Chico
CalWater Oroville
Del Oro WC
Durham ID
Gran Mutual WC
Lake Madrone WD
Paradise ID
SFWPA District Boundary
TID District
Irrigation Water District
Butte WD
Biggs West Gridley WD
Ramirez WD
Richvale ID
WCWD District
Highway
Major
Butte County Boundary
32
70
99
149
162
191
Del Oro Water Company
CalWater Chico
Paradise Irrigation District
Gran Mutual
Gran Mutual Water Company
Durham Irrigation District
Lake Madrone WD
TWSD
SFWPA
Western Canal Water District
Richvale Irrigation District
Biggs West Gridley Water District
Out
District
Sphere
Ramriez Water District
Skyway
Keefer Rd
Hamilton-Nord-Cana Hwy
Nord Hwy
East Ave
Cohasset Rd
Esplanade
Vallombrosa Ave
Bruce Rd
Fair St
Dayton Rd
Neal Rd
Durham-Dayton Hwy
Durham-Pentz Rd
Ord Ferry Rd
Wheelock Rd
Oroville Quincy Hwy
Seven Mile Ln
Nelson Rd
Cottonwood Rd
Nelson-Shippee Rd
Nelson Ave
Richvale Hwy
Afton Rd
Biggs East Hwy
Gridley Rd
Colusa Hwy
East Gridley Rd
Pennington Rd
Lower Honcut Rd
Ramirez Rd
Palermo Honcut Hwy
Lower Wyandotte Rd
Oroville Bangor Hwy
Kelly Ridge Rd
Forbestown Rd
Lumpkin Rd
Robinson Mill Rd
La Porte Rd
Los Angeles Rd
N
W
E
S
0 1.25 2.5 5 7.5 10
Miles



RCMAPS\Chico_plumes